
CONSTANCE
HOTELS, RESORTS & GOLF
ANNUAL REPORT | 2018

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of Constance Hotels Services Limited (CHSL) for the year ended 31 December 2018. This report was approved by the Board on 29 March 2019.

George J. Dumbell
Chairman

Jean Ribet
Director
Constance 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 (CHRG) is a renowned operator in the Indian Ocean, recognised for its excellence in luxury hospitality and golf management, and benefitting from a wide network of partners across the world.

Through the management company, Constance Hospitality Management Ltd (CHML), 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 aims to drive growth for its stakeholders by leveraging the value of its corporate brand and by enhancing its presence in destinations where it currently operates as well as new territories. Our ambition is to enlarge our management portfolio, whilst keeping the family spirit, know-how and professionalism that has made our reputation.

Our New Brand Architecture

Under the Constance Hotels, Resorts & Golf corporate brand, our brand architecture structures our activities into three main offerings, under three distinctive brands:

1. Constance Hotels & Resorts: Our current luxury offering enjoys a strong reputation built over the years. This brand stands for simple, natural and friendly luxury. With five island destinations in the Indian Ocean, Constance Hotels & Resorts is a major hotel brand for luxurious-resort holidays.
2. C Resorts: A contemporary lifestyle brand created to tap into the upper-upscale market segment and to enable new business opportunities. C Resorts aims to bring hotels to life with exciting guest experiences, fresh and friendly service, and stylish design around a strong brand concept, 'Nature's Playground'.
3. Constance Golf: Our golf brand defines luxury golf experiences.

CONSTANCE
HOTELS & RESORTS

CONSTANCE
PRINCE MAURICE
MAURITIUS

CONSTANCE
LEMURIA
PRASLIN, SEYCHELLES

CONSTANCE
HALAVELI
MALDIVES

CONSTANCE
AIYANA
PEMBA, ZANZIBAR

CONSTANCE
HOTELS, RESORTS & GOLF

CONSTANCE
HOSPITALITY MANAGEMENT

CONSTANCE GOLF

resorts

CONSTANCE
BELLE MARE PLAGE
MAURITIUS

CONSTANCE GOLF
LEGEND
MAURITIUS

Mauritius

CONSTANCE
EPHELIA
MAHÉ, SEYCHELLES

CONSTANCE GOLF
LINKS
MAURITIUS

CONSTANCE
MOOFUSHI
MALDIVES

CONSTANCE GOLF
LEMURIA
PRASLIN, SEYCHELLES

CONSTANCE
TSARABANJINA
MADAGASCAR

OUR GEOGRAPHICAL PRESENCE

5 DESTINATIONS

Sales & Marketing Office and
General Sales Agent Representation

Destination

2018 IN NUMBERS

MUR 6,381M
Combined Revenue of Hotels under Management

9
Hotels

3
Championship Golf Courses

1,088
Rooms

3,227
Team Members

96.7k
Guests Welcomed

18.7k
Repeat Guests

88.7%
Overall Guest Satisfaction Score

51
Awards Accolades

101k
Followers on Instagram

605k
Engagements on Instagram

327k
Page Likes on Facebook

74K
Engagements on Facebook

41.8
Average Training Hours per Team Member

16%
Reduction in Carbon Emissions

14
NGOs Supported

245
Direct Beneficiaries of CSR Projects

KEY ACHIEVEMENTS IN 2018

GREEN GLOBE GOLD CERTIFICATE

Six of the properties of Constance Hotels, Resorts & Golf (CHRG) were awarded the Green Globe Certificate for the 5th consecutive year, thus making CHRG the 1st hospitality group in Mauritius to be remitted a Green Globe Gold Certificate.

Green Globe in an internationally-recognised standard and certification programme which promotes sustainable tourism.

THE INDIAN OCEAN SWING

The very first edition of the Indian Ocean Swing, which is positioned as a major golf tournament in the Indian Ocean, took place in December 2018 on the championship golf courses of Constance Hotels in Belle Mare and Praslin, Seychelles. The Staysure Tour was consequently played across two events in consecutive weeks.

The first stage took place at Constance Belle Mare Plage in Mauritius from 07 to 09 December, and the new second stage tournament on the Constance Lemuria golf course in the Seychelles, from 14 to 16 December.

Englishman Roger Chapman won this inaugural Indian Ocean Swing.

IT GOVERNANCE AND DATA PROTECTION

In 2018, CHRG strengthened its Information Technology (IT) Governance and Data Protection capabilities.

The Board set up the IT Governance Steering Committee. The objective of this Committee is to ensure that the IT function is aligned with the Group's business needs and to enhance the IT governance framework across the Group.

Moreover, CHRG carried out a number of initiatives to secure the data privacy of its guests and comply with the EU General Data Protection Regulation (GDPR). In this connection, awareness and training programmes were conducted for front-line and IT employees in order to continuously uphold our privacy policies and safeguard our information assets.

13TH EDITION OF THE FESTIVAL CULINAIRE BERNARD LOISEAU

Since 2006, CHRG has been orchestrating a one-week Culinary Festival with the Relais Bernard Loiseau and his Chef Patrick Bertron. The main competition is a culinary contest which associates six starred Chefs – all holders of one star in the Michelin guide – with six Chefs from CHRG.

The main objective of the Festival is to foster exchange of experience and knowledge among the participating professionals, and to gather men and women from diverse horizons.

The 13th edition took place from 17 to 24 March 2018 and saw the victory of the duo comprising the Michelin-starred Chef Michael Reis (Germany) and Arshil Soopun from Constance Ephelia, Seychelles.

OUR HOTELS PORTFOLIO

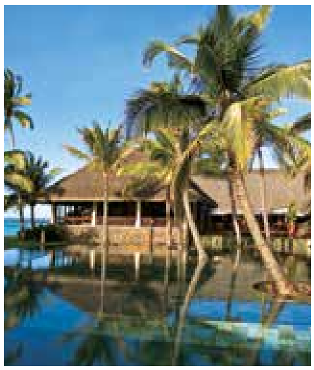
HOTELS	**9**
MAURITIUS	**3**
SEYCHELLES	**2**
MALDIVES	**2**
MADAGASCAR	**1**
PEMBA-ZANZIBAR	**1**

CONSTANCE PRINCE MAURICE MAURITIUS 5 PLUS

- 89 suites and villas
- 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
- 7 restaurants
- 6 bars
- 2 championship golf courses (Legend & Links)
- 4 swimming pools
- U Spa by Constance with 10 treatment rooms
- Constance Kids Club



C Mauritius 4 DELUXE

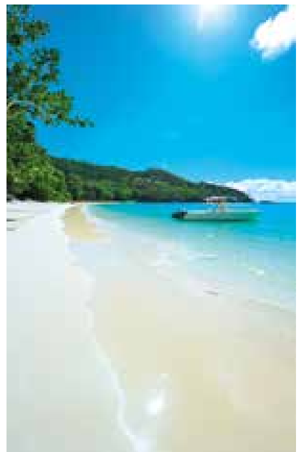
- 52 rooms
- 2 restaurants
- 1 bar and a wine cellar
- 2 pools
- *Extension planned for 2019*


CONSTANCE LEMURIA
PRASLIN, SEYCHELLES
5 PLUS

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

CONSTANCE HALAVELI
MALDIVES
5 PLUS

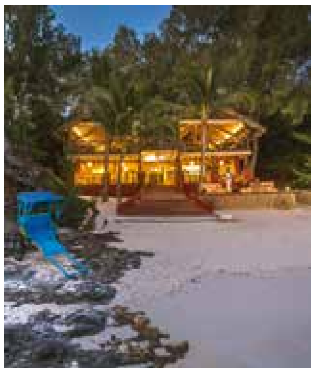
- 86 suites and villas each with their private pool
- 4 restaurants
- 2 bars and 1 wine cellar
- 1 swimming pool
- U Spa by Constance with 8 treatment rooms, 1 Thai treatment room and Valmont products
- Constance Kids Club

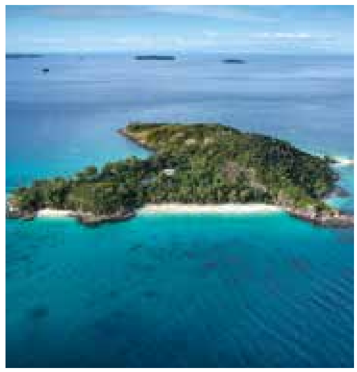
CONSTANCE MOOFUSHI 5★
MALDIVES

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

CONSTANCE TSARABANJINA 5★
MADAGASCAR

- 25 villas
- 1 restaurant
- 1 bar
- 3 white sandy beaches
- Spa





CONSTANCE AIYANA 5★ PLUS
PEMBA, ZANZIBAR

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

2018 AWARDS & ACCOLADES

The quality standards of Constance Hotels, Resorts & Golf are widely recognised, as reflected through the numerous awards received in 2018.

CONSTANCE PRINCE MAURICE
MAURITIUS

World of Fine Wine Awards
Best regional wine list in the Middle East & Africa
Best by-the-glass wine list with Coravin in Middle East & Africa

Wine Spectator Awards 2018
Archipel Restaurant

2018 Trip Advisor Travellers' Choice Awards
6th among Top 25 Hotels in Africa
24th among Top 25 Hotels for Romance in Africa
8th among Top 25 Luxury Hotels in Africa
12th among Top 25 Hotels for Service in Africa
3rd among Top 10 Hotels in Mauritius
5th among Top 10 Hotels for Romance in Mauritius
2nd among Top 10 Luxury Hotels in Mauritius
2nd among top 10 Hotels for Service in Mauritius

World Luxury Hotel Awards
Luxury Hotel Best Scenic Environment/Worldwide
Best General Manager/Worldwide

World Travel Awards
Indian Ocean's Leading Culinary Hotel 2018
Indian Ocean's Leading Luxury Resort 2018
Mauritius' Leading Resort 2018

CONSTANCE BELLE MARE PLAGE
MAURITIUS

Wine Spectator Awards 2018
Blue Penny Cellar

World Luxury Hotel Awards
Luxury Golf Resort/Worldwide

World Travel Awards
Mauritius' Leading Family Resort 2018
Mauritius' Leading Green Resort 2018

CONSTANCE HALAVELI
MALDIVES

World of Fine Wine Awards
Best by-the-glass wine list with Coravin in Asia

Wine Spectator Awards 2018
Jing Restaurant

2018 Trip Advisor Travellers' Choice Awards
10th among Top 10 Luxury Hotels in the Maldives
7th among Top 10 Hotels for Service in the Maldives
5th Among Top 10 Hotels for Romance in the Maldives

World Luxury Hotel Awards
Luxury Water Villa Resort/Worldwide

51 Awards & Accolades

CONSTANCE MOOFUSHI
MALDIVES

Wine Spectator Awards 2018
Alizée Restaurant

2018 Trip Advisor Travellers' Choice Awards
7th among Top 25 Hotels for Romance in Asia
7th among Top 10 Hotels in the Maldives
9th among Top 10 Hotels Luxury Hotels in the Maldives
8th among Top 10 Hotels for Service in the Maldives
3rd among Top 10 Hotels for Romance in the Maldives

World Luxury Hotel Awards
Luxury Eco Resort/Continent
Luxury Honeymoon Resort/Continent

World Travel Awards
Indian Ocean's Leading Dive Resort 2018

CONSTANCE LEMURIA
SEYCHELLES

Wine Spectator Awards 2018
Diva Restaurant

World Luxury Hotel Awards
Luxury Golf Resort/Continent

World Travel Awards
Seychelles' Leading Hotel 2018

CONSTANCE EPHELIA
SEYCHELLES

Wine Spectator Awards 2018
Cyann Restaurant

World Luxury Hotel Awards
Luxury Eco/Green Hotel/Continent
Luxury Family Resort/Continent

World Travel Awards
Indian Ocean's Leading Green Resort 2018
Seychelles' Leading Family Resort 2018

CONSTANCE TSARABANJINA
MADAGASCAR

2018 Trip Advisor Travellers' Choice Awards
20th among Top 25 Hotels for Romance in Africa
24th among top 25 Small Hotels in Africa
1st among Top 10 Small Hotels in Madagascar
1st among Top 10 Hotels for Service in Madagascar
1st among Top 10 Hotels for Romance in Madagascar

World Luxury Hotel Awards
Luxury Private Island Resort/Worldwide

World Travel Awards
Indian Ocean's Leading Private Island Resort 2018

CONSTANCE AIYANA
PEMBA-ZANZIBAR

2018 Trip Advisor Travellers' Choice Awards
1st among Top 10 Hotels B&B in Tanzania

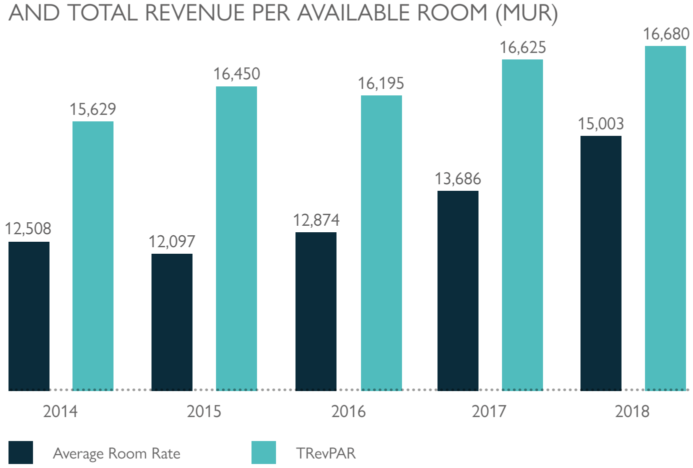
KEY PERFORMANCE INDICATORS

HOTELS UNDER MANAGEMENT

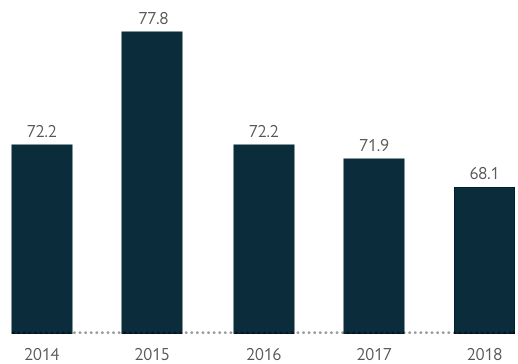
2018

Average Room Rate	Occupancy	TRevPAR
(MUR) 15,003	68.1%	(MUR) 16,680
+9.6%	-3.8 Percentage Points	+0.3%

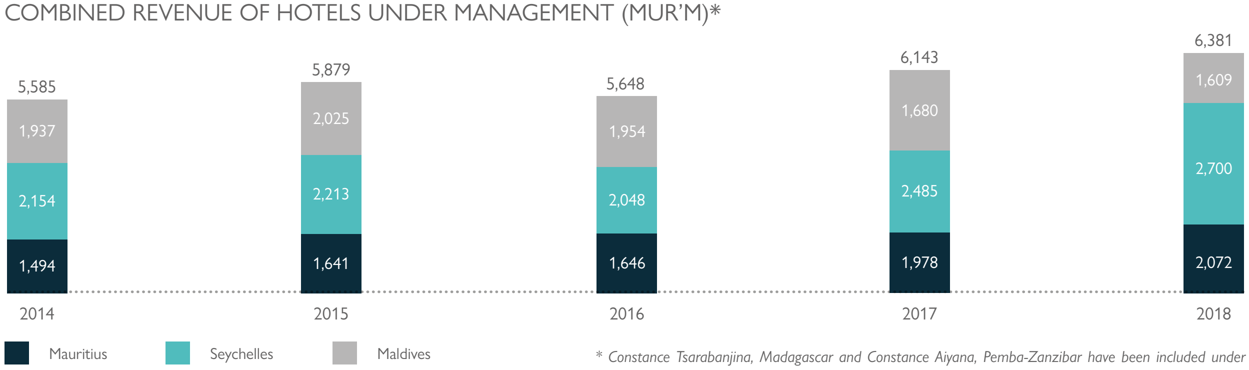
AVERAGE ROOM RATE
AND TOTAL REVENUE PER AVAILABLE ROOM (MUR)



OCCUPANCY RATE (%)



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



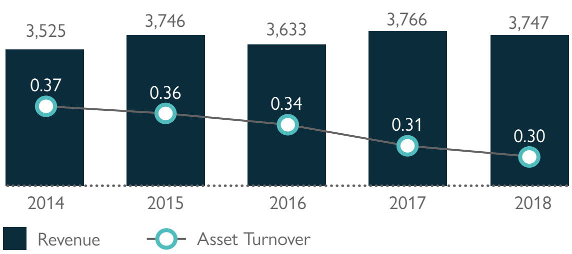
** Constance Tsarabanjina, Madagascar and Constance Aiyana, Pemba-Zanzibar have been included under Mauritius for practical reason.*

GROUP FINANCIAL INDICATORS

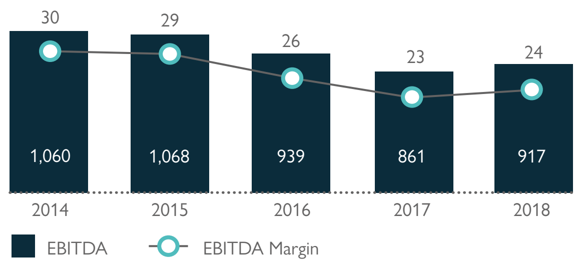
2018

REVENUE	EBITDA	EPS
MUR 3,747M	MUR 917M	MUR 1.82

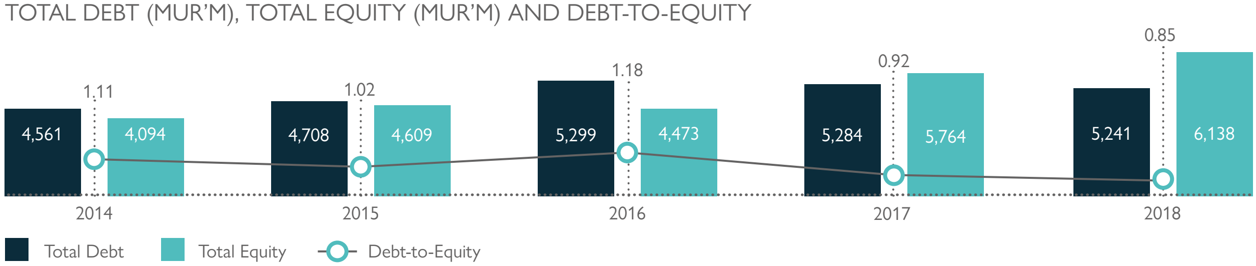
REVENUE (MUR'M) AND ASSET TURNOVER



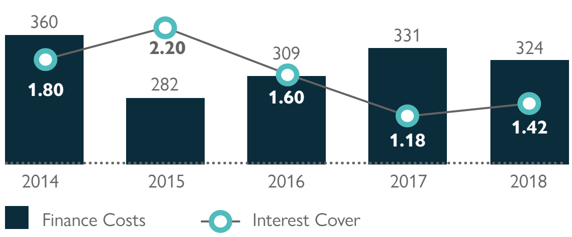
EBITDA (MUR'M) AND EBITDA MARGIN (%)



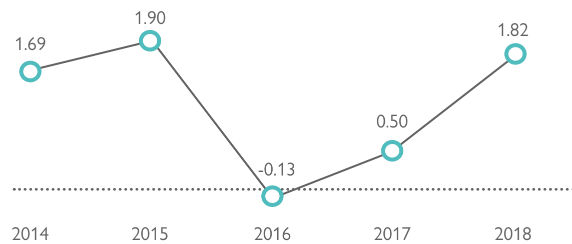
TOTAL DEBT (MUR'M), TOTAL EQUITY (MUR'M) AND DEBT-TO-EQUITY



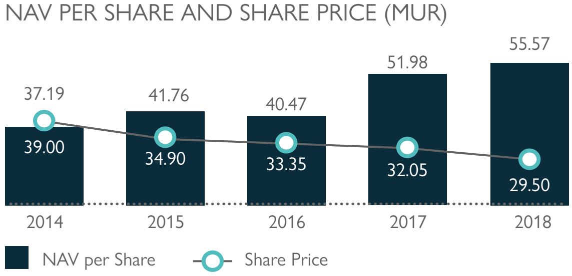
FINANCE COSTS (MUR'M) AND INTEREST COVER



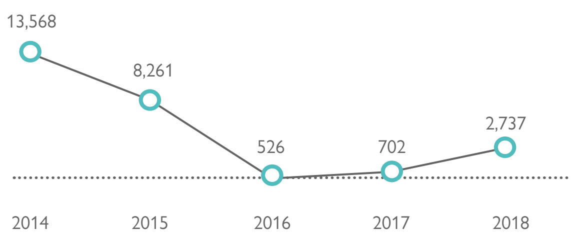
EARNINGS/(LOSS) PER SHARE (MUR)



NAV PER SHARE AND SHARE PRICE (MUR)



VOLUME OF SHARES TRADED ('000)



GROUP FINANCIAL HIGHLIGHTS

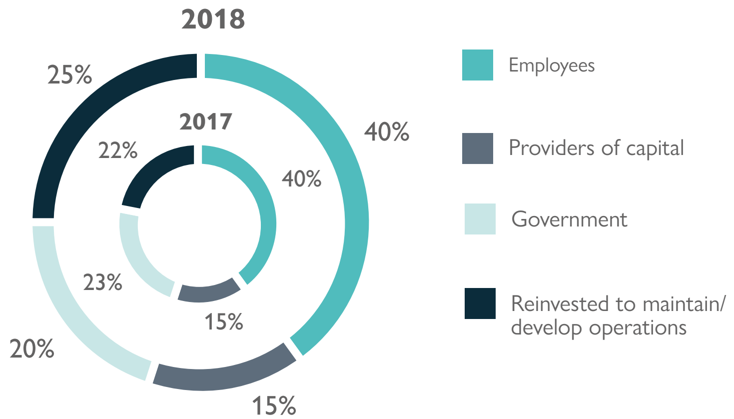
STATEMENT OF FINANCIAL POSITION	2018 MUR'M	2017 MUR'M
Total assets	**12,451**	12,176
Borrowings	**5,241**	5,284
Owners' interest	**6,093**	5,699
Total equity	**6,138**	5,764

STATEMENT OF CASH FLOW	2018 MUR'M	2017 MUR'M
Net cash generated from operating activities	**318**	444
Net cash used in investing activities	**(165)**	(411)
Net cash (used in)/generated from financing activities	**(182)**	3

STATEMENT OF PROFIT OR LOSS	2018 MUR'M	2017 MUR'M
Revenue	**3,747**	3,766
EBITDA	**917**	861
Operating profit	**460**	392
Finance cost	**(324)**	(331)
Profit before taxation	**242**	133
Profit for the year	**214**	74
Profit attributable to owners of the parent	**199**	55

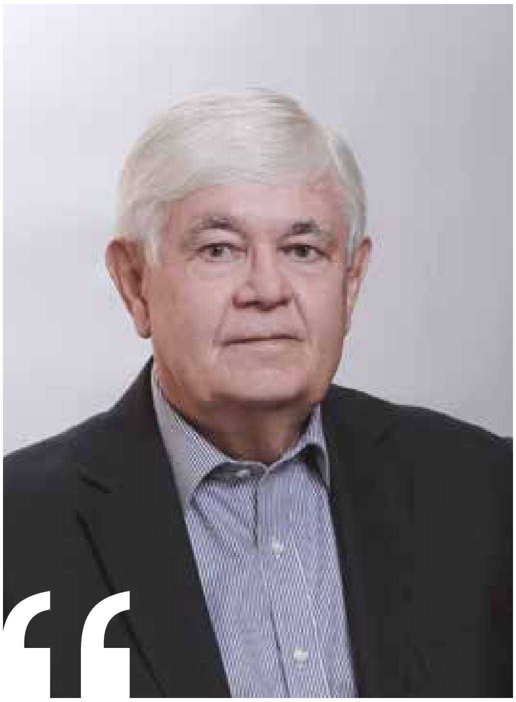
FINANCIAL RATIOS		2018	2017
NAV per share	MUR	**55.57**	51.98
Debt to equity ratio		**0.85**	0.92
Operating margin	%	**12.27**	10.40
Return on total equity	%	**3.49**	1.29
Interest cover ratio		**1.42**	1.18
Earnings per share	MUR	**1.82**	0.50
Dividend per share	MUR	**0.50**	0.25

VALUE ADDED STATEMENT



	2018 MUR'000	%	2017 MUR'000	%
Revenue	**3,747,479**		3,766,189	
Value added tax/Goods and services tax	**374,759**		382,246	
Total Revenue	**4,122,238**		**4,148,435**	
Payment to suppliers for materials and services	**(1,740,674)**		(1,822,990)	
Value added by operations	**2,381,564**		2,325,445	
Other income/(charges)	**69,068**		(4,522)	
Total Wealth Created	**2,450,632**	**100%**	**2,320,923**	**100%**
Distributed As Follows:				
Employees				
Salaries and wages	**968,443**		929,841	
	968,443	**40%**	**929,841**	**40%**
Government				
Value added tax/Goods and services tax	**374,759**		382,246	
Environment fees	**16,195**		15,975	
Corporate tax	**28,598**		58,892	
Licences, land leases and other local tax	**50,502**		51,015	
Social security charges	**31,372**		27,066	
	501,426	**20%**	**535,194**	**23%**
Reinvested to Maintain/Develop Operations				
Depreciation and amortisation	**457,155**		469,665	
Retained earnings	**144,487**		27,368	
	601,642	**25%**	**497,033**	**22%**
Providers of Capital				
Dividend to shareholders	**54,827**	2%	27,413	1%
Interest on borrowings	**324,294**	13%	331,442	14%
	379,121	**15%**	**358,855**	**15%**
Total Wealth Distributed	**2,450,632**	**100%**	**2,320,923**	**100%**

Chairman's STATEMENT



"After five years of steady growth, we have managed to consolidate all our properties as leaders in their respective segment."

George J. **DUMBELL**
Chairman

Dear Shareholder,

I am pleased to report that 2018 was a satisfactory year for your Company, driven by the continuing increase in tourist arrivals, in the principal jurisdictions in which it operates, and the strength and breadth of its portfolio of hotels, which are focussed on providing the highest standards of product and service offerings. This was duly recognised by the numerous national and international awards and accolades received by our individual hotels during the year; not least of which, was Constance Prince Maurice, being in the top 25 best hotels in the world and 1st in Africa, and three of our other hotels being within the top 25 best hotels in Africa; in the Trip Advisor - Travellers' Choice Awards, announced in early 2019.

Your Company

Our pricing strategy during 2018 for all hotels under our management, was overall beneficial, with improvements achieved in RevPar, TRevPar and EBITDA, notwithstanding a slight blip in occupancy. Your Company's revenue at MUR 3.7 billion was in line with the previous year. Operating and Financial costs were well contained, resulting in a Net Profit attributable to shareholders of MUR 214 million, up 187%, after accounting for an enhanced share of results of Associates, pre-opening expenses and taxation. Earnings per share improved by MUR 1.32 as did Net Asset Value per share by MUR 3.59. The share price closed this year at MUR 29.50 compared to MUR 32.05 in 2017. Total wealth created by your Company was MUR 2.5 billion, a 5.6% increase on 2017.

Growing with purpose

It has been an active year in regard to our ongoing strategic programme:

- The transition of the organisation into two separate activities was completed with the segregation of the Management Company from the Hotel Operations. This new structure will enable us to realise more of the intrinsic value of our properties as well as deploy our brands further afield.

- In this same line, construction of the Company's new purpose-built Headquarters at Constance is nearing completion and will be ready for occupation during second quarter 2019. This relocation should help improve productivity at all levels.
- After five years of steady growth, we have managed to consolidate all our properties as leaders in their respective segment.
- Many leads for new Management Contracts were pursued throughout the year.
- During the year BMH Ltd took a controlling stake of 69.07% in Hotelest Limited, the holding company of Constance Hotels Services Limited.

Responsible Business

We have re-affirmed your Company's commitment to pursue and enhance its sustainability strategy; not only through the application of good Corporate Governance and best practices but, also, through the evolvement of our operations within well balanced, economic, social and environmental norms. In the former regard, we implemented the new National Code of Corporate Governance across all our businesses; as a testimony to the latter, your Company was awarded the Green Globe Certificate – Gold Award, the world's most recognised global certification for sustainable travel and tourism.

Dividend

The financial results for the year and confidence in your Company's future prospects have enabled your Board to recommend a dividend of MUR 0.50 per share for the year 2018, which was paid on 20 February 2019.

Outlook

We believe that our business is in good shape, with good opportunities ahead. However, we cannot afford any complacency in this very competitive industry; added to which, is the apparent start of a global economic slowdown and the significant political and economic incertitudes facing our main source markets.

Some of your Company's principal objectives for 2019 are:

- Launch its new luxury life-style brand, C Resorts.
- Continue to globalise its brands' awareness and value through expansion into new jurisdictions.
- Enhance Guest Loyalty through more personalised programmes.
- Undertake refurbishments at Constance Moofushi and Constance Belle Mare Plage, and prepare that of Constance Halaveli and Constance Tsarabanjina for 2020.

CHAIRMAN'S STATEMENT (CONTINUED)

"We have re-affirmed your Company's commitment to pursue and enhance its sustainability strategy; not only through the application of good Corporate Governance and best practices but, also, through the evolvement of our operations within well balanced, economic, social and environmental norms."

We experienced a mixed first quarter 2019 with the geo-political and economic uncertainties facing our principal source markets having a greater adverse impact on Mauritius, which saw a slowdown in arrivals. On the upside, our other principal operations have met performance expectations and are showing satisfactory forward bookings, albeit going into low season. We continue to pursue with vigour new management contracts and are optimistic that some will come to fruition during the next few years.

The Board and Management remain confident that notwithstanding these numerous challenges, your Company has the inherent strength and resilience, driven by innovative and talented people, to continue to deliver consistent quality brands and optimise the performance of its portfolio of hotels in 2019, sustain the good progress achieved and meet its long-term objectives.

Our People

The on-going success of your Company is a tribute to the exceptional talent, commitment and dedication of our people. On behalf of the Board, I thank each and every one of them for bringing their skills and energy to our Company and for their loyalty and consistent delivery of outstanding service to our guests. We, also, thank the Chief Executive Officer for ably steering the Company through another successful year.

Acknowledgement

Once again, I acknowledge, with appreciation, the invaluable support received from my colleagues on the Board and the Group Chief Executive Officer and his Team. Also, I recognise, with gratitude, the on-going confidence, backing and trust, we continue to receive from our shareholders, guests and other stakeholders across the industry.

George J. Dumbell
Chairman

"At C Mauritius, we help our C-kers to rediscover, in a casual-chic atmosphere, the true value of play and to experience entertaining, surprising and exciting moments."

MEVIN RAMASAMY
Resident Manager
C Mauritius

"Our guests are invited to explore the wine culture and a world of aromas with the unique expertise of our sommeliers and our large and eclectic selection of wines."

JÉROME FAURE
Corporate Sommelier
CHML

"With the Constance Minimum Standards, we continuously monitor the quality level of our offerings across all our hotels and ensure that all our guests are consistently provided with quality experiences."

BRIGITTE DE FONTENAY DESMARAIS
Customer Relationship and Quality Manager
CHML

OUR VALUE CREATION MODEL

VALUE IN

INPUT

FINANCIAL CAPITAL

Equity and debt capital enable us to finance our operations and deploy our growth strategy.

INTELLECTUAL CAPITAL

We leverage our expertise and know-how in human-scale luxury hospitality management, our brands and our strong corporate culture to develop unique offerings.

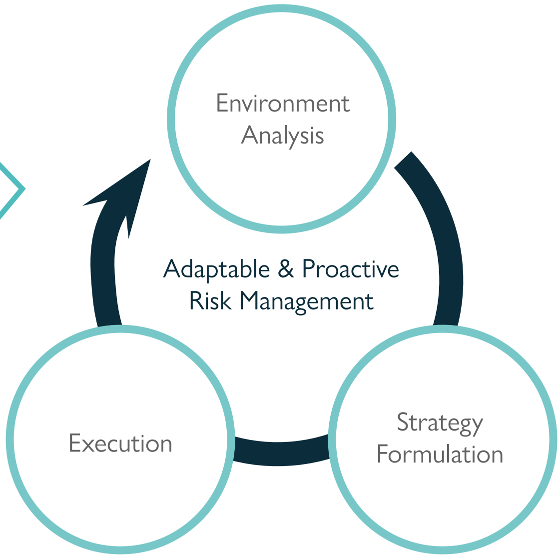
HUMAN CAPITAL

Through their competencies, expertise and dedication, our 3,227 team members contribute in providing fresh and memorable experiences to our guests.

NATURAL & SOCIAL CAPITAL

We are committed to positively contribute to biodiversity conservation, cultural heritage preservation and community development in the regions in which we operate, and we actively engage with our stakeholders.

ASSET-LIGHT GROWTH STRATEGY



VALUE OUT

EXPECTED OUTPUT

FINANCIAL CAPITAL
- Increased revenue and profitability
- Optimised allocation of financial resources
- Expansion of our regional footprint
- Superior shareholder return

INTELLECTUAL CAPITAL
- Reinforced brand equity and awareness
- Enhanced guest satisfaction and loyalty
- Expanded hotel management portfolio

HUMAN CAPITAL
- High level of employee engagement
- High employee retention rate
- Strong employer reputation

NATURAL & SOCIAL CAPITAL
- Sustainable and ethical growth
- Positive community developments
- Reduced carbon footprint
- Engaged stakeholders

OUTCOMES IN 2018 BY TYPE OF STAKEHOLDERS

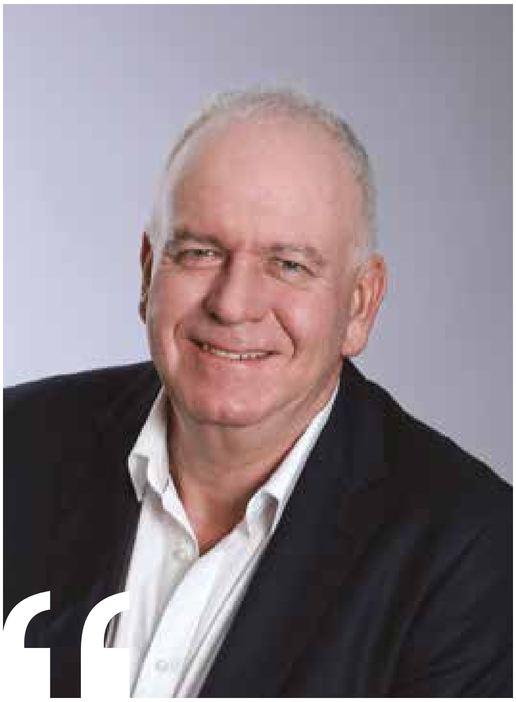
EMPLOYEES
- Employee engagement score of 79.44%
- Average training hours of 41.8 per employee
- 2 masterclasses on self-leadership and wellbeing for the executive and heads of department
- 100+ supervisors and managers enrolled in the BRIGHT programme
- 110+ team members enrolled on either the Internal Trainer Certification programme or the Restaurant Server Certification programme

GUESTS
- 96,700 guests welcomed, including 18,650 repeaters
- 5,684 completed guest surveys with an overall guest satisfaction score of 88.7%
- 70% of our guests indicated that the service quality provided exceeded their expectations
- 51 awards & accolades
- Reinforced data protection framework across the Group to comply with the EU GDPR

SHAREHOLDERS & INVESTORS
- Regional expansion with the launch of Constance Aiyana in Pemba-Zanzibar
- Unveiling of the C Resorts brand, an additional growth vehicle for the Constance Hotels Group
- EBITDA Margin of 24%, Debt-to-Equity of 0.85, Interest Cover of 1.42, EPS of MUR 1.82, NAV per Share of MUR 55.57, Dividend per Share of MUR 0.50 and Return on Total Equity of 3.49%

COMMUNITIES AND SOCIETY
- Green Globe Gold Certificates
- Reduced carbon footprint with a 16% decrease in our level of carbon emissions
- Initiatives to preserve the biodiversity of the territories in which we operate
- 14 NGOs supported through Fondation Constance, reaching a total of 245 direct beneficiaries

INTERVIEW WITH THE CEO



"We shall continue to leverage our key strengths to execute the optimal corporate strategy towards an asset-light growth whilst ensuring that we continually adjust to the changing market conditions and dynamics."

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

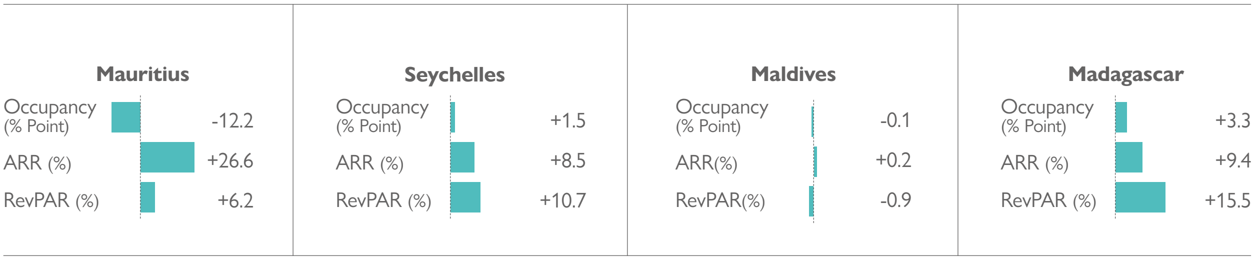
How would you assess the 2018 financial year for Constance Hotels, Resorts & Golf?

Overall, 2018 was a positive year for Constance Hotels, Resorts & Golf. Despite the challenging market conditions in the Maldives, we managed to post satisfactory financial results whilst consolidating the growth momentum generated over the past five years.

Consolidated Total Revenue Per Available Room (TRevPAR) for all our hotels under management remained stable when compared with 2017. Over the same period, combined ARR moved up from MUR 13,686 to MUR 15,003 whilst combined occupancy dropped by 4 points. This resulted in a 3% increase in Revenue Per Available Room (RevPAR).

Tourist arrivals to Mauritius reached 1,399,408 in 2018, up by 4.3% compared with 2017. Arrivals from our key markets, namely France, the UK, Germany and Italy, posted growths of 4.4%, 1.4%, 11.7% and 9.3% respectively. 2018 was positive for Constance Belle Mare Plage in terms of RevPAR. Since its renovation in 2016, this hotel has continuously delivered on set targets. Constance Prince Maurice achieved good results although its occupancy was adversely impacted. The 5*+ segment in Mauritius remains highly competitive but both Constance Belle Mare Plage and Constance Prince Maurice are uniquely positioned to continue to appeal to our target markets. C Mauritius was operational for only part of the year, and this adversely impacted our results. Overall, the combined RevPAR of our hotels under management in Mauritius improved by 6.2%, sustained by a 26.6% increase in ARR.

VARIANCES OF KEY PERFORMANCE INDICATORS BY DESTINATION*, 2017-2018



**CHML has been operating Constance Aiyana since January 2018. Comparative data are consequently not available for Pemba-Zanzibar.*

In the Seychelles, tourist arrivals reached 361,844 in 2018 compared with 349,861 the previous year. This represents an increase of 3.4%. Arrivals from Germany and France grew by 21.5% and 5.9% respectively over the 2017-2018 period, whilst a decline of 5.5% was observed for the UK. Constance Ephelia and Constance Lemuria recorded solid results for the second year running. Their combined RevPAR surged by 10.7%, buoyed by an improved occupancy rate of 76% and an increase of 8.5% in ARR. The Seychelles continue to benefit from a good air access and a positive image as a luxury tourism destination which augur well for the future of our hotels. Both Constance Ephelia and Constance Lemuria currently lead their respective segment and are well-poised to set the pace for the destination as a whole.

In respect of the Maldives, despite the increase in room supply and stagnating demand from our key markets, both Constance Moofushi and Constance Halaveli registered positive results during the first quarter of 2018. The performance of these hotels in the second and third quarters were, however, affected by the political environment at the end of January 2018. A pick-up was thereafter observed during the fourth quarter as the destination rapidly regained its booking pace. Overall, the combined RevPAR for Constance Moofushi and Constance Halaveli decreased by 0.9% in 2018 when compared with 2017. We shall remain very attentive to the dynamics of this destination as the supply of rooms keeps growing and the competitive landscape is getting fiercer.

During the year under review, the RevPAR of Constance Tsarabanjina, Madagascar, increased by 15.5%. With an improved air access - regular flights from Airlink and Ethiopian Airlines, the outlook for this destination appears promising.

In January 2018, we launched Constance Aiyana in Pemba-Zanzibar, as part of the portfolio of Constance Hotels & Resorts. After a challenging transition phase, we managed to achieve a satisfactory performance during the fourth quarter of 2018. We remain confident that this hotel has an immense potential. Yet, we are aware that such a property, in a new destination, generally requires at least three years to reach its cruising speed, to be firmly established on its target market, and to start showing positive results.

INTERVIEW WITH THE CEO (CONTINUED)

From a group financial perspective, consolidated revenue, net of commissions payable, reached MUR 3,747 million for the year ended 31 December 2018. Finance costs totalled MUR 324 million compared with MUR 331 million in 2017. The share of results from associates, which included non-recurring gains related to certain restructuring initiatives, moved up to MUR 121 million from MUR 81 million. Profit for the year 2018 stood at MUR 214 million (2017: MUR 74 million) after accounting for tax of MUR 29 million (2017: MUR 59 million).

What were the highlights for 2018?

In 2018, we reinforced our commitment to international best practices and pursued the execution of our asset-light growth strategy with a view to enhancing our capability to deliver superior and sustainable value to our stakeholders.

We extended our presence in the Indian Ocean region to five destinations with the launch of Constance Aiyana, Pemba-Zanzibar. This move will enhance our brand equity and strengthen our ability to deliver economic value. In addition, during the year under review, we maintained our efforts towards more effective and efficient purchasing practices. Substantial cost savings were, consequently, achieved with a direct impact on our bottom-line.

Excellent service quality is a fundamental component of our business model. In 2018, Constance Hotels, Resorts & Golf received 51 awards and accolades, and three of our properties, namely Constance Prince Maurice, Constance Lemuria, Seychelles, Constance Halaveli, Maldives, achieved an average score of 87.8% on the Leading Quality Assurance audit of The Leading Hotels of the World. We scored 95.2% on the Global Review Index released by ReviewPro, the world's leading provider of analytics for the hotel industry. Our overall guest satisfaction score reached 88.7%. And, as a testimony to our dedication to excellence, we welcomed 18,650 repeat guests in 2018, compared with 18,200 in 2017.

Green Globe is an international standard for sustainable tourism. How important is sustainable tourism to Constance Hotels, Resorts & Golf?

As you rightly pointed out, Green Globe is an international standard and certification programme for tourism organisations, providing them with the appropriate framework to improve the environmental and social management of their activities and to attain enhanced sustainability performance.

We are committed to contributing to the development of the communities and the protection of the ecosystems of the territories in which we operate. In this respect, since 2013, we have reinforced our commitment to international best practices in terms of sustainability management through our partnership with Green Globe. A few years ago, we also introduced our Corporate Sustainability Management Plan 2020 with the principal aim of ensuring that team members across all our properties conduct business in an ethical, responsible and sustainable manner.

The award of the Green Globe Gold certificate to six of our properties in 2018 demonstrates the importance of sustainability to Constance Hotels, Resorts & Golf. This also shows that we have been implementing the right strategy to enhance our sustainability performance. Over the coming years, we shall maintain this momentum and further strengthen our sustainability actions.

INTERVIEW WITH THE CEO

At the end of last year, Constance Hotels, Resorts and Golf unveiled C Resorts, its new lifestyle upper-upscale brand. How well has this brand been received?

C Resorts shares the same core values of generosity, sincerity, excellence, inventiveness and respect as Constance Hotels & Resorts, but it has its own cheeky, bubbly personality through fun and creativity. Its DNA is reflected mainly through its software, that is to say the unique guest experiences it provides.

Up to now, I must say that the response from our stakeholders and sales partners has been great and we firmly believe in the growth potential of the C Resorts brand and we aim to expand the brand in the Indian Ocean, Africa and South-East Asia.

What are your priorities and outlook for 2019?

The C Resorts brand is set to be an additional growth vehicle over the next five to ten years. In this connection, we shall, in 2019, focus on the effective launch of this brand's B2C marketing campaign.

In respect of our new properties, we will pursue our sales and marketing efforts to strengthen their competitive position and better strengthen our engagement with our sales partners and target clients.

Furthermore, we will continue to pursue new opportunities as we strive to execute our asset-light growth strategy. The expansion of our hotel portfolio will require strong commitment from our teams so that the new properties meet our brand standards and generate the expected additional revenue. The quality and consistency of our service will remain at the centre of our strategy, to uphold the excellence of our brands. Management will also be working closely with team members to improve efficiency and productivity .

In a competitive environment where more and more hotel brands are being created, we will be enhancing our brands' visibility.

Any major challenges ahead? If so, how Constance Hotels, Resorts & Golf intends to address these challenges?

Our operations in the Maldives remain a challenge as the supply of rooms is increasing faster than demand. We hope that the normalisation of the political environment will bolster the performance of this destination.

In Mauritius, we will closely monitor the evolution of the competitive landscape as new competitors are set to enter our target segments and 2019 looks more challenging than 2018.

Moreover, we cannot elude the varied and material downside risks of the persisting geopolitical instability in a number of key regions of the world, and the upward trend of energy prices.

The Brexit process also raises uncertainty over the situation in the UK which is one of our key source markets. This emboldens us to pursue our market diversification efforts.

Is there a final message you would like to share?

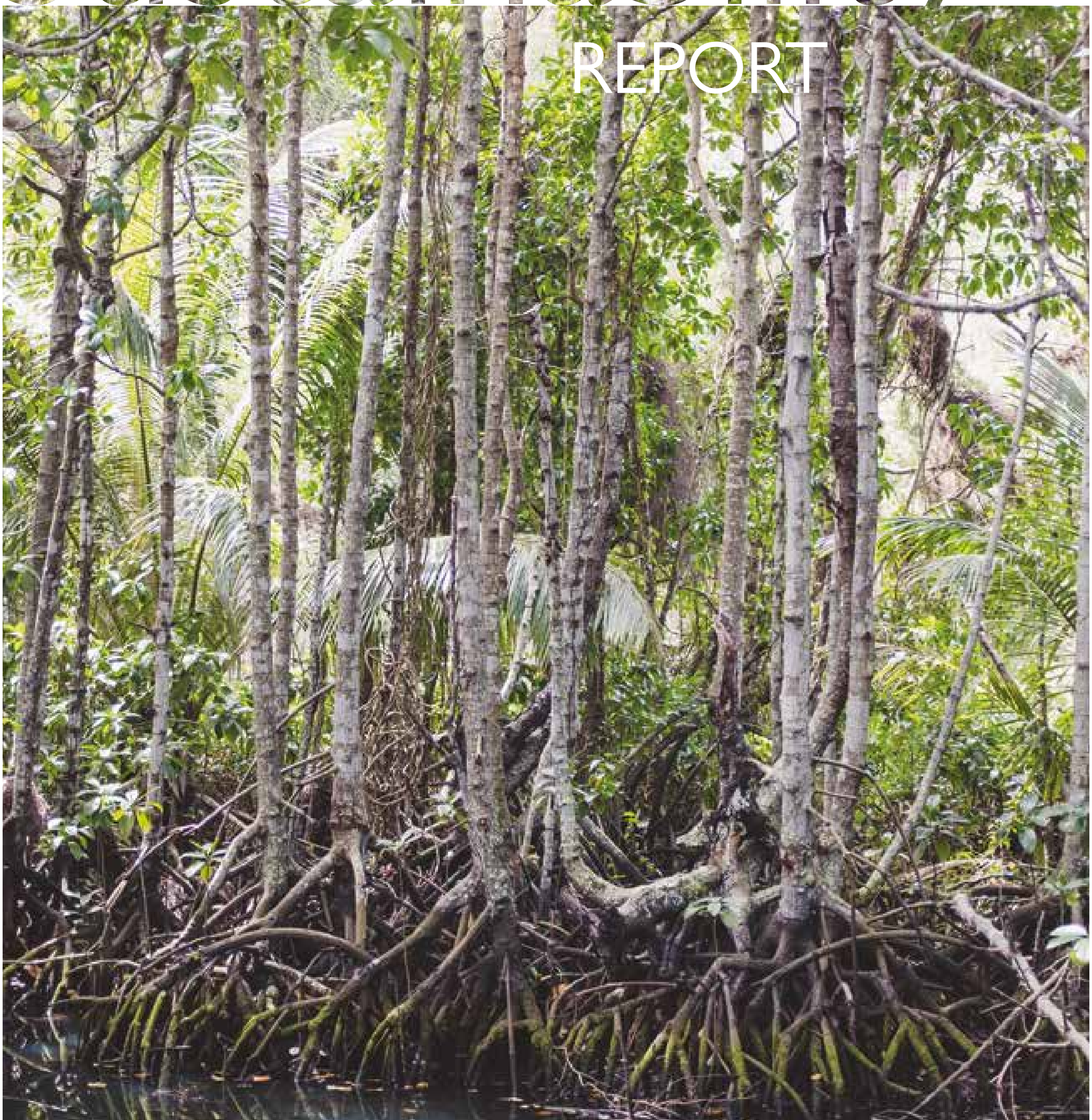
Over the past years, Constance Hotels, Resorts & Golf has been extending its presence in the Indian Ocean, thus consolidating its position as a leader in luxury hospitality in the region. We shall continue to leverage our key strengths to execute the optimal corporate strategy towards an asset-light growth whilst ensuring that we continually adjust to the changing market conditions and dynamics.

Finally, I would like to take this opportunity to thank all the members of the Board of Directors for their support. I also wish to reiterate my appreciation and gratitude to our team members for their unflinching dedication. Their enthusiasm and their ability to transform challenges into opportunities are at the heart of the continued success of Constance Hotels, Resorts & Golf.

2018 KEY BUSINESS HIGHLIGHTS

Function	Key Business Highlights
Operations	▪ Successful opening of Constance Aiyana in Pemba-Zanzibar. ▪ Green Globe Gold Certificate awarded to six of our properties. ▪ 51 awards & accolades. ▪ Constance Prince Maurice, Constance Lemuria, Seychelles, Constance Halaveli, Maldives, achieved an average score of 87.8% on the Leading Quality Assurance audit of The Leading Hotels of the World. ▪ Substantial cost savings compared with 2017 as a result of the purchasing strategy implemented two years ago. ▪ Major renovation of the golf course at Constance Lemuria, Seychelles. ▪ Enhanced Health & Safety (H&S) with an improvement of 10% in the OHSAS 18001 audit performance and an increase of 4.3% in our overall H&S performance compared with 2017.
Communication	▪ Integration of Constance Aiyana in all our communication tools and production of specific communication materials. ▪ Finalisation of the C Resorts brand and campaigns towards various targets (internal, potential candidates, B2B and B2C). Successful unveiling of the brand to stakeholders.
Customer Relationship & Quality Management	▪ Score of 95.2% on the 2018 Global Review Index released by ReviewPro. ▪ 5,684 completed guest surveys with an overall satisfaction score of 88.7%.
Spa & Wellness	▪ Enhanced wellness offering in all our resorts with new yoga/fitness offers, wellness cuisine in menus and the 'Wellness Wednesday' initiative (a special wellness programme offered in all resorts every Wednesday). ▪ Significant increase in spa guest satisfaction with more focus on couple treatments, signature massages and improved treatment rooms and set up.
Information Technology	▪ Implementation of an Enterprise Content Management software in order to transform our working environment into an efficient digital workplace. ▪ Reinforcement of our IT security infrastructures with the help of an international cybersecurity firm.
Human Resources	▪ Increase of the employee engagement score from 72.52% in 2017 to 79.44% in 2018. ▪ Successful launch of the mentoring programme. ▪ Recruitment campaign for C Resorts. ▪ Significant increase in the average training hours per team member, from 34.3 in 2017 to 41.8 in 2018.
E Business	▪ Deployment of the C Resorts website. ▪ Deployment of the Constance Hospitality Management website.
Sales & Marketing	• Establishment of the sales channels for Constance Aiyana. ▪ Participation in all major tourism fairs in target markets.

Sustainability REPORT



1. OUR SUSTAINABILITY FRAMEWORK

1.1 Our Commitment to Sustainability

The tourism industry positively contributes to economic growth and the promotion of natural, emotional and physical well-being across the world. Yet, this industry has a significant carbon footprint, and it is particularly vulnerable to climate change, local environmental challenges and community development issues – all of which are critical to the quality of the experiences we provide to our guests.

At Constance Hotels, Resorts & Golf, we have been concerned with the impact of our operations on society, the environment and the economy for many years now. In this respect, we engage with our stakeholders to promote responsible and sustainable tourism through our contributions to biodiversity conservation, cultural heritage preservation and community development, whilst abiding by the local laws and regulations of the countries where we operate. We continuously strive to refine our level of understanding of sustainability and have established the appropriate framework and tools to review and minimise the negative impacts of our operations on the surrounding ecosystems and cultures, and to further improve our environmental management practices.

Our sustainability practices are guided by the highest form of principles specific to the tourism industry and the countries where we operate, such as the United Nations World Tourism Organisation's Global Code of Ethics for Responsible Tourism, the ILO Guidelines on Decent Work and Socially Responsible Tourism and the National Code of Corporate Governance for Mauritius. In order to continually achieve our sustainability objectives, our management teams are supported in their daily decision-making operations by the Sustainable Management Plan we have developed and which embraces the United Nations Sustainable Development Goals (SDGs), considered as an overarching framework to our strategy and operations.

1.2 Our Corporate Sustainability Strategy

The formulation of a sustainability strategy which is an integral part of an organisation's corporate strategy and which identifies the key ingredients to the creation of strategic advantages and long-term and balanced value to stakeholders is becoming increasingly crucial.

At Constance Hotels, Resorts & Golf, we have consequently incorporated the 5Ps of the SDGs - People, Planet, Prosperity, Peace and Partnership - in our Corporate Sustainability (CS) strategy of 'True by Nature' which rests on four pillars.

THE 4 PILLARS OF OUR SUSTAINABILITY STRATEGY

People • Planet • Prosperity • Peace •Partnership

	Sustainable Development Goal
True People	People SDGs 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13 and 16
True Places	Planet SDGs 1, 6, 7, 8, 11, 12, 13, 14 and 15
True Services	Prosperity | Peace SDGs 6, 8, 10, 12, 13, 14 and 16
True Experiences	Prosperity | Partnership SDGs 11, 12, 15 and 17

Our CS strategy fundamentally lies on the identification and analysis of the key factors impacting our business, stakeholders and society at large. The formulation and implementation of this CS strategy is facilitated and supported by the Constance Hotels Group' sustainability function in conjunction with other business units. In this respect, we conducted our first materiality assessment, on the basis the SDGs, between September and November 2018 with a view to having a thorough understanding of the key economic, ethical, social, environmental and governance factors affecting our broader business performance. This assessment allowed management and employee representatives across the business units of the Constance Hotels Group to exchange constructively on the opportunities to reinforce our dialogue with key stakeholders and, eventually, better drive our CS strategy.

The objective of the materiality assessment was four-fold:

- To adjust our sustainability commitments and targets
- To strengthen our CS thinking and integration
- To reinforce stakeholder engagement
- To prioritise proactive reporting

On the basis on the materiality assessment, it was decided that our CS strategy should focus on the following three priorities:

i. To promote safe and secure working environments (SDG target 8.8)
ii. To substantially reduce waste generation by refusing, reducing, recycling and reusing (SDG target 6.3, 12.5 and 14.1)
iii. To protect marine and coastal ecosystems, including their restoration, to strengthen their resilience for a healthy and productive ocean (SDG target 14.2)

With the aim of using insights gathered as a management tool to inform strategic choices and operational decision-making, the scope of our materiality assessment is expected to gradually expand and include external stakeholders. This will enable us to conduct a holistic assessment of the current and future needs and expectations of all our stakeholders.

A full materiality assessment will be conducted every four years so as to allow our CS strategy to evolve as a result of new sustainability factors impacting our business.

1.3 The Green Globe Certification Programme

The Green Globe Certification programme is the world's most recognised and longest running 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 origin of the Green Globe organisation can be traced back to the United Nations Rio de Janeiro Earth Summit in 1992, where 182 heads of state from around the world endorsed the Agenda 21 principles of sustainable development.

Constance Hotels, Resorts and Golf embarked on the Green Globe Certification programme in 2013 to better promote its existing environmental sustainability credentials and to enhance its sustainability performance. The year 2018 was a turning point as six of our properties located across the Indian Ocean were awarded the prestigious Green Globe Gold Certificate with an average score of 90%. The Green Globe Gold Certificate is remitted to organisations which have been certified for five consecutive years. This is testimony to our rigorous commitment towards continual improvement in our sustainability performance over the last five years, and we look forward to the next milestone of the certification programme: The Platinum Award.

1.3 The Green Globe Certification Programme (continued)

Property	Green Globe Score
Constance Moofushi, Maldives	91%
Constance Halaveli, Maldives	90%
Constance Belle Mare Plage	90%
Constance Ephelia, Seychelles	90%
Constance Prince Maurice	88%
Constance Lemuria, Seychelles	87%

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

The Constance Hotels Group strictly complies with all applicable labour laws and regulations, and prohibits the employment, sexual harassment and exploitation of children. In this respect, a dedicated set of internal policies, such as the Equal Employment Opportunity Policy and the Code of Conduct, have also been put in place.

Moreover, in 2017, we became a member of The Code.org, an organisation that implements the Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism ("The Code"). Since then, The Code has been fully implemented and audited annually through six criteria:

- Establishment of policies and procedures.
- Training of our team members.
- Inclusion of ad hoc clauses in our contracts.
- Provision of information to our guests.
- Collaboration and engagement with our stakeholders.
- Reporting of our initiatives.

This makes it a clear statement to our team members and guests that we do not accept the commercial sexual exploitation of children.

2. ENVIRONMENTAL STEWARDSHIP

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 Water

With global warming, sources of freshwater are being depleted faster than they can be replenished through natural processes. As a responsible organisation, Constance Hotels, Resorts & Golf is committed to water conservation. Over the past years, our efforts to reduce water consumption have enabled us to attain optimal cost savings at Constance Belle Mare Plage and Constance Prince Maurice, whilst Constance Lemuria, Seychelles is supplied with water from its own natural source and Constance Ephelia, Seychelles and our resorts in the Maldives are equipped with a desalination plant. Moreover, our monthly water usage and costs are continuously benchmarked with the aim to:

- Identify new ways to reduce our water consumption.
- Reduce water losses by regularly checking for leaks.
- Install sensors, regulators and other water saving devices.
- Ensure efficient use of laundry equipment.
- Sensitise both our team members and our guests on the responsible use of water.
- Offer to our guests the option of reusing towels and sheets.
- Limit the use of freshwater by capturing and using rainwater, wherever possible, and using recycled greywater for irrigation.
- Set water consumption reduction targets.
- Conduct periodical monitoring and analysis.
- Consider the option of desalination of sea water.

2.2 Energy

We aim to reduce our energy consumption in order to lower our energy costs and limit our environmental impact. In doing so, we strive to:

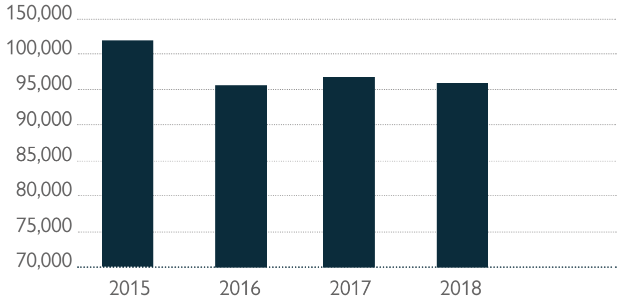
- Make our workplace more energy efficient.
- Reduce the use of fossil fuels and opt for renewable energies.
- Maintain our machinery and equipment in good working condition.
- Opt for energy efficient equipment and low energy appliances.
- Ensure optimal use of plant and machinery.
- Use timers, sensors and other devices that regulate energy consumption;
- Reduce loss of energy by using for example insulated pipes to carry hot or chilled fluids.
- Set objectives for limiting consumption, regularly monitor progress and improve processes "after fluids."

<u>Electricity</u>

Started in 2011, the implementation of the Supervisory Control and Data Acquisition (SCADA) system, which is connected to meteorological stations, has enabled to monitor our electrical power usage in real time and to curb the associated costs. Today, all our resorts are equipped with the SCADA system. In addition, the functionalities of this system have been expanded, and now include the reporting on temperature and door openings of cold rooms, leading to a direct impact on energy savings as well as our Health & Safety performance.

2.2 Energy (continued)

Group Electricity Consumption (in KWh/Day)



Diesel

In the Maldives and the Seychelles, our diesel consumption is directly linked to the electricity produced given that our resorts are on prime power generators. Consequently, any savings on electricity also result in savings on diesel.

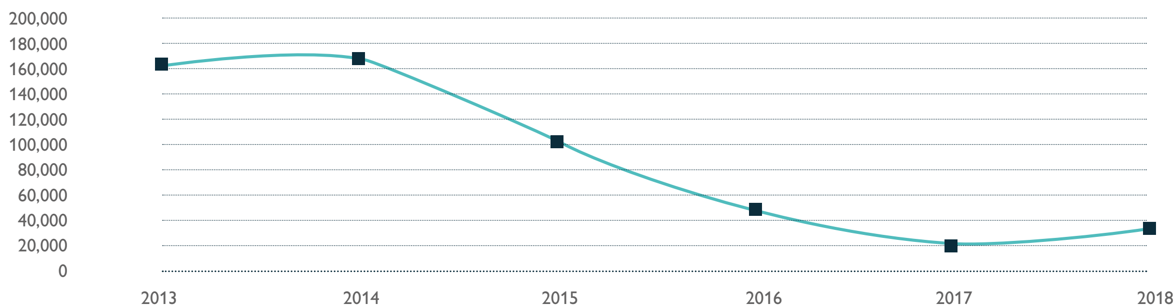
Diesel is also used at Constance Lemuria, Seychelles and Constance Prince Maurice for water heating. In these cases, in order to save on diesel, we have entirely redesigned the heat recovery system of these two hotels. Over the last two years, Constance Lemuria, Seychelles and Constance Prince Maurice have reduced their average diesel consumption.

Gas

To date, we have not been able to set an appropriate saving strategy with regard to gas consumption due to a lack of instrumentation. Yet, a number of measures have been implemented to minimise our gas consumption, including the following:

- Ensure the integrity of our distribution network.
- Ensure that the gas banks are properly sized to match the evaporation rate demand.
- Sensitise our team members on the importance to minimise gas usage.
- Ensure that our burners are properly calibrated.

Liquified Petroleum Gas (LPG) Consumption for Boilers, Constance Belle Mare Plage, 2013-2018 (in Kg)



2.3 Biodiversity

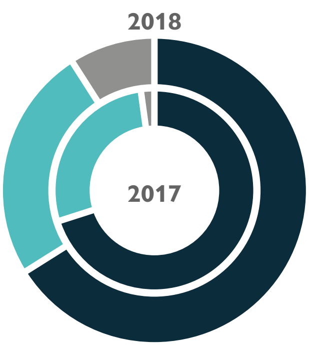
Constance Hotels, Resorts & Golf is fully engaged in the preservation of the biodiversity of the territories in which it operates. In 2018, more than 400 individuals benefitted from the following initiatives:

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

2.4 Emissions

Constance Hotels, Resorts & Golf is sensitised to the importance of minimising its carbon footprint. In this respect, we have aligned our actions with the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. Furthermore, we have integrated the Hotel Carbon Measurement Initiative (HCMI) methodology into our monthly reporting process in order to better monitor and reduce our carbon emissions, whilst contributing to SDG13 on climate action.

In 2018, the net level of Greenhouse Gas (GHG) emissions for our properties attained 28,714 tCO2e, that is a 16% decrease compared with 2017.

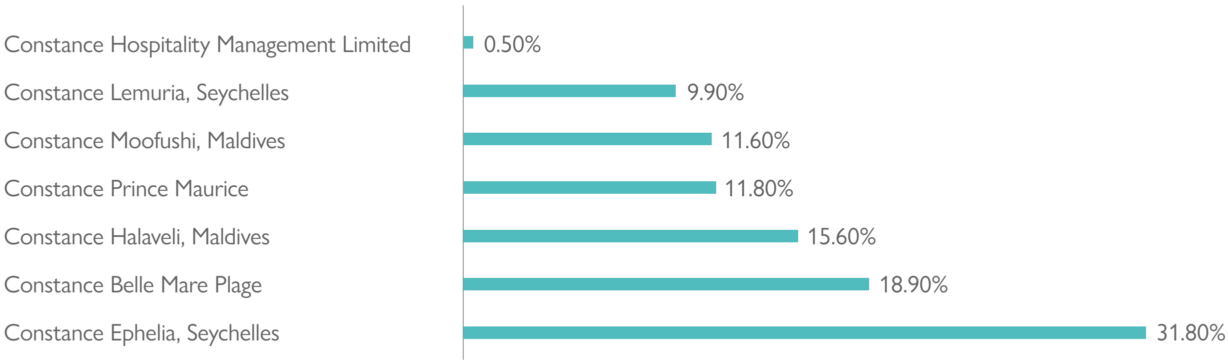


GHG Emissions by Scope

Scope	2018	2017	Description
Scope 1	66%	70%	Direct emissions from onsite sources (e.g. natural gas combustion in boilers, combustion of fuel in fleet and refrigerant equipment leaks)
Scope 2	25%	28%	Indirect emissions associated with the consumption of purchased electricity
Scope 3	9%	2%	All other indirect emissions not included in Scope 2 (e.g. employee commuting, business travel, etc.)

2.4 Emissions (continued)

GHG Emissions in 2018 by Property/Entity



2.5 Waste

We recognise that our activities generate negative externalities, including an important amount of waste which constitutes a major pollutant. Consequently, we do the utmost to refuse, reduce, recycle and reuse so as to limit the impact of our waste on the environment by:

- limiting the use of disposable packaging for the hotel supplies
- using bio-degradable products and materials, whenever the option is available
- limiting individual packaging of hygiene products in bedrooms
- organising, sorting and separating recyclable wastes
- collecting and recycling cooking oil for permitted uses
- separating and collecting grease from food stuffs
- organising recycling of materials such as paper/cardboard/glass/plastic packaging, metal cans, ink cartridges, restaurant organic waste, garden green waste, etc.
- engaging in projects with the local community for the reuse of recycled materials
- safely disposing hazardous wastes such as batteries, electrical and electronic devices, fluorescent bulbs/tubes, etc.
- organising and supporting clean-up of the surrounding environment

Waste by Category, 2018

Category	%
Food - Processed	85.90
Paper	8.11
Plastics	2.43
Oil	1.61
Glass	0.21
Landscaping	0.12
Food - Unprocessed	0.01
Electronics	0.01
Chemicals	0.00
Unsorted/Other	1.60
Total	**100.00**

In 2018, we recorded more than 123,000 tonnes of wastes across our properties, with up to 33% being recycled in some properties. We also recorded some 240,000 cubic metres of wastewater which was recycled and reused for irrigation purposes. We have also partnered with Parley for the Oceans. The latter is helping us to recycle our plastic waste into usable items such as tennis shoes.

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 2018, Constance Hotels & Resorts scored 95.2%.

GRI Indicators

5,992 Reviews (+905 reviews year-on-year)

Global Review Index: 95.2% (-0.3 point year-on-year)

Positive Mentions: 85.9% (+0.9 point 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 levels, to identify repeat guests along with their personal preferences. The increase in our number of repeat guests, from 18,200 in 2017 to 18,650 in 2018, reflects the ability of the Constance Hotels, Resorts & Golf to positively engage with its guests and build loyalty.

2018 GUEST SATISFACTION SURVEY

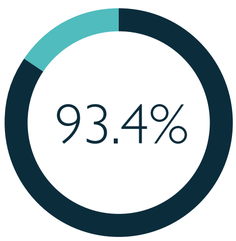
5,684
COMPLETED GUEST SURVEYS

88.7%
OVERALL SATISFACTION SCORE

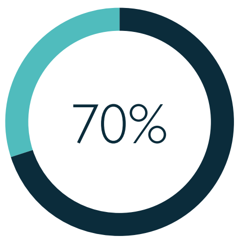
93.2%
EMOTION SCORE

SCORE BASED ON 4 KEY LOYALTY-INDUCING EMOTIONS:

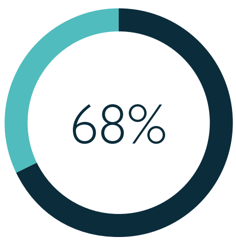
1. WELCOME
2. COMFORT
3. PAMPERED
4. RELAXED



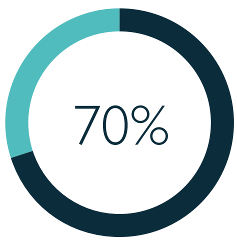
ANSWERED THAT STAFF SHOWED A CAN-DO ATTITUDE



RECEIVED A SERVICE THAT EXCEEDED THEIR EXPECTATIONS



ARE LIKELY TO RETURN



WOULD RECOMMEND THE GROUP

4. OUR PEOPLE AND HEALTH & SAFETY

We adopt best practices in human resource management and strive to continuously improve our Health & Safety performance.

4.1 Our People

HR Strategy

At the start of the 2018, all our hotel HR and training managers collaborated in order to jointly formulate our 2018-2021 HR Strategic Plan, in line with the current and future developments needs of Constance Hotels, Resorts & Golf. In this respect, a new mission statement was developed, highlighting the role of our HR team members as HR Business Partners:

> *"We are Talent Trailblazers, Enablers and Drivers who attract, inspire and develop true talents, and shape our culture to achieve our business goals and co-create our future as Constance Family."*

This mission statement is the foundation of our new HR strategy which focuses on Employer Branding, Candidate Experience, Recruitment and Selection, Performance Management as an Engagement Tool, Onboarding, Rewards, Benefits and Recognition, Culture, Learning and Development and Welfare.

During the year under review, we also actively developed the C Resorts concept from the perspective of the 'Citizens' i.e. the team members of C. Considering the factors defining the culture of C Resorts and bearing in mind that all Citizens have a role to play in 'Nature's Playground', we focused on the formulation of the key perception points to embrace the Vision, Purpose and Values of C Resorts.

The journey of the potential Citizens started with the recruitment campaign. We brought the interviews to them as speed interviews were carried out in the "C bus" that made stopovers in 4 shopping hubs across the island and in the hotel schools Vatel Mauritius and Ecole Hôtelière Sir Gaëtan Duval over a course of 2 weeks. The recruitment campaign was supported by social media contests, live chats, on-site animations and wide communication and coverage. The handpicked Citizens were then trained extensively and prepped for their roles in the C service brand through theatrics, makeovers, gamificaton and traditional classroom learning.

Talent Acquisition

More than 850 team members were onboarded from 01 January to 31 December 2018. As at 31 December 2018, we had more than 50,000 candidates on our database, from 20 different recruitment mediums and platforms around the world. This database will support our future recruitment needs and, eventually, the growth of Constance Hotels, Resorts & Golf.

During the year under review, we conducted the recruitment campaign for C Resort through a new concept. This concept was developed around the following casting call:

> *"Calling all musicians, dancers, jugglers, poets, dreamers, volleyball champions, football players, personal trainers, boat captains, gardeners, bakers, singers, comedians, painters, craftsmen, movers and shakers.*
>
> *C Resorts, the new lifestyle brand, by Constance is looking for exceptional talents to work in their F&B, Housekeeping, Spa and Front Office teams.*
>
> *We invite you to audition for 'Nature's Playground', a new direction in hospitality."*

The aim of the recruitment campaign was four-fold:

i. To recruit 120 team members
ii. To arouse the curiosity of dynamic and young Mauritians looking for "a new adventure in hospitality"
iii. To introduce our new brand C Resorts
iv. To communicate on C's playful brand philosophy

Talent Acquisition (continued)

The recruitment campaign was targeted at the younger generations of Mauritians who are relatively new to the hospitality industry but ‘talented movers & shakers’ willing to work in a dynamic environment where they can express their opinions and ideas, and where they can find the flexibility, experience and quick career development opportunities that they are looking for. The campaign was deployed over a two-month period across various platforms, including social media, press and radio. Our “C bus” was also on the road during sixteen days.

Employer Branding and Social Media

In 2018, we pursued our efforts towards attracting a maximum of potential candidates from our recruitment and social media platforms. We developed partnerships with new schools and recruitment partners across Asia to further expand our recruitment base.

Talent Development and Recognition

Average training hours per team member went up to 41.8 in 2018, from 34.3 in 2017. Several group-wide initiatives contributed to this rise, including the following:

- EXCITE, which stands for Excellence through Continuous Improvement Teams, was launched at Constance Lemuria, Seychelles, Constance Ephelia, Seychelles and Constance Belle Mare Plage. This programme aims at improving quality and productivity.
- A thorough mentoring programme was developed in all our resorts in Mauritius, the Seychelles and the Maldives. The objective is to certify experienced team members as Mentors so that they can help onboard new recruits and thus reduce new team member attrition.
- BRIGHT Level 1 and Level 2, our leadership development programme for supervisory and middle management levels, was conducted in all our resorts in Mauritius, the Seychelles and the Maldives.

The annual Passion Awards ceremony was revamped in 2018 with the addition of 4 new award categories:

- Excellence Award: Based on profitability, guest reviews and staff survey scores.
- Best implementation of ‘My Constance Moments’ (MCM): To recognise the quality of implementation of the MCM initiative in our resorts.
- Respect for Nature awards: To recognise and reward green and energy conservation initiatives in our resorts.
- Best Innovation in Human Resources: To encourage inventiveness in the HR domain.

The 2nd round of the Constance Inventiveness Challenge was launched during the year under review in order to seek inventive ideas to elevate guest experience in our resorts. 118 innovative ideas were received, out of which 3 were chosen as winners to be implemented across all our resorts as the new MCMs of the year.

Two Masterclasses were organised for our executive team and heads of departments. The first masterclass on self-leadership was conducted by Andrew Bryant who is a Certified Speaking Professional and TEDx veteran. Andrew is a high-energy, master story-teller, who knows how to engage an audience with humorous or poignant real-life anecdotes and mindset shifting perspectives. The second masterclass was conducted by Jez Rose, who spent his life learning about – and fascinated by – the impact nature has on human health, wellbeing and behaviour. Jez is passionate about positively influencing the legacy we all live and leave.

Employee Engagement Survey

Ensuring that our team members are engaged is fundamental to how we run our business. An Employee Engagement survey is consequently run twice a year to measure the engagement and satisfaction level of our Team Members.

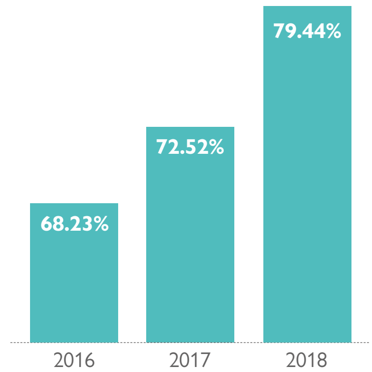
In 2018, the Group Employee Engagement Score went up to 79.44%, from 72.52% in 2017. This significant increase results from the combined efforts of the Management team of Constance Hotels, Resorts & Golf and some of the prominent activities we organised during the year under review:

i. Four-quarter celebrations in all our resorts in line with the Group's 4 Pillars – True People, True Places, True Experiences and True Services.

ii. Thank You Week activities to thank our teams and partners.

iii. Wall of fame to celebrate resort achievers and recognise our loyal team members.

Employee Engagement Score



Constance Hospitality Training Centre

Putting people first in all its development initiatives has been the Constance Hotels Group's main success strategy, and Constance Hospitality Training Centre (CHTC) has been in the forefront through its various training & development initiatives.

BRIGHT is our internal Leadership Development vehicle and this year CHTC invested heavily to review and keep it to the level required to provide our leaders with the right set of skills and competencies. More than 100 Supervisors and Managers were enrolled from all our hotels including participants from Constance Hospitality Management Ltd.

With the opening of more hotels, it is imperative that CHTC's Training & Development approach be strategically aligned to ensure consistency across the properties. Our internal certification programmes aim at ensuring that all employees receive a consistent training experience, no matter where they are located. In 2018, more than 50 staff went through our Internal Trainer Certification programme throughout Constance Hotels, Resorts & Golf, and more than 60 participants went through our Restaurant Server Certification programme.

Our master classes explore current and emerging topics in great depth. During the year under review, high level on-demand master classes were delivered to 517 internal and external partners on topics such as Goal Setting, Building High Performing Team, Enhanced Customer Care, Professional Grooming and Leaders Time Management.

Vocational qualifications can take a person up to the same level as a degree holder, and it provides opportunities for continued personal development even if the conventional route is not chosen. More than 150 school leavers and team members were enrolled in our various award courses in Front Office, Housekeeping, Restaurant & Bar Service, Food Production and Pastry Production, with an average pass rate of 93% for our last cohort.

The Constance Hotels Group is fully aware of its duty to care for the well-being and development of the community where it operates. As the training & development arm of the Constance Hotels Group, CHTC entered into partnership with different local stakeholders, including the National Women Council and the Rotary Club of Haute Rive, to roll-out various actions with a view to empowering the local community through education. 12 students were fully sponsored to join NC3 programmes and 25 participants, aged between 18 to 65, enrolled on our NC1 Adult Literacy programme. In 2018, CHTC also embarked on the National Skills Development Programme of the Government of Mauritius on top of its existing apprenticeship programmes.

In addition, during the year under review, we continued our collaboration with the Seychelles Tourism Academy (STA) and the Seychelles Authorities to support the development of innovative practices and the implementation of joint initiatives promoting cooperation, peer learning and exchanges of experience at a regional level. In 2018, 12 Advanced Diploma in Hotel Management students and 4 apprentices from the STA, winners of the Seychelles presidential award were on work placement for a period of six months at Constance Belle Mare Plage.

OUR TEAM PROFILE IN 2018

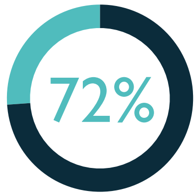
3,227
TEAM MEMBERS

51
NATIONALITIES

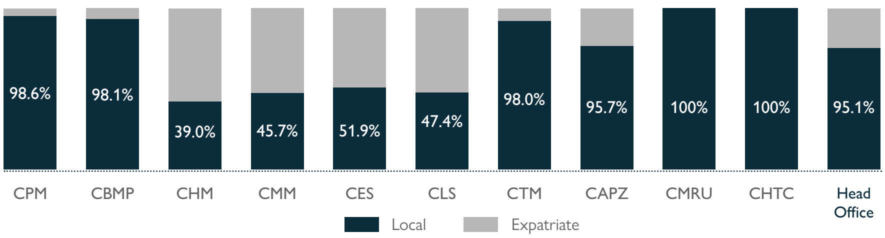
TEAM MEMBER BY COUNTRY OF OPERATION

Mauritius **1,339**
Seychelles **1,168**
Maldives **494**
Zanzibar **114**
Madagascar **99**
Germany **4**
UK **3**
France **3**
Italy **3**

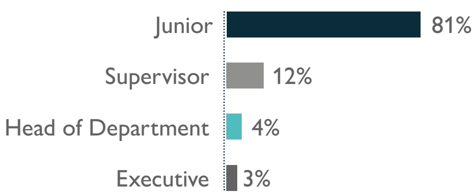
% OF LOCAL TEAM MEMBERS



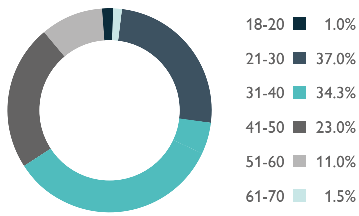
% OF LOCAL & EXPATRIATE TEAM MEMBERS BY HOTEL/UNIT



TEAM MEMBERS BY JOB LEVEL

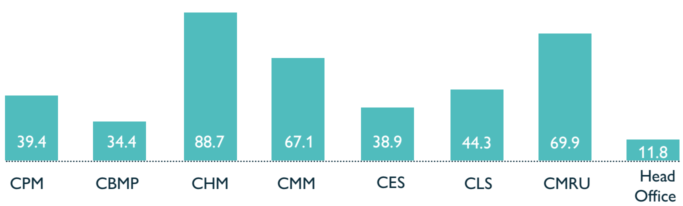


TEAM MEMBERS BY AGE GROUP



AVERAGE TRAINING HOURS PER TEAM MEMBER

41.8
HOURS OVERALL



CPM: Constance Prince Maurice
CBMP: Constance Belle Mare Plage
CHM: Constance Halaveli, Maldives
CMM: Constance Moofushi, Maldives
CLS: Constance Lemuria, Seychelles
CES: Constance Ephelia, Seychelles
CTM: Constance Tsarabanjina, Madagascar
CAPZ: Constance Aiyana, Pemba-Zanzibar
CMRU: C Mauritius
CHTC: Constance Hospitality Training Centre Ltd

4.2 Health & Safety

Constance Hotels, Resorts & Golf is committed to maintaining and continually improving its Health & Safety (H&S) standards across all the units of its operations and aims at complementing local legislations and requirements through its four spheres of H&S performance.

1. **Compliance**

   Each unit, in consultation with the Sustainability Committee representatives, establishes and reviews appropriate standard of procedures, as and when required, to ensure the H&S of all team members, service providers, guests and any other stakeholder groups with whom they are involved

2. **Risk Management**

   Each unit ensures active monitoring of risks and unsafe conditions through regular worksite inspections, risk assessments, timely reporting of incidents, adherence to safety rules and health surveillance programmes. These are essential management tools to establish an effective H&S framework.

3. **Competence & Training**

   Each unit ensures that all Team members are provided with the adequate information, instructions, and job-specific training. Team members receive refresher training on workplace safety rules and emergency management on a yearly basis. Moreover, training is provided upon unsafe acts/behaviours further to the occurrence of a work-related incident.

4. **Consultation & Communication**

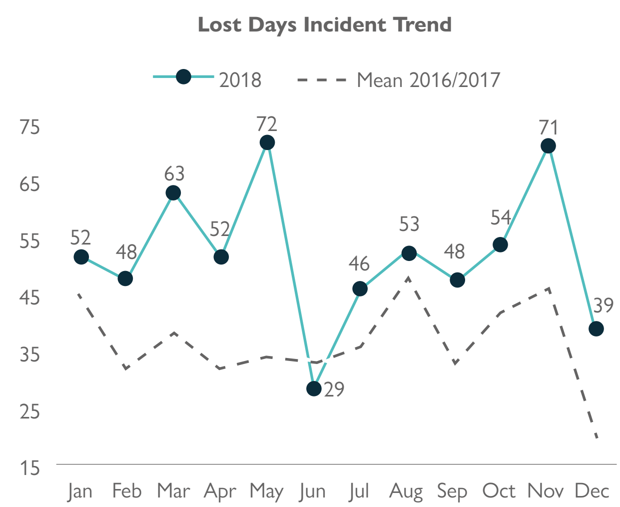
   Active engagement with all stakeholders to assist in the evaluation of the effectiveness of the H&S programme and to promote awareness and co-worker participation.

4.2 Health & Safety (continued)

During the year under review, the improved performance in the reporting of incidents helped in identifying the real trends and root causes of incidents, providing actionable data that resulted in a 10% improvement in the OHSAS 18001 audit performance.

2018 HEALTH & SAFETY DATA

Total Number of Occupational Occurrences	1,360
Number of Reportable Injuries	3
Number of Occupational Diseases	0
Total Lost Days	967
Number of Non-Compliance Issues (% Change 2017-2018)	-22%
Time Taken to Close Non-Compliance Issues (% Change 2017-2018)	-58%
H&S Training Completion (% of required team members)	70%
H&S Training Hours per Team Member (% Change 2017-2018)	-5%
Lost Days Incidents (% Change 2017-2018)	+0.7%
Number of Lost Days Recorded (% Change 2017-2018)	+3.2%
Lost Days Incident Frequency Rate (% Change 2017-2018)	-0.12%
Incident Costs (% Change 2017-2018)	3.27%



5. CORPORATE SOCIAL RESPONSIBILITY

Mission

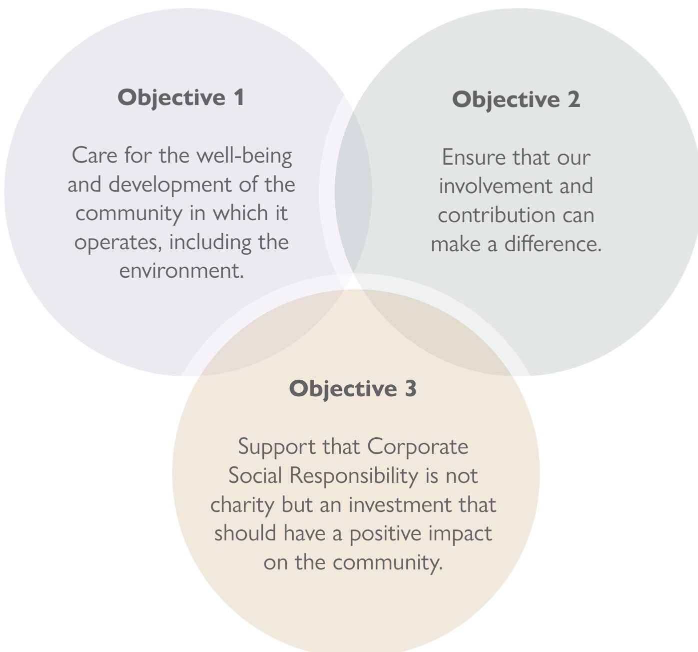
As part of its mission, Constance Hotels, Resorts & Golf cares for the well-being and development of the communities in the neighbourhood of its hotels. It considers its Corporate Social Responsibility (CSR) involvement and contributions as investments that bolster the sustainable development of the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

Fondation Constance

Fondation Constance is the 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.

CSR Policy and Objectives

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



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

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.

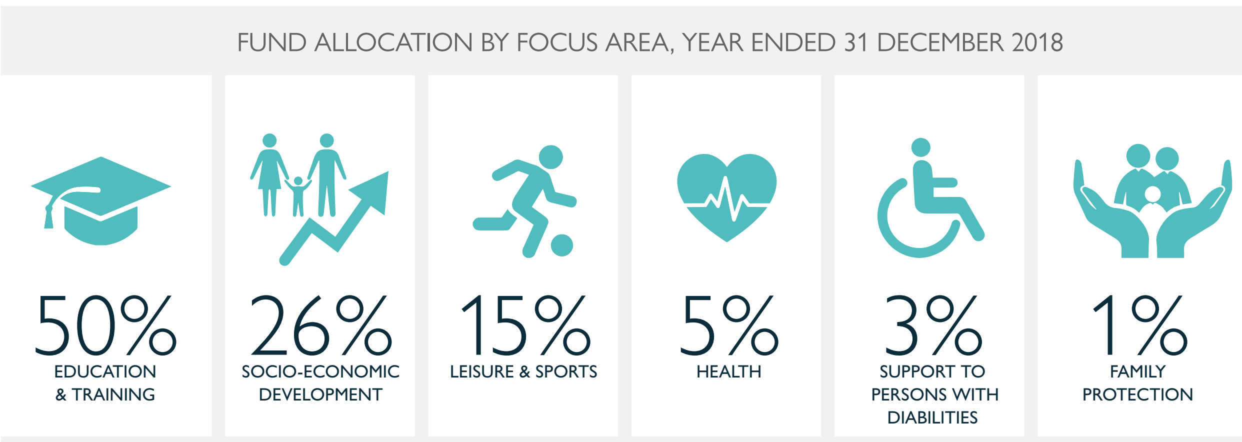
ii. Support people and communities at both local and national level, with the aim of making their lives better and giving them opportunities that they might otherwise not have access to.

iii. Enhance and safeguard the natural environment.

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
National CSR Foundation (through MRA)	**-**	70	**-**	70
CSR contribution to Fondation Constance	**2,000**	1,855	**2,000**	1,855
Others	**147**	75	**-**	75
Total	**2,147**	2,000	**2,000**	2,000

Fund Allocation of Fondation Constance

In 2018, the financial resources available to Fondation Constance were used to fund projects in six focus areas, namely education & training, socio-economic development, family protection, support to disabled persons, health and leisure & sports. It supported 14 NGOs, reaching a total of 245 direct beneficiaries.



14
NGOS

245
DIRECT BENEFICIARIES

EDUCATION & TRAINING

PSAC Sponsorship

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

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

3 NGOs

150 Beneficiaries

4,760 Meals Served

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

This project benefitted to 150 persons. 4,760 meals were served.

Zippy's Friends

Zippy's Friends is a 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. Overall, 21 students, the teachers, the Deputy Head Master and the Head Master responded positively to the project. Improvements have been noted in the behaviour, the relationship and academic performance of the children.

Association pour la Lecture et l'Ecriture en Français (ALEF)

During the year under review, Fondation Constance sponsored ALEF which offers a learning and reading corner for children from the unprivileged region of the east of Mauritius, in addition to other activities which contribute towards the promotion of their well-being through music, dance and workshops.

Technical Training

6

Direct Beneficiaries

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

SOCIO-ECONOMIC DEVELOPMENT

Empowerment through Training and Placement

36 Direct Beneficiaries

Fondation Constance continued to provide training at the Constance Hospitality Training Centre Ltd (CHTC) to 36 persons from vulnerable groups of the eastern region of Mauritius with a view to giving them skills which will enhance their employability.

During the year under review, 28 women participated in the Adult Literacy Programme with a view to empowering them and hence restore human dignity among unprivileged.

Schooling Support

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

SAFIRE

Fondation Constance continued to live up its engagement as a socially-responsible organisation. In 2018, we partnered with SAFIRE, an NGO engaged in the promotion of street children rights, so that those living in the regions where our companies do business now benefit from the initiatives and have access to free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes and also restore their dignity.

Protection of Vulnerable Persons

Employees of the Group organized a Christmas party for vulnerable children of the East of Mauritius. This initiative, which benefitted from the support of Fondation Constance, was meant to encourage employees to participate in various community support and development projects. In that context, they generously donated gifts to the 30 beneficiaries.

FAMILY PROTECTION

SOS Children's Village

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

SUPPORT TO PERSONS WITH DISABILITIES

Lizié dan Lamain and Association des Parents de Déficients Auditifs

In 2018, Fondation Constance continued to support 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.

HEALTH

PILS

During the year under review, Fondation Constance collaborated with PILS in its fight against HIV/AIDS.

Centre d'Accueil de Terre Rouge

During the course of 2018, with the alarming rise in drug addiction particularly among young persons of the east of the Mauritius and due to the lack of adequate support offered to them, Fondation Constance has joined forces with the Centre d'Accueil de Terre Rouge (CATR), expert in this area, to develop a programme to strengthen the prevention and treatment of substance abuse in the region.

A "Centre du Jour" was opened on 05 September 2018. With the financial support of Fondation Constance, CATR offers, on an ongoing basis, counseling and awareness sessions for the community. As a responsible citizen, Fondation Constance will continue to support this programme.

LEISURE & SPORTS

Constance Cycling Academy

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

The Constance Cycling Academy, financed by Fondation Constance, now counts 5 "Cadets" and 7 "Minimes" among its beneficiaries. It is a matter of pride to note and report on the good performances of its licencees winning some races at National level in their respective categories. Sports remains an excellent means to bring unity, well-being and favours the sound development of our young people.

We firmly believe that this laudable initiative should be further strengthened.

National CSR Foundation

Following the amendment to the legislation in 2018, companies are compelled as from January 2019 to contribute 75% of their contributions by way of CSR levy to the National CSR Foundation. Although the impact has been limited for the time-being, we are required to adjust our action plans in order to deliver on our objectives. We shall consequently commit funds over and above the mandatory CSR levy and renew our engagement to contribute towards the well-being and development of the community in which Constance Group member companies operate.

Networking: The Community Working Group

Launched in 2018, the Community Working Group (CWG), under the aegis of the National Empowerment Foundation, brings all stakeholders of the civil service and public and private sectors together to brainstorm, discuss and implement projects with regard to poverty alleviation. In this respect, Fondation Constance participates in the meetings and collaborates with the CWG for activities and interventions with the view to empowering vulnerable families.

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 2018	2020 Vision/Target
ENVIRONMENT	**Water**	Average Group Consumption in m3/day	794m3/day	Lower than 800m3/day
	Self-bottling of Water	Self-bottling plants	Self-bottling plants in 5 hotels	To further reduce plastic bottle waste
		Number of Bottles Used	N/A	
	Electricity	Average Group Electricity Consumption in KWh/day	96,401 kWh/day	96,000 KWh/day
	Waste Management	% of Recycled Waste	33% Recycled	To implement a waste-weighing system
QUALITY OF SERVICE	**Guests**	Overall Guest Satisfaction Score	88.7%	To score higher than 86%
		Secured Guests Score	69.0%	To score higher than 65%
		Emotions Score	93.2%	To score higher than 90%
SOCIO-ECONOMIC BALANCE	**Employees**	Employee Engagement Survey Score	79.4%	To score at least 80%
		Average Training Hours per Employee per Year	41.8 hours	higher than 30 hours
		BRIGHT Training	N/A	To extend BRIGHT Training to Heads of Department
		Induction Programme	In place	To include Sustainability Awareness and Health & Safety in the Induction Programme
HEALTH & SAFETY	**Health & Safety**	Incident Frequency Rate	4.4%	To further improve compliance, implementation of remedial measures, training and incident lost days frequency rate

The Constance Sustainability Targets, which was developed in 2015, is now under review. They will be communicated during the first half of 2019 with a view to continuing to strengthen the competitive edge of the Group.

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 2018 to 31 December 2018

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 in the following areas:

Principles	Areas of Non-Applications	Reason for Non-Applications
Principles 3: Director's Appointment Procedures	Election: Directors should be elected on a regular basis at the annual meeting of shareholders	The Board does not favour the re-election of Directors on an annual basis; as it does not consider this practice to be un the best interest of the Company. Furthermore, in accordance with its Constitution; not more than one third of the Directors in office retire at every Annual Meeting - the latter being eligible for re-election.
Principle 4: Director Duties, Remuneration and performance	Remunation: Disclosure of details of remuneration paid to each individual Director	Director fees paid per Director category are disclosed. Remunations, if applicable are disclosed on an aggregate basis given the commercially sensitive nature of the information.

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
Constance Group Chief Executive Officer

Date: 29 March 2019

2. STATEMENT ON CORPORATE GOVERNANCE

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

The National Code of Corporate Governance for Mauritius (2016), effective from the financial year beginning 01 July 2017, moves towards an "Apply and Explain" basis with 8 core Principles. The Board acknowledges that the Company has, throughout the year ended 31 December 2018, complied with all the requirements of the National Code of Corporate Governance for Mauritius (2016) as described by the Corporate Governance Report of the Company, except for areas mentioned on page 53 of this Annual Report.

3. GOVERNANCE STRUCTURE

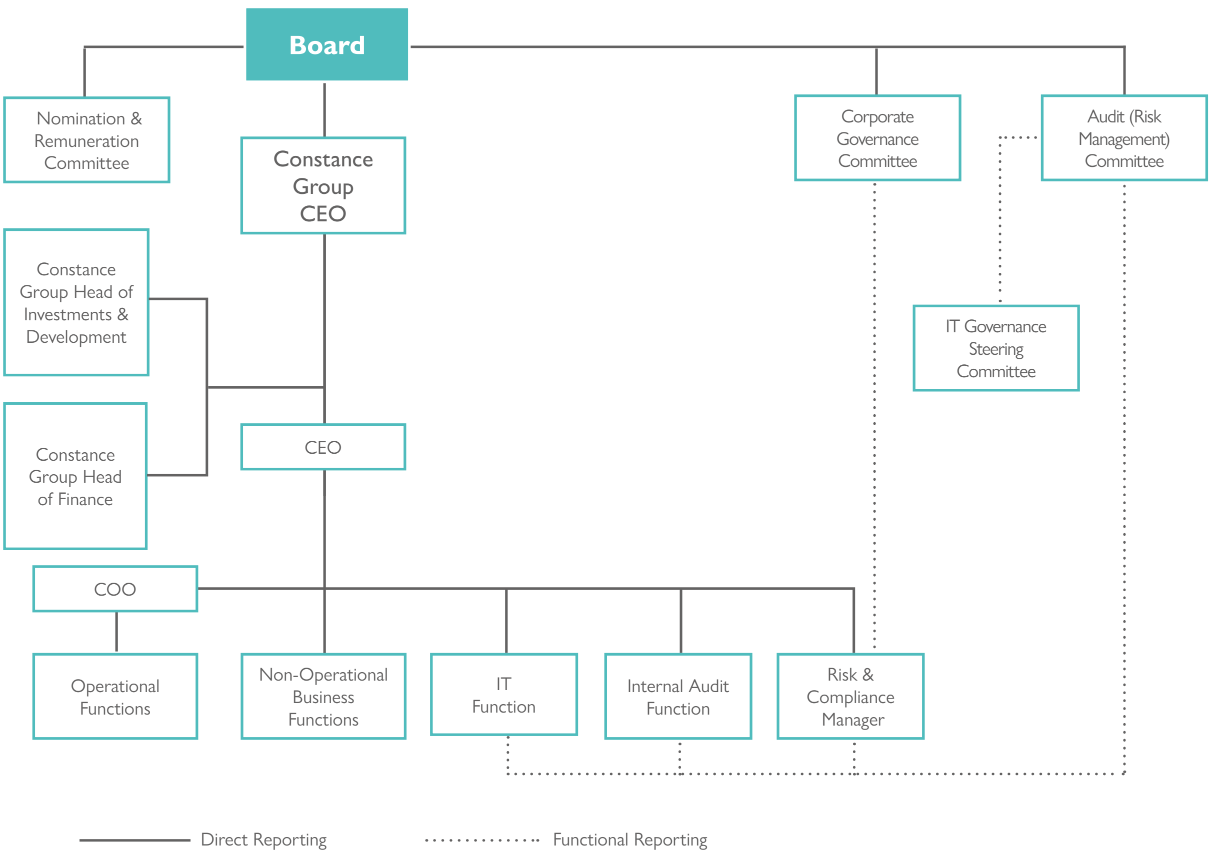
3.1 Company Constitution

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

3.2 Governance Framework

The Company is a Public Interest Entity as defined by the Financial Reporting Act 2004. The Board is ultimately responsible and accountable for leading and controlling the Company, in accordance with the terms of reference outlined in the Board Charter, and meeting all legal and regulatory requirements. The Board acts in the best interests of the Company and its business, whilst taking into consideration the interests of the Company's Shareholders and other Stakeholders.

Organisational Chart



3.2 Governance Framework (continued)

The following documents have been approved by the Board:

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

3.3 The Board

Board Structure

The Board structure consists of the Board of Directors, the Audit (Risk Management) Committee, the Corporate Governance Committee, the Nomination and Remuneration Committee and the Company Secretary, underpinned by related Charters, Policies and Codes.

Key Responsibilities of the Board

The Board's key responsibilities include, inter alia, the following:

- Assume responsibility for leading and controlling the organisation.
- Assume responsibility for the Company's overall governance practices and risk governance framework.
- Determine the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives.
- Assume responsibility for the preparation of accounts that fairly present the state of affairs of the Company.
- Determine and approve the Company's objectives, strategy and values and monitoring implementation and performance thereof.
- Review and approve financial and non-financial plans including but not limited to annual budgets and performance against them.
- Oversee the Information, Information Technology (IT) and Information Security governance within the Company and ensure that the performance of the information and IT systems leads to business benefits and creates value.
- Ensure the establishment of an appropriate system of corporate governance, risk management, internal control, policies, charters, codes and compliance with laws and regulations and the ongoing monitoring of exceptions deriving therefrom.
- Approve acquisitions and disposals of assets.
- Assume responsibility for the appointment of Directors to the Board and Board Committees.
- Assume responsibility for the induction of new Directors to the Board.
- Approve the job description of Key Senior Governance Positions.
- Appoint and monitor the performance of Senior Management and Key Senior Governance Positions and establish a clearly-defined structure for delegation of authority and succession.
- Assume responsibility for succession planning.
- Disclose, state, explain and affirm in the Annual Report the Company's compliance, or otherwise, with the National Code of Corporate Governance for Mauritius (2016) in respect of each of its 8 Principles.
- Ensure that the Company's website contains, where appropriate and relevant, the disclosures required by the National Code of Corporate Governance for Mauritius (2016) in respect of each of its 8 Principles.

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

Types of Directorship

Our team of Directors is a strong source of internal and external knowledge, experience, advice and judgement. A mix of Executive, Non-Executive, Independent and Alternate directorship is considered by the Company.

Board Size and Composition

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

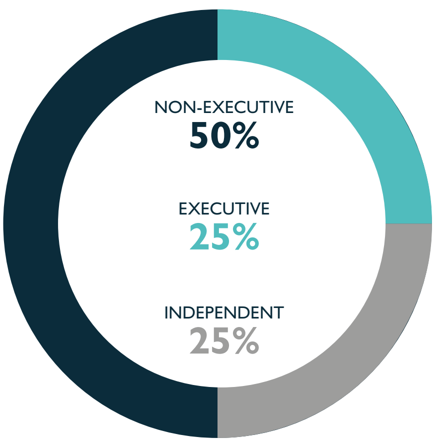
The Company is managed by a unitary Board. At year end, the Board consisted of three Independent, six Non-Executive and three Executive Directors, including two female Directors. The Chairman is an Independent Director.

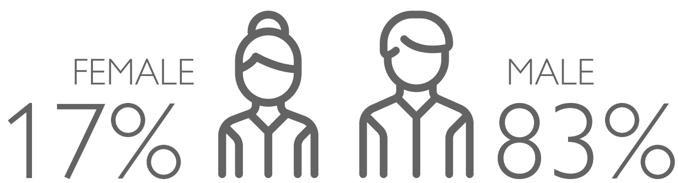
Taking into account the nature of the Company's operations, the Board considers that its current size and composition provides the right balance of skills, professional and sectoral know-how and experience, and independence for maintaining focus and enabling effective decision-making.

The current Board composition satisfies the needs of the Board and its Committees, given their responsibilities and the actual development phase of the Company. It, also, ensures that the workload is appropriately shared and enables optimum communication and interaction among the Directors.

Detailed information about the Company's Directors and Secretary can be referred to on pages 62 to 67.

BOARD COMPOSITION BY TYPE OF DIRECTORSHIP AND GENDER





Independence of the Chairman and Independent Directors

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

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

3.4 Statement of Major Accountabilities

Separation of Roles and Responsibilities

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

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

Chairman

The Chairman has the responsibility to ensure the smooth and efficient functioning of the Board and its 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 Constance Group CEO, the CEO, the Constance Group Head of Investments and Development and the Company Secretary, the Chairman also ensures that new Directors receive a full and formal induction to the Group and its businesses, and that all Directors are kept fully informed of relevant matters.

Constance Group CEO

The Constance Group CEO has the responsibility to make recommendations to the Board and to achieve the Constance Hotels Group's strategic objectives. He is responsible for providing direction to the executive team of the Constance Hotels Group. He works closely with the Company's CEO, Chief Operations Officer, Constance Group Head of Investments and Development and Constance Group Head of Finance.

CEO

The CEO has the responsibility to drive long-term wealth creation and return to shareholders of the Company through effective business development and brand management initiatives and to provide direction to the Company's executive management team.

Other Key Senior Governance Positions

Apart from the position of Constance Group CEO, Constance Group Head of Investments & Development, Constance Group Head of Finance, the Board has clearly identified the following other Key Senior Governance Positions within the Constance Hotels Group: Chief Executive Officer, Chief Operations Officer, Chief Marketing Officer, Group Human Resources Manager, Chief Information Officer and Risk & Compliance Manager. The job descriptions for these positions have been approved and are monitored and reviewed on a yearly basis by the Board.

Directors

The Directors of the Company observe and foster high ethical standards and a strong ethical culture in the organisation, and are fully aware of their general and specific responsibilities and legal duties (refer to 5.1).

Company Secretary

The Company Secretary, supported by the Company's Secretariat, acts as a vital bridge between the Board and Senior Management. In effect, the Company Secretariat ensures good information flow to the Board and its Committees and between Senior Management and the Directors. The Company Secretariat facilitates the induction of Directors and assists them in fulfilling their duties and responsibilities. It has full access to the Directors and all Directors have access to its advice and services.

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. In addition, it ensures effective communication with Shareholders and provides assurance that Shareholders' interests are duly taken care of.

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

3.5. Committees of the Board

Constitution of Board Committees

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. Chairpersons of Committees are invited to report during each Board meeting on matters addressed by their respective Committees.

The Charters of the Committees and the Position Statements of the Chairpersons are available for consultation on the Company's website.

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

THE BOARD

Committees

Audit (Risk Management)		Corporate Governance		Nomination & Remuneration	
Member	**Directorship Type**	**Member**	**Directorship Type**	**Member**	**Directorship Type**
Marc FREISMUTH	Independent, Chairman	Colin TAYLOR	Non-Executive, Chairman	George J. DUMBELL	Independent, Chairman
Jean JUPPIN DE FONDAUMIÈRE	Non-Executive	Nicolas BOULLÉ	Non-Executive	Marc FREISMUTH	Independent
Noël Adolphe VALLET	Non-Executive	George J. DUMBELL	Independent	Jean RIBET	Executive

Audit (Risk Management) Committee

The Audit (Risk Management) Committee which, also has responsibility for the Company's Risk Management function, consisted of three Directors (one Independent and two Non-Executive) during the year under review. All members of the Committee are financially literate and have relevant knowledge of IFRS and regulatory requirements, risk management and industry expertise. The profiles of members of the Audit (Risk Management) Committee are disclosed in section 3.8.

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 to direct, evaluate and monitor the risk management function, taking into consideration the Company's strategic, financial, operational and compliance risks, with the support of the Internal and External Auditors and the Risk and Compliance Manager. The Internal and External Auditors have unrestricted access to the Audit (Risk Management) Committee.

The Committee reports to the Board at each Board meeting. The Constance Group CEO, the CEO, the COO, the Constance Group Head of Finance and the Risk and Compliance Manager, as well as the Internal and External Auditors, attend Committee meetings on invitation.

During the year under review, the Committee met on eight occasions. Principal matters, including significant issues related to financial statements, considered by the Committee in 2018 were as follows:

i. Review and recommend to the Board the 2017 Audited Financial Statements, the Annual Report and Management Letter, the 2018 Forecasts, 2018 Unaudited Quarterly Financial Statements and Quarterly Abridged Financial Statements for publication.
ii. Review and assess the completed reports of the Internal Auditors.
iii. Approve the re-appointment, remuneration and terms of engagement of the External Auditors.
iv. Assess and monitor the Company's underlying risk profile, notably its strategic, financial, operational and compliance risks.
v. 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 National Code of Corporate Governance for Mauritius (2016).
vi. Review and assess the Company's compliance with the Data Protection Act and the General Data Protection Regulations (GDPR).
vii. Assess the efficiency, effectiveness and independence of the Internal and External Auditors.
viii. Assess the efficiency of Debt and Treasury Management.
ix. Implement and monitor the reporting process to the Board on Conflict of Interest/RPT Policy.

During the course of the year under review, the Board delegated the responsibility for the Governance of the Company's Information Strategy, Information Technology and Information Security to the Audit (Risk Management) Committee which, in turn, set up an IT Governance Steering Committee with the primary objective of ensuring that the proper IT strategy, policies, practices and controls are implemented throughout the Company, in accordance with the applicable regulatory requirements and international best practices.

Corporate Governance Committee

The Corporate Governance Committee consisted of three Directors (one Independent and two Non-Executive) during the year under review. All its members have a comprehensive knowledge of the National Code of Corporate Governance for Mauritius (2016), the Company's Charters, Policies and Codes, as well as international best practices, relevant laws and regulations. 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 at each Board meeting. The Constance Group CEO, the COO, the Risk and Compliance Manager and the 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 2017 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 2018 under the banner of 'Fondation Constance' and monitor its progress;
iii. Approve the Compliance Action Plan for 2018;

Corporate Governance Committee (continued)

iv. Review quarterly Compliance and Health & Safety reports and ensure corrective measures are implemented, where necessary;
v. Review and approve new policies, codes and charters;
vi. Oversee the implementation of GDPR and DPA 2017 with the assistance of PWC;
vii. Review the letters from the Financial Reporting Council in respect of the Company's 2017 Annual Report and pertaining to corporate governance aspects.

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

1. Detailed Gap analysis;
2. Review of Policies, Charters and Codes;
3. Review of requirements pertaining to:
   a. Board approvals sought;
   b. Affirmation and Statements to be made by directors;
   c. Annual Report disclosures;
   d. Website disclosures;
   e. Non-compliance issues;
4. Presentation and recommendations to the Board on the foregoing and on draft model Annual Report and website reporting.

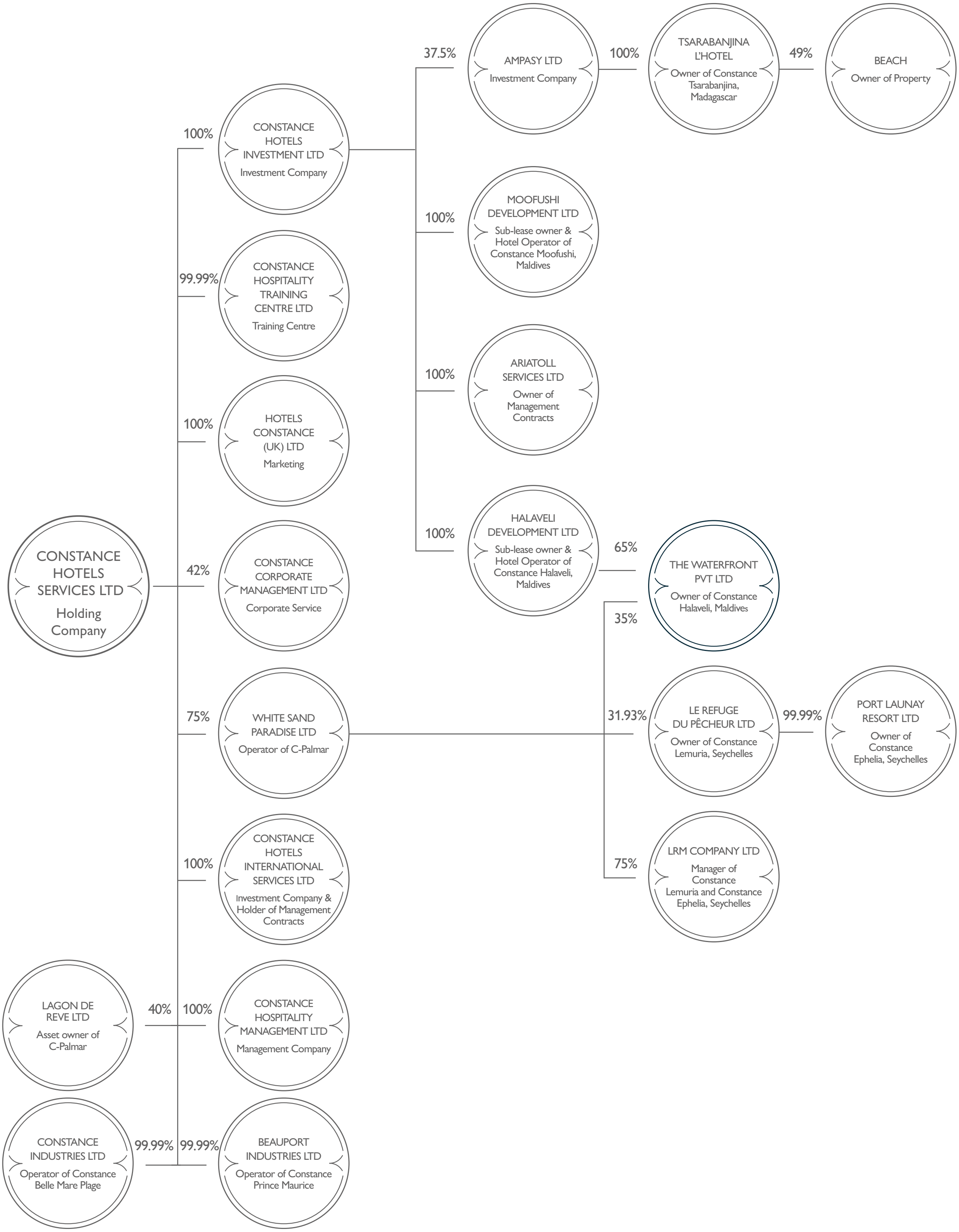
Nomination & Remuneration Committee

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

During the year under review, the Committee met on five 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. Implement the Action Plan for improving board and committee performance.
iv. Approve the performance awards for 2018.
v. Review the adequacy of the form and adequacy of the remuneration of Directors.
vi. Approve the remuneration of Senior Executives for 2019.
vii. Approve the enhanced Senior Executive HR Development Programme, including its new STI Scheme.
viii. Enhance and monitor the Directors and Senior Officers' Register of Interest/Insiders Share Dealings/ Conflict of Interest and Related Party.
ix. Ongoing review of the Company's Pension Scheme for Senior Executives.
x. Ongoing review of the Succession Planning Model.
xi. Establish Board and Committee Meeting dates for 2019.
xii. Review the Directors and Officer Liability Insurance.
xiii. Approve the listing of Key Senior Governance positions.
xiv. Review the Directors Development Programme.

3.6 Corporate Structure (as at 31 December 2018)



3.7 Corporate Information

Directors

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

Committees of the Board

Audit (Risk Management) Committee

Corporate Governance Committee

Nomination & Remuneration Committee

Please refer to Section 3.5 for the constitution of the Board Committees.

Management Team – Constance Corporate Management Limited

Jean RIBET	Constance Group Chief Executive Officer
Clément D. REY	Constance Group Head of Investments and Development
Kevin CHAN TOO	Constance Group Head of Finance

Management Team – CHSL

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

3.7 Corporate Information(continued)

Management Team – CHSL

Roshan KOONJA	Chief Information Officer
Aurélie LECLÉZIO AUPÉE	Group Communications Manager
Olivier DOGER DE SPEVILLE	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
Tangi LE GRAND	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
Loic DE ROBILLARD	Resort Manager, Constance Tsarabanjina, Madagascar
Barbara ELKAZ	General Manager, Constance Aiyana, Pemba
Olivier DE GUARDIA DE PONTE	General Manager, C Mauritius
Chase WEBBER	Corporate Wellness and Spa Manager

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

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
PwC Centre
Avenue de Telfair
Telfair, 80829 Moka
Represented by: Mr Julien TYACK

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

3.8 Profile of Directors and Senior Officers

DIRECTORS - The directorship list of the Directors can be referred to on the Company's website.

George J. **Dumbell** [70]
Independent Director and Chairman

Appointed Director in December 2005 and Chairman in January 2006

Qualifications

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

Experience and Skills

- Over 50 years of Financial and commercial experience including 34 years in various Senior Management positions within the HSBC Group across the globe.
- 2 ½ years of commercial, industrial, project management and political experience as Deputy Secretary General and Managing Director of EuroChambres, Association of European Chambers of Commerce and Industry, headquartered in Belgium and representing over 14 million companies throughout Western, Central and Eastern Europe.
- 2 years in the fields of Corporate Governance and Risk Management with MCB Ltd.
- 13 years of experience in the hospitality and tourism Industries with the Constance Hotels, Resorts and Golf Group.

Nitish **Beni Madhu** [39]
Non-Executive Director

Appointed in January 2018

Qualifications

- Honours degree in Economics
- Master of Arts in Economics, University of Ottawa (Canada)

Experience and Skills

- Currently heads the non-insurance cluster (capital markets) together with the loans and property segments of SWAN.
- Member of the Investment Committee of SWAN.
- More than 15 years' experience in the finance industry, including 13 years in various positions in the non-insurance cluster of SWAN.
- Expertise in asset management, investment advisory and insurance.
- Chairperson of the Central Depository & Settlement Co Ltd and holds directorships in various companies.
- Regularly lectures at the University of Mauritius in Economics and Finance.

Nicolas **Boullé** [59]
Non-Executive Director

Appointed in January 2014

Qualifications

- Qualified Notary

Experience and Skills

- 28 years of experience as a Notary.

DIRECTORS

Marc **Freismuth** [67]
Independent Director and Chairman of the Audit (Risk Management) Committee

Appointed in September 2014

Qualifications

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

Experience and Skills

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

Preetee **Jhamna Ramdin** [44]
Independent Director

Appointed in April 2017

Qualifications

- BA Economics from the University of Cambridge (UK)
- Member of the Institute of Chartered Accountants in England and Wales

Experience and Skills

- 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.
- A previous Partner in the Transaction Advisory Services department at Ernst & Young from July 2008 to April 2016.
- Currently CFO - Group Operations of IBL Ltd.

Jean **Juppin de Fondaumière** [65]
Non-Executive Director

Appointed in December 2014

Qualifications

- Qualified Chartered Accountant in Edinburgh (UK)

Experience and Skills

- 12 years' experience in various managerial positions in the fields of audit and merchant banking.
- Retired as Chief Executive of the Swan Group on 31 December 2006 after 15 years with the Group.
- Past Chairman of the Stock Exchange of Mauritius and a member of a number of audit and corporate-governance committees.
- Currently 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.

3.8 Profile of Directors and Senior Officers (continued)

DIRECTORS

Clément D. **Rey** [49]
Executive Director and Constance Group Head of Investments and Development

Appointed in June 2006

Qualifications

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

Experience and Skills

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

Jean **Ribet** [59]
Executive Director and Constance Group Chief Executive Officer

Appointed Director in May 2006 and Constance Group Chief Executive Officer in 2004

Qualifications

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

Experience and Skills

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

Georgina **Rogers** [56]
Non-Executive Director

Appointed in March 2015

Qualifications

- Bachelor of Commerce from the University of Natal (South Africa)

Experience and Skills

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

DIRECTORS

Colin **Taylor** [53]
Non-Executive Director and Chairman of the Corporate Governance Committee

Appointed in August 2015

Qualifications

- BSc (Hons) in Engineering with Business Studies from the Portsmouth University (UK)
- MSc in Management from the Imperial College (London, UK)

Experience and Skills

- Project Manager at Taylor Smith and Co. Ltd in 1990.
- Managing Director at Taylor Smith and Co. Ltd in 1994.
- Executive Director of Rogers' Engineering Cluster from 1999 to 2004.
- Presently the Chairman and CEO of the Taylor Smith Group.
- Currently the Chairman of Cim Financial Services Ltd and Lavastone Ltd both listed on the Stock Exchange of Mauritius.
- Honorary Consul of Sweden in Mauritius.

Noël Adolphe **Vallet** [53]
Non-Executive Director

Appointed in May 2001

Qualifications

- Management from South Africa.

Experience and Skills

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

Jean-Jacques **Vallet** [50]
Executive Director and Chief Executive Officer

Appointed as Director in March 2012

Qualifications

- Maîtrise en Sciences et Gestion (MSG)
- Postgraduate degree (DESS) in the fields of management science, logistical operations and industrial management
- Advance Management Program (AMP) from Cornell University

Experience and Skills

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

3.8 Profile of Directors and Senior Officers (continued)

SENIOR OFFICERS

Kevin **Chan Too** [41]
Constance Group Head of Finance

Qualifications

- Fellow of the Association of Chartered Certified Accountants

Experience and Skills

- Currently, the Constance Group Head of Finance, with his main responsibilities being the finance, accounting, treasury and internal control functions.
- Held various finance and accounting positions within listed companies dealing in the property, finance and investment sectors.

Andrew **Milton** [52]
Chief Operations Officer

Qualifications

- BSc in Institutional Management from the Cardiff University (UK)
- Finance (INSEAD)
- Leadership (IMD) and Asset Management (Cornell)

Experience and Skills

- Currently responsible for the operational, human resource and financial activities of the Group.
- Started his career with Hilton Hotels and held positions in Abu Dhabi, London, Algiers and Cannes.
- General Manager of Constance Lemuria, Seychelles, in 1999.
- General Manager of Constance Prince Maurice while retaining operational responsibility for Constance Lemuria and Constance Tsarabanjina.
- Championed the rebranding of Constance Tsarabanjina in 2006.
- Championed the repositioning the One & Only Le St Géran for a period of 5 years.

Siegfried **Espitalier Noël** [50]
Chief Marketing Officer

Qualifications

- MSc in International Hospitality Management at the Oxford Brookes University (UK)

Experience and Skills

- Responsible for the marketing and commercial activities of the Constance Hotels, Resorts & Golf Group.

4. DIRECTOR APPOINTMENT PROCEDURES

4.1 Merit and Diversity

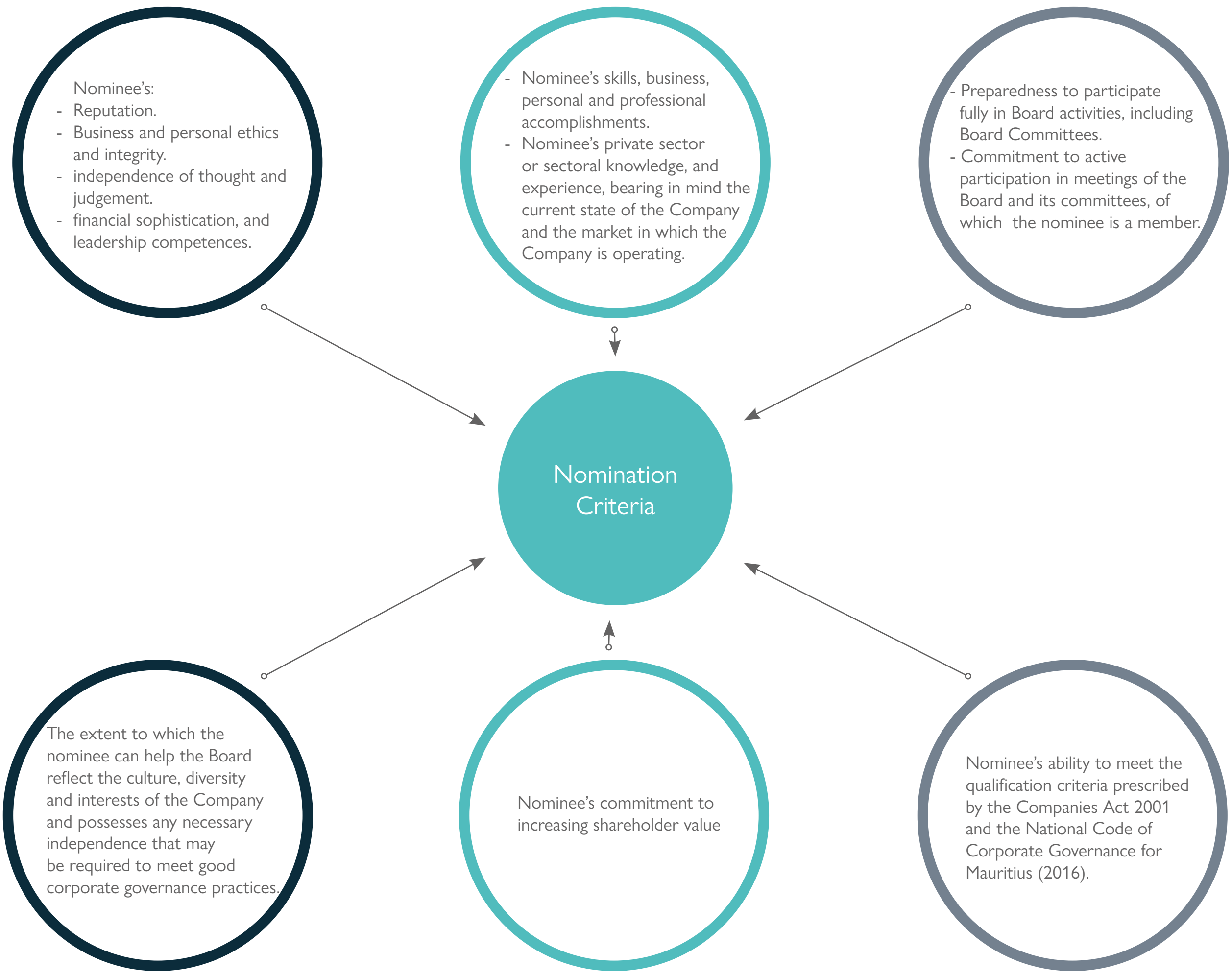
All Directors must possess knowledge, capabilities and experiences which can benefit the Company's business operations. The Nomination and Remuneration Committee considers the qualifications of the candidates through pre-selection procedures, as mandated in its Charter, and proposes the nominations to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

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

4.2 Nomination Process and Criteria

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

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



4.2 Nomination Process and Criteria

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

Board candidates may be identified from four principal sources:

- The Board's network of contacts, including current members of the Board, Senior Executives of the Company, the Company's advisers and, if it deems appropriate, a professional search firm.
- The nomination of candidates in accordance with an existing 'Protocole d'Accord', under which parties to this Protocol have the right to nominate a specific number of Directors to the Board.
- The nomination of candidates by virtue of the Companies Act 2001, which calls for a special meeting of Shareholders, to be held on the written request of Shareholders holding shares carrying together not less than 5 per cent of the voting rights entitled to be exercised on the appointment of a Director.
- The Directors' Register of the Mauritius Institute of Directors.

4.3 Induction Programme

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

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

4.4 Terms of Service of Directors and Re-election

The Board does not favour the re-election of Directors on an annual basis, as it does not consider this practice to be in the best interest of the Company. The terms of service of Directors is in accordance with the Company's Constitution (Article 21.2), as approved by Shareholders at the 2012 Annual Shareholders' Meeting, whereby, at every Annual Shareholders' Meeting, one-third of Directors (or the number nearest to one-third) shall retire from office and be eligible for re-election. An assessment of the performance of each retiring Director, who makes himself/herself available for re-election is conducted by the Nomination & Remuneration Committee, which submits its recommendations to the Board. In turn, the Board puts forward its appropriate nominations to the Shareholders for their approval.

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

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

4.5 Directors' Professional Development

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

During the financial year under review, the Company arranged for presentations by industry professionals to all the Directors and Senior Executives to enhance their understanding of GDPR, IT and new developments in the company's field of business.

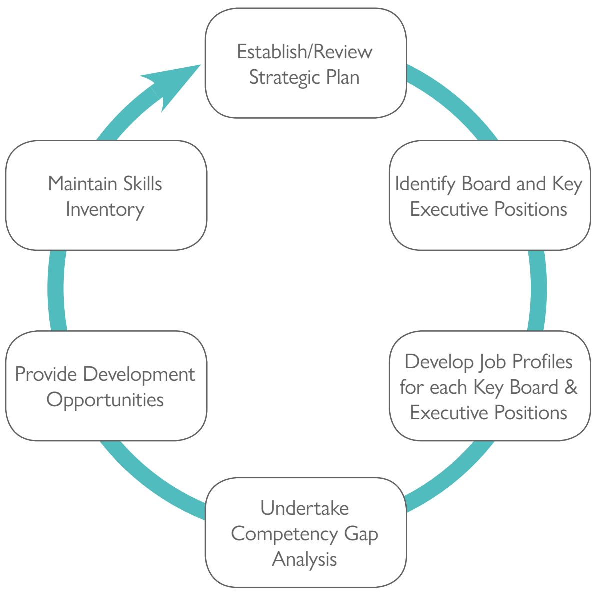
In addition, some Directors and Senior Officers received training dispensed by local institutions on, inter alia, new regulatory and industry development matters.

4.6 Succession Plan

The Company has a suitable Succession Planning Model (SPM) given its scale and level of sophistication. The SPM identifies the necessary competences within the Board and Senior Management positions and set a clear and systematic process towards the assessment, development and retention of a talent pool of Directors and Key Senior Executives with a view to securing a continuity of leadership for all critical positions and, consequently, ensuring that current and projected business strategies are fully and effectively deployed.

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

The Succession Planning Model



5. DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

5.1 Duties of Directors

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

The Directors of the Company act with propriety in dealing with the affairs of the company. They accordingly:

i. do not exceed their jurisdiction;

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

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

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

v. unless authorised by the Company, not make use of any confidential information acquired by way of their position as Directors of the Company, or compete with the company;

vi. not use the assets of the Company for any illegal purpose;

vii. declare any direct or indirect interests to the meeting of Directors of the Company which shall be duly recorded by the Secretary of the Company;

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

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

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

5.2 Limitation on the Number of Company Directorships

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

5.3 Board Meetings

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

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

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

5.4 Report of Interest of Directors and Designated Management

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

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

The Audit (Risk Management) Committee has been delegated to work with the Auditors to detect and approve any Conflict of Interest and Related-Party Transactions and report quarterly to the Board on Related-Party Transactions.

5.5 Directors' and Senior Officers' Interests and Dealings in Shares

The Company's Share Dealing Policy gives clear guidance on the practice to be followed when dealing in shares of the Company or of companies connected to the Company by business or common shareholding. All Directors, related parties and designated employees wishing to deal in the securities of the Company or any of its subsidiaries must comply with the statutory provisions concerning insider dealing in the Companies Act 2001 as well as the Securities Act 2005 and be aware of the Stock Exchange of Mauritius' Model Code for Securities Transactions by Directors 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:

Director	No. of shares disposed of directly	No. of shares disposed by Associate
Colin TAYLOR	-	2,304,233

5.6 Directors' and Senior Officers' Share Interests

The interests of Directors and Senior Officers in the securities of the Company as at 31 December 2018 were as follows:

	Direct		Indirect
	No. of shares	% Held	% Held
Directors			
George J. DUMBELL – Chairman	34,285	0.03	-
Nitish BENI MADHU	-	-	-
Nicolas BOULLÉ	-	-	-
Marc FREISMUTH	-	-	-
Preetee JHAMNA RAMDIN	-	-	-
Jean JUPPIN DE FONDAUMIÈRE	-	-	-
Clément D. REY	42,857	0.04	1.03
Jean RIBET	697	0.00	1.34
Georgina ROGERS	1,986,581	1.81	1.01
Colin TAYLOR	-	-	0.20
Noël Adolphe VALLET	-	-	1.48
Jean-Jacques VALLET	211,561	0.19	1.60
Senior Officers			
Kevin CHAN TOO	11,100	0.01	0.10
Siegfried ESPITALIER NOËL	87,168	0.08	0.05
Tham Fong LEE CHIP HING	21,793	0.02	-
Andrew MILTON	77,200	0.07	-

5.6 Directors' and Senior Officers' Share Interests (continued)

The Company Secretary maintains a Register of Interests/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 Register of Interests which is available for inspection during normal office hours upon written request made to the Company Secretary.

5.7 Common Directors

The names of common Directors of the subsidiaries of the Company are found on page 101 of the Annual Report and are as follows for Hotelest Limited and BMH Ltd, the holding and ultimate holding companies:

Directors of Hotelest Limited

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.

Directors of BMH Ltd

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

5.8 Directors' Remuneration

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

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.

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

For 2018, Directors' annual fees amounted to MUR 300,000 for the Chairman and MUR 100,000 for other Board members. In addition, the annual fees for Members of Committees of the Board for 2018 were:

	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

For the Executive Directors, the Board has agreed that the emoluments of these Directors are not to be disclosed individually because of their commercially-sensitive nature and are thus disclosed in total. No Non-Executive Directors have received remuneration in the form of share options or bonuses associated with organisational performance.

Following a review of directors' fees, the Board is recommending the undermentioned increases in fees, for shareholders' approval, for 2019:

Board	Proposed
	MUR
Chairman	375,000
Member	120,000

Furthermore, the Board has approved the following changes in fees for the Company's Board Committees for 2019:

	Audit (Risk Management)	Corporate Governance
	MUR	MUR
Chairman	120,000	70,000
Member	75,000	50,000

5.9 Board Evaluation

Evaluation Criteria

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

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

Evaluation Methodology

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

The Board considers that the current evaluation process satisfies the Company's present requirements and it does not see any merit in carrying out an Independent Evaluation. The last assessment was undertaken in 2017 and the results thereof met expectations.

5.10 Executive Performance Development Programme

The Company has an Executive Performance Development Programme for its Senior Executives, incorporating a short-term incentive scheme, which links the Executives' remuneration with the performance of the Company; it is a performance bonus scheme based on annual performance targets. Bonus pay-outs for meeting performance expectations are conservative, whilst reward for exceeding the set targets are market-driven. The Nomination and Remuneration Committee reviews every two years Executive Remuneration, in conjunction with the Korn Ferry Mauritius Remuneration Survey to ensure remuneration remains competitive to the local market. This exercise was last carried out during the year under review.

Every year, performance targets are set for the Senior Executives by identifying from the Key Result Areas and Key Performance Indicators of their respective jobs, the main priorities that the Executive should focus on for the year and by translating these into specific objectives for the said year together with any particular strategic objective approved by the Board for that year.

For other Executives and personnel, the Company applies the balanced scorecard methodology to set annual targets, weightages and measures for each individual.

The Company does not presently have an employee share-option scheme/long-term incentive plan.

5.11 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 2018	**6**	**8**	**3**	**5**
Meetings attended				
George J. DUMBELL	6		3	5
Nitish BENI MADHU	4			
Nicolas BOULLÉ	6		3	
Marc FREISMUTH	6	8		5
Preetee JHAMNA RAMDIN	5			
Jean JUPPIN DE FONDAUMIÈRE	5	8		
Clément D. REY	6			
Jean RIBET	6			5
Georgina ROGERS	6			
Colin G. TAYLOR	5		3	
Noël Adolphe VALLET	6	8		
Jean-Jacques VALLET	6			

6. RISK MANAGEMENT AND INTERNAL CONTROLS

6.1 Risk Management

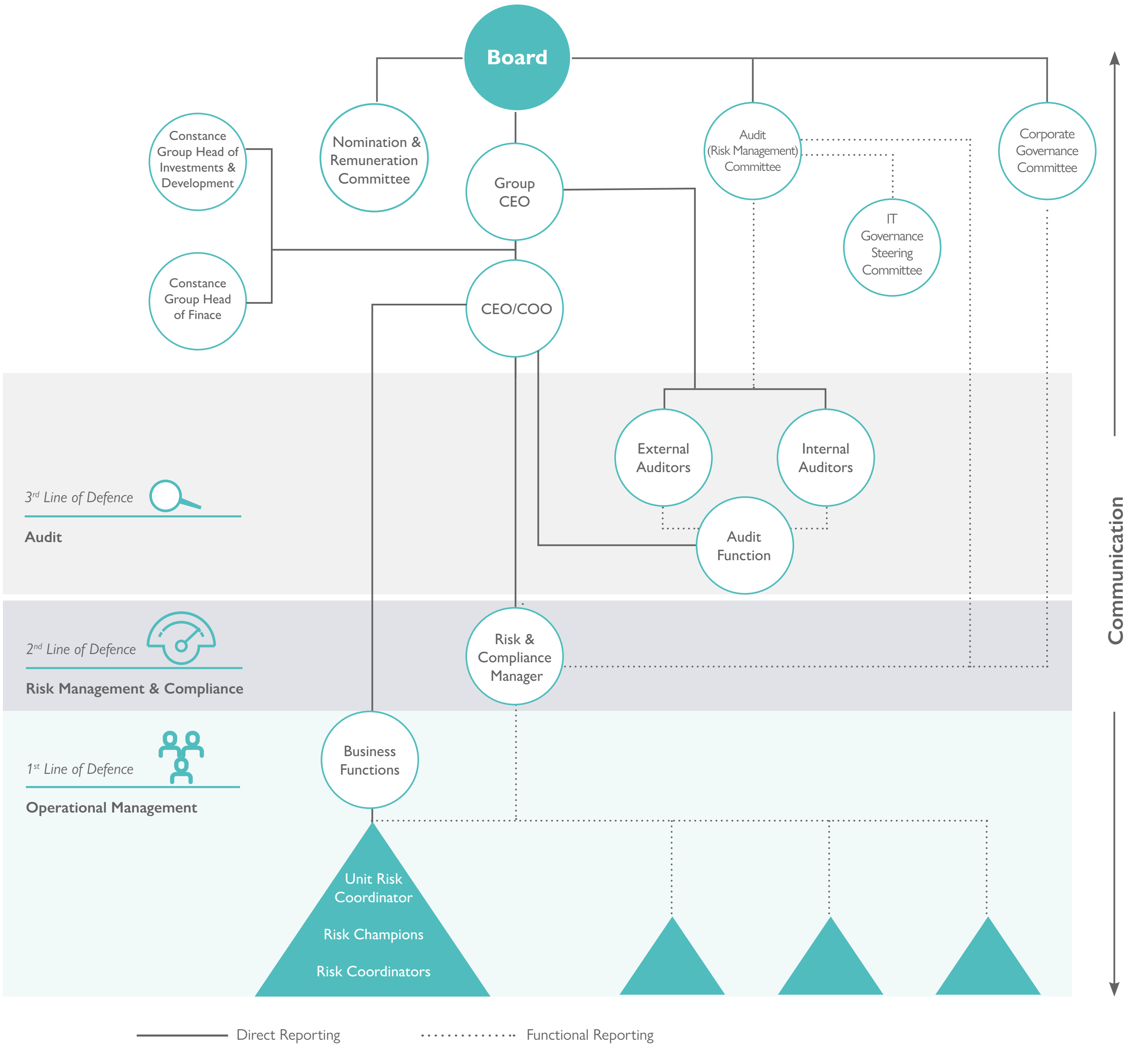
Risk Management Framework

The Company constantly faces varied risks which may adversely impact its performance, financial condition and overall ability to attain its strategic objectives. The Board, which is ultimately responsible for the sound management of these risks, ensures that the Company has continuously in place the appropriate risk management and internal control framework. In doing so, the Board has delegated to the Audit (Risk Management) Committee the responsibility to continually monitor, assess and review the risk management and internal control framework, in the light of the approved risk appetite, the changing nature and extent of the risks faced by the Company and the applicable laws and regulations, in order to ascertain that this framework is adequate and effective. The Board acknowledges that risk management and intern`al control frameworks are designed to identify and manage rather than eliminate the risk of failure to achieve business objectives. Such frameworks can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Framework (continued)

The Company first established its risk management programme in August 2006. In 2014, by direction of the Board, the risk management framework was further enhanced by the deployment of the ERM Programme across all the operations and jurisdictions of the Company.

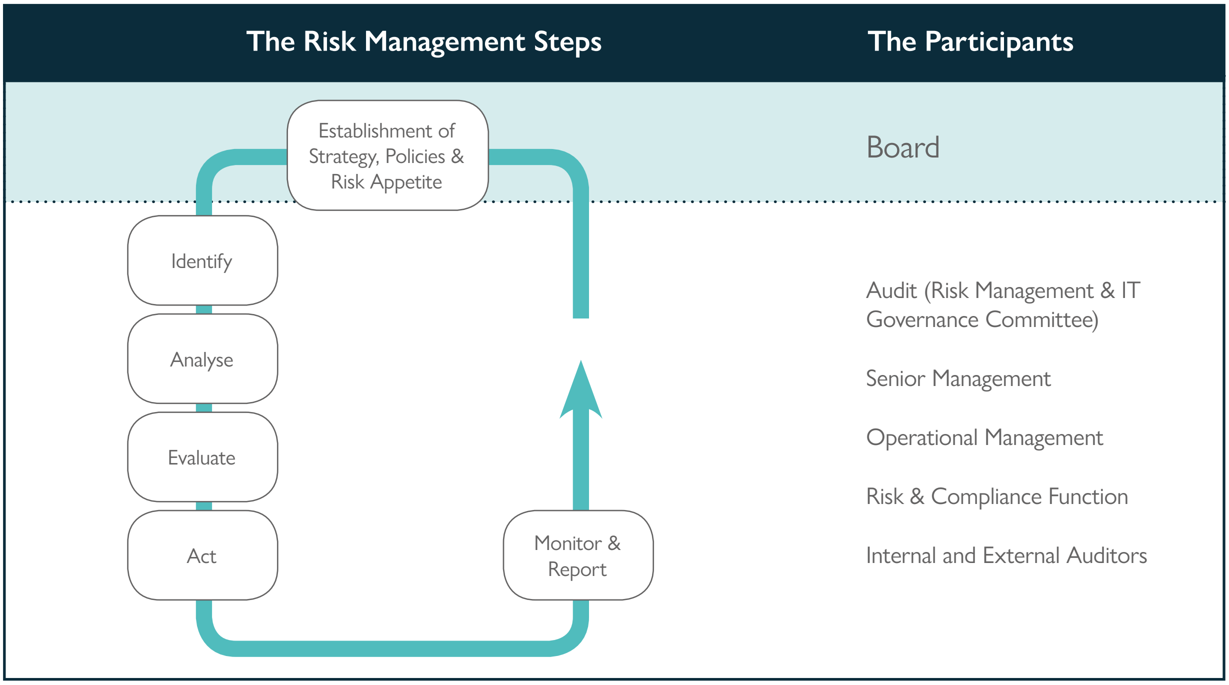
The CHSL ERM Framework



The CHSL ERM Framework (continued)

The Company's ERM framework consists in a combination of the top down and bottom-up approaches to risk management, on the basis of three lines of defence.

Strategy, policies and risk appetite are approved by the Board, and their formulation, implementation, evaluation and monitoring are delegated to the Committees of the Board, Senior Management and the Internal and External Auditors.



The defined objectives and risk appetite are subsequently communicated to each and every property/department which comprises a Unit Risk Coordinator, Risk Coordinators and Risk Champions. The latter identify all risks which may, at their level, hamper the attainment of the defined objectives and they circulate a detailed assessment of such risks and their proposed risk management action plan to the Risk and Compliance Manager (RCM). The preventive and corrective actions, process ownerships and deadlines are, subsequently, agreed upon with the General Manager who is ultimately responsible for managing risks at property level. The suggested measures that require higher level approval are highlighted in reports presented to Senior Management. The prominent risks are discussed with the CEO and COO who may:

- Advise on the importance (rating or financial impact) of some of the risks reported.
- Consider and advise on the potential impact of a given reported risk on other hotels and destinations of the Constance Hotels, Resorts & Golf Group.
- Point out any risks known at their level which have not been mentioned in the registers.

Decisions are subsequently communicated back to the respective property by the RCM.

A monitoring/update report is prepared every quarter by each Unit Risk Coordinator and circulated to the RCM who, in turn, reports, as appropriate, to Senior Management. A full review of the risk registers is conducted twice yearly by the ERM teams at property level whereby newly-identified risks are added, and existing risks are reevaluated following the implementation of previously suggested mitigation measures. Reports for presentation to the Audit (Risk Management) Committee are based on the latest available registers.

Since the implementation of the ERM Programme in 2014, an increasing risk awareness culture has been observed across the organisation. The Company's ERM teams are now well-versed with the risk assessment methodology, resulting in more concrete risk registers from each department and entity.

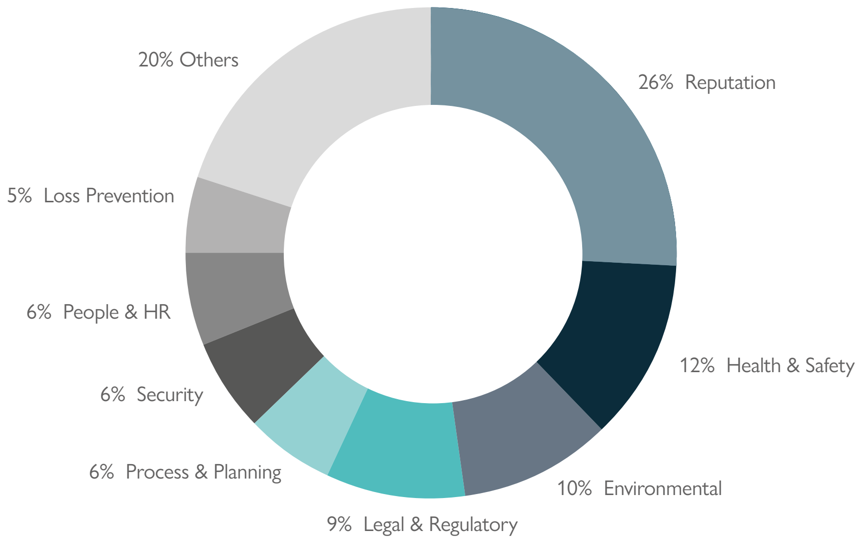
The 3 Lines of Defence of CHSL's ERM Framework

Operational Management 	• Risk champions and Risk coordinators from different departments ensure that risks identified are communicated to their respective Unit Risk Coordinator and preventive and corrective measures implemented within the set deadlines. They bear responsibility for the day-to-day risk management activity. • Line managers are responsible for continuous compliance with all laws, codes, rules, regulations, procedures, policies and standards of good practice. • The CEO and COO are consulted on the management of the principal risks.
Risk & Compliance Management 	• The RCM acts as the Group Risk Coordinator. The latter is responsible for the Group risk register, monitors the effectiveness of the established risk management framework and processes, and provides the required risk management guidance and support to the Unit Risk Coordinators. • The RCM presents a comprehensive report twice a year to the Audit (Risk Management) Committee, thus enabling an improved oversight of risks facing the organisation and making the assessment of risks per location/ entity easier. Every year, at each of the two special meetings of the Audit (Risk Management) Committee dedicated to ERM, the principal risks facing each entity are discussed and corrective and preventive measures validated. The structured reports also provide insight into periodic risk movements until they reach a level acceptable to the Board.
Audit 	• Independent assurance with regard to the adequacy and effectiveness of the Company's risk management framework and processes is derived from the Internal Audit function, which is outsourced to Messrs. PricewaterhouseCoopers (PwC) on a three-year contract, last renewed on 01 January 2016 and extended to 31 December 2019. • External Auditors provide external assurance on matters pertaining, but not limited to, valuation and financial statements. In addition, they report on the extent of compliance with the Code of Corporate Governance in the annual report and on whether the disclosure is consistent with the requirements of the Code.

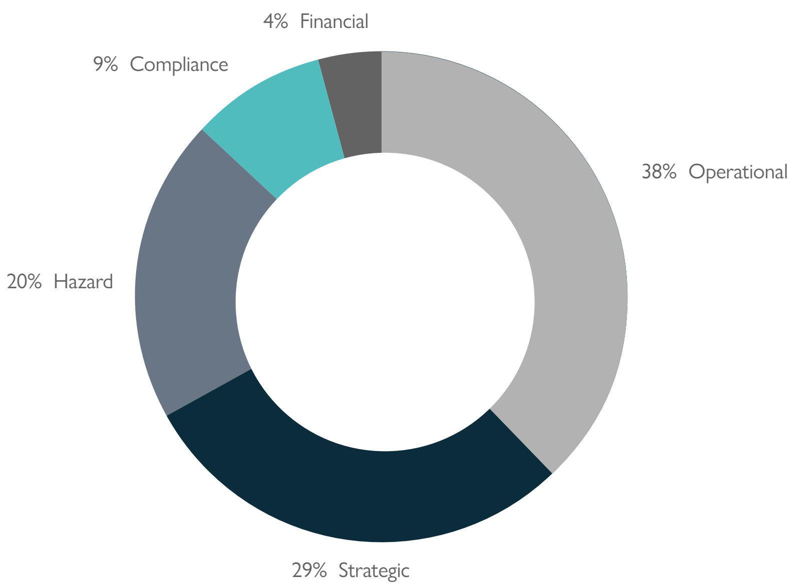
Risk Profile

Risks facing the Company are classified by type and subsequently grouped as Strategic, Financial, Operational, Compliance or Hazard, in accordance with the National Code of Corporate Governance for Mauritius (2016). The following charts, which provide an overview of the Company's risk profile as at 31 December 2018, reflect the Company's risk appetite as approved by the Board.

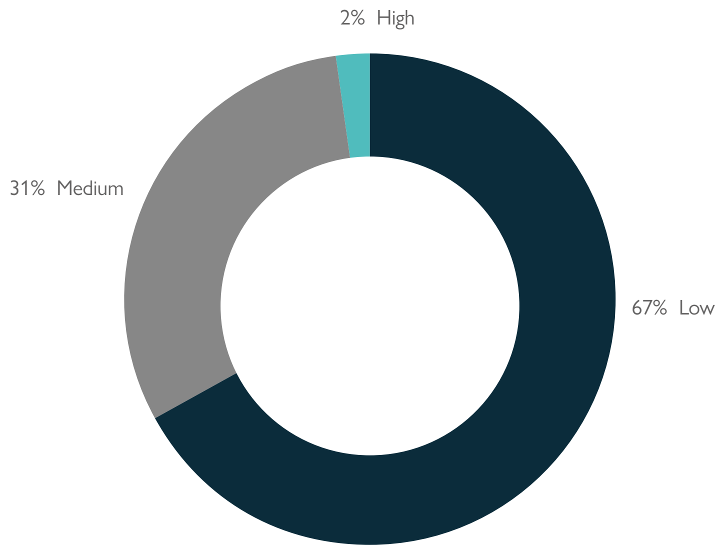
Financial Impact (MUR) by Risk Type



Financial Impact (MUR) by Risk Group



Risks by Criticality



Principal Risks and Mitigation Initiatives

The Company has implemented various policies and mitigation initiatives to effectively counter the principal risks to which it is exposed to, as elaborated in this Corporate Governance Report and in the following tables. The Company also has Director & Officer Liabilities insurance cover.

Principal Risks by Risk Group and Capital Impacted

Risk		Risk Group	Capital Impacted	Risk Trend (vs Last Year)
Geographical Concentration	A	Strategic	Financial, Human, Intellectual, Social & Natural	Decrease
Industry & Market	B	Strategic	Financial, Human, Intellectual, Social & Natural	Unchanged
Political, Economic & Social	C	Strategic	Financial, Human, Social & Natural	Unchanged
Reputation	D	Strategic	Financial, Human, Intellectual	Unchanged
Social Responsibility and Sustainability	E	Strategic	Financial, Human, Social & Natural	Decrease
Financial Management	F	Financial	Financial, Human	Unchanged
Cybersecurity & Information Governance	G	Operational	Financial, Human, Intellectual	Decrease
Health & Security	H	Operational	Financial, Human	Unchanged
Talent	I	Operational	Financial, Human, Intellectual	Unchanged
Legal, Regulatory and Ethical Compliance	J	Compliance	Financial, Human, Intellectual	Decrease
Uncontrollable Events (Natural, Environmental, Geopolitical and Human Perils)	K	Hazard	Financial, Human, Social & Natural	Unchanged

Legend:

Capital Impacted: Financial Human Intellectual Social & Natural

Risk Trend: Decrease Unchanged Increase

Risk Mitigation Initiatives

Risk	Description	Mitigation Initiatives
Geographical Concentration	Lack of geographical diversification may adversely affect the financial results and mid/long-term growth of the Company.	• The Company has operations in five different jurisdictions and the Board continually assesses new opportunities across the region and beyond.
Industry & Market	The tourism industry, and the hotel sector in particular, may be negatively impacted by changes in 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, and other industry-related factors.	• The Company is kept abreast of industry and market risks through its extensive network of overseas sales & marketing and representation offices. • Industry risks are mitigated externally through regular meetings with the appropriate industry drivers and government ministries, either directly or through industry associations. • These risks are also reviewed internally through daily performance monitoring and application of different marketing strategies and on a quarterly basis by the Board. • The Company strives to adapt to new markets, meet customer expectations, and constantly innovate to strengthen its competitiveness.
Political, Economic & Social	Political, economic and social events which affect international travel (e.g. closed-sky policies, increased transport and fuel costs, economic crises, and currency and interest-rate fluctuations) and the performance of the tourism industry in the destinations in which the Company operates.	• The Company regularly discusses such risks with relevant stakeholders. • 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. • Changes in the business environments in which the Company operates 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.
Reputation	Damage to the Company's brand and reputation due to: • Events such as adverse publicity which impact its reputation. • Failure of the Company to sustain its appeal (e.g. product quality, facilities and services offered and safety & security) to its clients and other stakeholders.	• Enforcement of a strict ethical Code of Conduct and good corporate governance practices across the Group in accordance with the National Code of Corporate Governance for Mauritius and international best practices. • Continuous improvements and innovations. • Maintenance of quality standards through regular audits and training. • Monitoring of guest satisfaction and negative reviews and execution of corrective actions. • Safety and security measures. • Timely information to guests.

Risk Mitigation Initiatives (continued)

Relevant Codes & Policies	Actions during the Year
Risk Management Policy.	• New hotel under management in Zanzibar. • Exploring other destinations. • Risks identified and addressed.
Antitrust Policy and Risk Management Policy.	• Constant innovation and improvement of products and services. • Marketing strategy in place. • Risks identified and addressed.
Anti-Money Laundering Policy and Antitrust Policy.	• Review of prices to reflect changes in currency rates. • Risks identified and addressed.
Code of Ethics and Conduct for Employees, Code of Ethics and Conduct for Business Partners, Code of Ethics and Conduct for Directors, IT Code of Practice, Professional Standards and Guidelines, Anti-Money Laundering Policy, Data Protection Policy, Conflict of Interest & Related Transactions Policy, Gifts Policy, Equal Opportunity Policy, IT Information Security Policy, Prevention of Child Sexual Exploitation Policy, Environmental Policy, Procurement Policy, Health & Safety Policy, Corporate Social Responsibility Policy, Energy Management Policy, and Risk Management Policy.	• Maintain awareness and training. • Disclosure of conflicts of interests and related-party transactions. • Quality management procedures. • Security reinforced with additional cameras. • Notice on video surveillance of the property. • Implementation of the EU-GDPR and DPA 2017 in progress. • Audits of product and services standards. • Progress on the implementation of Green Globe standards. • Risks identified and addressed.

Risk Mitigation Initiatives (continued)

Risk	Description	Mitigation Initiatives
Social Responsibility and Sustainability	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 to 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. • The Company has embarked on the internationally-recognised Green Globe Certification programme since 2013. In 2018, the Group was awarded the Green Globe Certificate for the 5th consecutive year. • The Company regularly engages with key stakeholders. • The Company adheres to applicable laws and regulations and good governance practices, support human rights, strives to preserve the natural ecosystem, and respect and support the communities and cultures in all countries in which it operates.
Financial Management	The Company is exposed to a wide range of financial risks, namely currency risk, price risk, credit risk, liquidity risk, interest rate risk and capital risk. These risks are reported in detail in the Notes to the Financial Statements on pages 127 to 130.	• Sound management of costs and financial risks such as foreign exchange, liquidity, market risks, pricing policy. • Detailed budgets and projected cash flows are reviewed on a regular basis by the Audit (Risk Management) Committee and quarterly by the Board. • The Board and Audit (Risk Management) Committee scrutinise the Company's account receivables and payables • Other mitigation initiatives can be referred to on pages 127 to 130.
Cybersecurity & Information Governance	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 may 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.	• A strong professional team with combined experience of over 16 years in the field of IT. • The IT Governance Steering Committee ensures that the proper IT governance framework, policies, strategy and practices are implemented throughout the Company, in accordance with the applicable regulatory requirements and international best practices. • The Company's IT function performs regular controls and upgrades to the IT system in order to ensure its effectiveness and prevent any disruption. • Management ensures all staff comply with the Company's IT Code of Practice. • Independent audits of the IT governance framework and systems are conducted by the Internal Auditors. • Internal and external training of team members.

Risk Mitigation Initiatives (continued)

Relevant Codes & Policies	Actions during the Year
Corporate Social Responsibility Policy, Environmental Policy, Anti-Money Laundering Policy, Prevention of Child Sexual Exploitation Policy, Procurement Policy, Code of Conduct for Business Partners, Health & Safety Policy, Energy Management Policy, Antitrust Policy, Equal Opportunity Policy and Energy Management Policy.	• Close monitoring of energy and water usage. • Miscellaneous measures to minimise wastage. • Purchase of eco-friendly and biodegradable products as available. • Employee sensitization campaigns. • Preventive maintenance. • Risks identified and addressed.
Risk Management Policy.	• Internal audit programme. • Close monitoring of costs. • Internal control measures in place. • Risks identified and addressed.
IT Information Security Policy, IT Code of Practice, IT Governance Policies, and Data Protection Policy.	• Establishment of the IT Governance Steering Committee. • Effective and proactive IT governance structure in place. • Implementation of security measures in line with the data protection laws.

Risk Mitigation Initiatives (continued)

Risk	Description	Mitigation Initiatives
Health & Security	Health and safety issues (e.g. food poisonings and injuries due to gravitational hazards) faced by our guests and employees	• The Environmental Health and Safety Manager oversees, harmonises and monitors the Health, Safety and Environment function across all hotels of the Group with strict controls to ensure compliance with international good practices, all statutory and legal requirements and codes of practice generally applied across the industry. • Each of our hotels has either a dedicated Health & Safety Officer or a Senior Executive responsible for this function. • 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.
Talent	Failure to identify, secure and retain top-quality management and highly-skilled employees may undermine the Company's ability to remain profitable and achieve its strategic objectives.	• A policy of recruitment and recognition of performance that is fair and transparent based on merit is applied. • The Company ensures an attractive and safe working environment and a competitive remuneration structure. • Succession planning is developed, monitored and maintained for key roles. • Internal and external training to further develop skills of team members. • Employee satisfaction surveys and implementation of improvement plan. • Team members are recognised and rewarded for their contributions.
Legal, Regulatory and Ethical Compliance	Non-compliance with legal and other regulatory requirements may result in severe penalties and adversely affect the Company's competitive position on the market.	• A robust programme comprising procedures and internal monitoring and reporting 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 strictly adhered to. • Contracts are monitored through a dedicated contract management software. • Implementation of a GDPR Programme in 2018 to ensure full compliance. • Quarterly Financial Statements and the Abridged Financial Statements are scrutinised by the Audit (Risk Management) Committee and subsequently reviewed and approved by the Board. • Relevant team members are kept abreast of changes in regulatory requirements through regular communication and training.
Uncontrollable Events (Natural, Environmental, Geopolitical and Human Perils)	Uncontrollable events such acts of terrorism, civil unrests, epidemics, tsunamis and cyclones may adversely affect occupancy levels and therefore the operations of the Company.	• A Business Continuity Plan is in place, comprising emergency contacts, emergency procedures for the different risks identified, communication strategy, crisis management and business recovery measures. • Drills and simulation exercises to prepare our team members to various contingencies.

Risk Mitigation Initiatives (continued)

Relevant Codes & Policies	Actions during the Year
Health & Safety Policy and Risk Management Policy.	• Monitoring of incidents. • Employee training. • Risks identified and addressed.
Code of Ethics and Conduct, Professional Standards and Guidelines, Equal Opportunity Policy, Nomination Policy and Risk Management Policy.	• Recruitment policy. • Training & certification programme. • Career development programme. • Employee recognition and awards. • Appraisals, promotions and review of salaries and benefits. • Welfare and cross-exposure programmes.
All Codes and Policies listed in section 6.4	• Effective communication of new legal requirements and ethical standards. • Employee training. • Implementation of the EU-GDPR and DPA 2017 in progress.
Risk Management Policy.	• Business continuity planning. • Emergency procedures. • Training and drills.

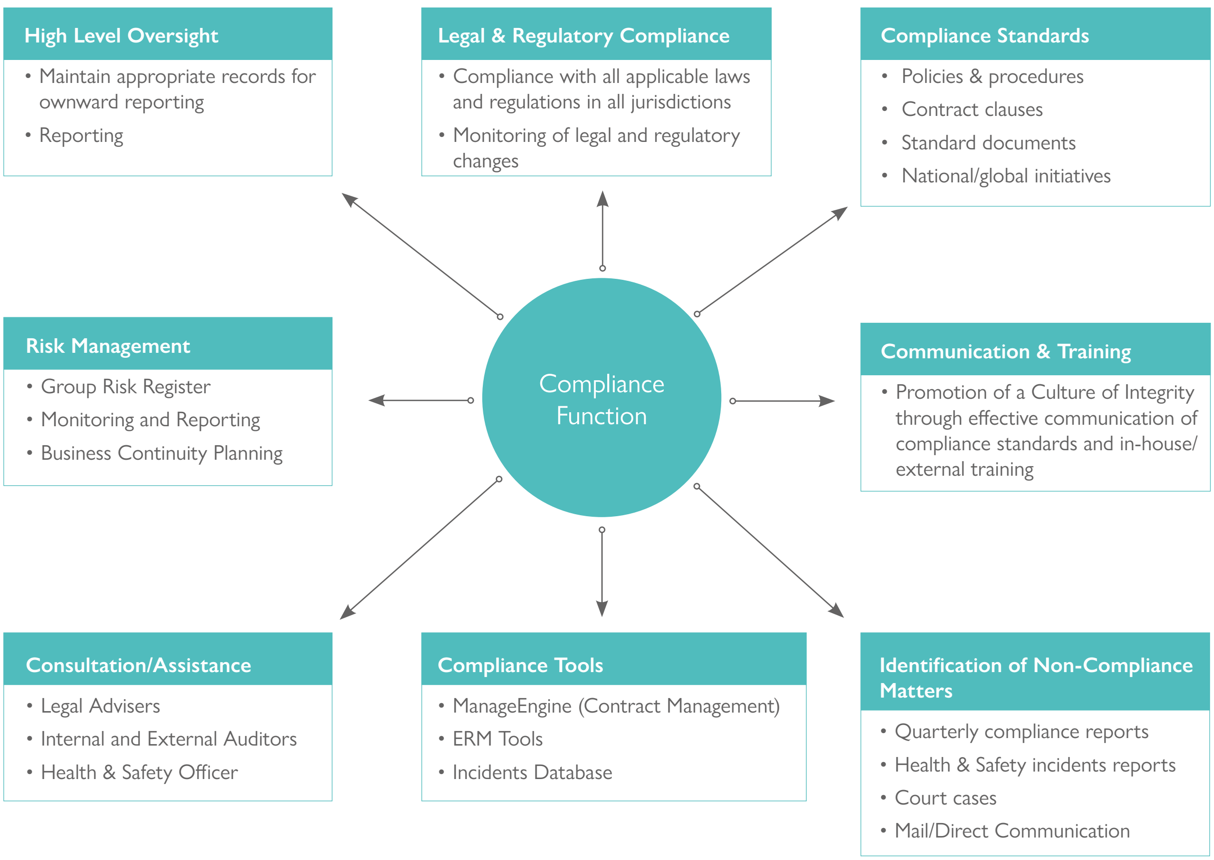
6.2 Compliance Function

The Compliance function, which forms part of the Company's second line of defence, falls under the responsibility of the Risk & Compliance Manager (RCM), with a functional reporting line to the Audit (Risk Management) and the Corporate Governance Committees of the Company. The RCM operates within the scope of the Company's Compliance Charter and in accordance with the Professional Standards and Guidelines approved by the Board.

The main role of the Compliance function is to:

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

Scope of the Compliance Function



Scope of the Compliance Function (continued)

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

The main accomplishments of the Compliance function, during the year under review, include the following:

- The RCM embarked on the implementation of the Data Protection Act 2017 (DPA 2017) and the EU-GDPR, with the support of external consultants. The RCM was nominated as the Data Protection Officer (DPO) for Constance Hotels, Resorts and Golf (CHRG), with the main responsibility of monitoring and facilitating the implementation of the data protection legislations across the various entities of CHRG. An inventory was conducted on all data processing activities and the different categories of personal data held at CHRG, following which an action plan was established to remediate the gaps identified, prioritising the high-risk areas. Employees were trained on the DPA 2017 and the EU-GDPR, and awareness is being maintained with the help of internal trainers and via the Company's communication channels.
- Compliance training in 2018 focused on data protection, ERM and the Code of Ethics and Conduct. Work is in progress with a view to creating an online compliance training platform with the help of Constance Hospitality Training Centre Ltd. This new mode of training will be tested and introduced in 2019.
- In line with our "Conflict of Interest and Related Party Transactions" policy, a survey questionnaire was introduced and circulated to relevant persons to facilitate disclosure. In this respect, a register is maintained and updated.
- Standard data collection forms were reviewed in line with the data protection requirements and a new disclaimer was introduced for the administration of an epi-pen by our Constance Kids Club staff.
- An annual review of Corporate policies was conducted to take into account changes in legislations, regulations and the new National Code of Corporate Governance.
- The Company's intellectual property was maintained and the necessary procedures were initiated to register and protect our new brands in the relevant markets.
- The implementation of a new contracts management system was initiated. This system will be launched in the first quarter of 2019.

During the year under review, the RCM participated in workshops on the DPA 17 and the EU-GDPR, and successfully completed the "Data Protection Officer Certification" exam.

In 2018, the RCM was invited to present three reports to the Corporate Governance Committee, which also covered Health & Safety matters, and two reports to the Audit (Risk Management) Committee on Enterprise Risk Management. The RCM also participated in the two meetings of the IT Governance Steering Committee which was set up in 2018. It was noted that the business objectives set out in the Compliance Action Plan for 2018 were met.

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

Information, IT and IS Governance Framework

During the year under review, the Company has significantly enhanced its information, IT and IS governance framework under the direction of the Board in order to ensure the performance of the Company's information and IT-related systems lead to business benefits and create value:

- In line with the National Code of Corporate Governance for Mauritius (2016), an IT Governance Steering Committee was set up as a subcommittee of the Audit (Risk Management) Committee. The IT Governance Steering Committee is chaired by the Chief Information Officer, and comprises two members of the Audit (Risk Management) Committee, three members of Senior Management, two members of the finance department and the RCM.
- A comprehensive programme was implemented to ensure full compliance with the EU General Data Protection Regulation (GDPR) and the Data Protection Act (DPA) 2017.
- The Company's IT Code of Practice, IS Policy and Data Protection Policy were reviewed and updated to reflect the latest legal and regulatory requirements.

6.3 Information, Information Technology (IT) and Information Security (IS) (continued)

Information, IT and IS Governance Framework (continued)

The Company information, IT and IS governance framework puts emphasis on the confidentiality, integrity, availability and protection of information, backed by adapted Information and IT systems. This framework is continually monitored and assessed by the Board to ascertain that it forms an integral part of the overall corporate governance of the Company and is managed according to set policies. To fulfil this obligation, the Board is supported by the Audit (Risk Management) Committee and the IT Governance Steering Committee which review information risks and the implemented mitigation actions, and ensure that the established Information, IT and IS governance framework is effective and adequate.

Management is responsible for implementing the approved 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, whilst ensuring physical and logical access controls are in place at all times. Staff is regularly made aware of these policies, procedures and practices through the Company's communication channels. The Company has in place an IT Code of Practice and an IS Policy, which incorporate policies related to information, IT and IS.

Scope of the IT Code of Practice and IS Policy

Use of Computing Facilities	Access to Facilities	Passwords	Information Storage & Publication	Data Protection
Publication of Information	Copyright Material	Electronic Mail	Backups & Storage	Information System Implementations
Virtual Private Network	Equipment Decommissioning	Misuse of Facilities	Usage Monitoring & Inspection of Files	Systems and Network Administration Access
Document Printing	Discipline	Energy Saving	Company Liability	IT Roles & Responsibilities
User Management	Information Classification	Computer and Information Control	Viruses	Access Controls
Data Transfer/Printing	Access to Shared Network Folders	Oral Communications	Evaluation	Contingency Plan
Data Leakage Prevention				

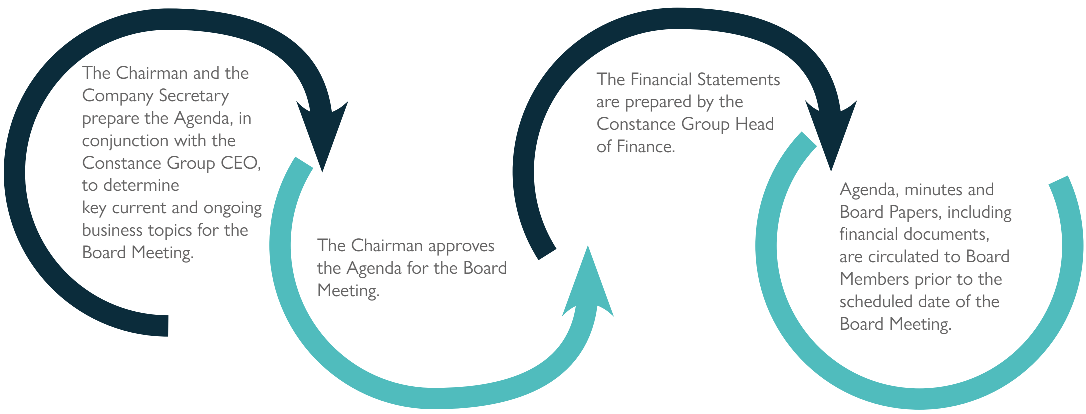
Whilst the Audit (Risk Management) Committee evaluates the effectiveness of related internal control systems, the structure provides for independent assurance with, notably, the Internal Audit function which acts as an additional line of defence to assess the suitability of the Group's securities policies, 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 invited on annual basis to present to the Board achievements and new developments of the IT function.

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 Reports.

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.

Selection of Agenda Items for Board Meetings



GDPR and DPA 2017

Non-compliance with the EU-GDPR and DPA 2017 poses significant regulatory, financial, operational and reputational risks. The Company embarked between June and December 2018, with the support of external consultants, on a comprehensive programme for the establishment of a solid governance structure, including a Data Protection Steering Committee with board representation in order to be monitor compliance with the EU-GDPR and DPA 2017, and covered the following areas:

	Strategy, Governance & Accountability		Data Lifecycle Management
	Data Subject Rights & Processing		Incident Response & Breach Management
	Privacy Notice & Policy Management		Third Party Risk Management
	Risk Management & Compliance		Data Protection

6.3 Information, Information Technology (IT) and Information Security (IS) (continued)

GDPR and DPA 2017 (continued)

The Data Protection Steering Committee will be set up in the first quarter of 2019. The implementation of other recommendations made is in progress across the Company and actions initiated include the following:

- Nomination of a Data Protection Officer with clear roles and responsibilities.
- Communication of a Privacy Policy for external stakeholders.
- Communication of a Privacy Notice for employees including acknowledgment for their non-disclosure and confidentiality obligation and consent for use of special category of data.
- Enabling of cookies and notification mechanisms on automated data collection tools.
- Inventory of data processing activities.
- Defining the consent policy and request for opt-in/opt-out across the different channels and data collection points.
- Employee training and awareness.
- Defining the roles and responsibilities of other key persons in the implementation process.
- Processes and templates for managing data subject rights and requests.
- Encryption of transmission channels, laptops and guest data on the Property Management System.
- Review of policies, procedures and other documents to align with data protection requirements.
- Drafting of Data Protection Agreement for third parties.

The Company is currently considering the acquisition of appropriate software for more effective management of personal data across the Company.

6.4 Charters, Policies and Codes

Overview

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

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

Codes	Policies (continued)
Code of Ethics and Conduct	Equal Opportunity
Code of Ethics and Conduct for Business Partners	Gift
Code of Ethics and Conduct for Directors	Health and Safety
IT Code of Practice (IT & Information Governance)	IT Information Security Policy
Professional Standards and Guidelines	Nomination
Statement on Corporate Governance	Prevention of Child Sexual Exploitation
	Privacy
	Procurement
	Remuneration
	Risk Management
	Share Dealing

Full version available on the Company's website *Summary version available on the Company's website*

Code 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. The Board regularly monitors and evaluates compliance with the Company's Code of Ethics and Conduct.

Code of Ethics and Conduct for Business Partners

As a responsible and ethical business, the Company has adopted its Code of Ethics and 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.

Conflicts of Interest and Related-Party Transactions

The Company's Conflict of Interest and Related-Party Transactions Policy provides a structure which ensures that all transactions pertaining to the operations of the Company and its subsidiaries are 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.

The related-party transactions are disclosed on pages 160 and 161 of the Annual Report. These transactions were conducted in accordance with the Company's Conflict of Interest and Related-Party Transaction Policy and Code of Ethics and Conduct.

Whistleblowing

The Company's Code of Ethics and Conduct includes a section on Grievance reporting albeit whistleblowing. This section establishes the process whereby any employee may report matters of suspected misconduct or malpractice within the Company without the risk of subsequent victimisation, discrimination or disadvantage.

6.5 Audit

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.

The Internal Auditors report to the Constance Group CEO but also have a functional reporting line to the Audit (Risk Management) Committee. The latter meets the Internal Auditors separately at least once a year, without the Company's Management being present, to discuss issues related to the company's audits.

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 and was extended for one year until 31 December 2019. The Audit (Risk Management) Committee regularly assesses the performance of the Internal Auditors and is satisfied of their effectiveness and independence.

The annual internal audit plan, which is approved by the Constance 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. High risk issues together with internal audit recommendations are tabled during the Audit (Risk Management) Committee meetings and management comments and implementation plans are discussed. The progress into the audit plan is also analysed and gaps, if any, are explained to the Committee. During 2018, the Internal Auditors conducted the audits on the following areas, systems and processes areas and reported on their findings and recommendations to the Audit (Risk Management) Committee at its meetings which they attended.

Country of Operation	Areas, Systems & Processes Covered	Key Findings/Outcome
Mauritius	Follow-up – Internal Control Environment	Most significant issues identified had been addressed
	Review on IT General Control and Central Reservation	Issues have been attended.
	Finance and Accounting: Software, Wages Control, Stock and Tax	Where possible recommendations have been implemented.
	Housekeeping Review	"Constance Hotels Minimum Standard" reinforced
	Procurement Review	Many issues were addressed as recommended
	Food and Beverages Review	Standard Operating Procedures would be reviewed
Maldives	Finance and Accounting: - Access rights - General Ledger Maintenance	Issues had been addressed

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. The latter provides an independent opinion on the Company's Annual Report, including its financial statements and Corporate Governance Report.

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

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

- Expertise and reputation of the accountancy firm.
- Access to expert international accounting standards, 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.
- Absence of any conflict of interest.
- Specific knowledge of the industry and business of the firm by the partner.

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

i. The Board is responsible for appointing the External Auditor, subject to the approval of shareholders.

ii. 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.

iii. The appointed External Auditor is required to present to Management an annual external audit proposal.

iv. 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.

v. The External Auditor prepares the annual engagement letter in conjunction with Management.

vi. 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 was invited to attend the Audit (Risk Management) Committee meeting to review all matters related to the audit, covering accounting principles and critical policies, judgements and estimates. The Audit (Risk Management) Committee discussed with the External Auditor and Management matters of significance regarding policies and accounting treatments. It ensured that it was satisfied that these matters had been appropriately addressed. The Audit (Risk Management) Committee met with the External Auditor separately during the year, without the Company's Management being present, to discuss issues related to the company's audits. The External Auditor also reviewed and approved the Company's Corporate Governance Report.

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.

7. RELATIONS WITH KEY STAKEHOLDERS

7.1 Shareholding Spread

Size of Shareholding	Number of shareholders	Number of shares owned	Percentage shareholding
1 - 500	153	26,045	0.024
501 - 1,000	47	38,462	0.035
1,001 - 5,000	146	362,150	0.330
5,001 - 10,000	65	461,149	0.420
10,001 - 50,000	66	1,483,732	1.353
50,001 - 100,000	16	1,163,243	1.061
100,001 - 250,000	13	2,243,421	2.046
250,001 - 500,000	3	1,093,163	0.997
Over 500,000	19	102,781,984	93.734
Total	**528**	**109,653,349**	**100.000**

Shareholder category	Number of shareholders	Number of shares owned	Percentage shareholding
Individuals	400	8,313,690	7.582
Insurance and Assurance Companies	12	3,914,027	3.569
Pension and Provident Funds	38	30,712,569	28.009
Investment and Trust Companies	9	413,999	0.378
Other Corporate Bodies	69	66,299,064	60.462
Total	**528**	**109,653,349**	**100.000**

7.2 Substantial Shareholders

As at 31 December 2018, the substantial shareholders of the Company were as follows:

Name	Number of Shares	% Held
1. Hotelest Limited	55,923,209	51.00
2. Swan Life Ltd	19,238,399	17.54

7.3 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 National Code of Corporate Governance for Mauritius (2016) 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.

7.4 Dividend Policy

The Company's Dividend Policy is to distribute to its shareholders, wherever 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.

7.5 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.

7.6 Management Services Agreement

The Company has a management services agreement with Constance Corporate Management Limited (CCM), in which the Company holds a 42% interest, following an increase in capital and change in stake at the year end. 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 29.5 million for the year under review.

7.7 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.

7.8 Stakeholder Engagement

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 effective and efficient strategies.

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

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

Stakeholder Engagement Matrix

Stakeholders	Expectations
Customers	Consistent quality services through: • Strong brands. • Innovation. • Competent and skilled staff. • Recognition for loyalty. • Unique properties.
Employees	A Company which offers its employees the commitment to develop their career, keep them involved in the business and recognise their contributions through: • A safe working environment. • Recognition programmes. • Appealing career growth opportunities. • Continuous professional development. • Competitive remuneration and benefits. • Fair labour practices and working conditions.
Shareholders	Superior and sustainable returns on investment through: • Execution of effective and efficient growth strategies. • Sound management of financial and risk-related matters. • Enhanced competitiveness through innovation and diversification moves. • Responsible business practices.
Suppliers	Long-term business relationships through: • Favourable terms. • Timely payments. • Mutual respect.
Local Communities & NGOs	• Responsible business practices, taking into consideration social and environmental issues. • Operations that do not jeopardise the local communities and affect basic needs such as water and electricity. • Contribution to the economic and social progress of the local communities. • Responsiveness to material issues raised by the local communities. • Respect of the local cultures and values. • Compliance with all applicable laws and regulations.
Industry Associations	Active collaboration to: • Ensure the sustainable development of the tourism industry. • Promote a business-enabling environment. • Anticipate industry-related risks and mitigate their impact.
Government and Regulators	• Compliance with all applicable laws and regulations. • Contribute to job creation and other economic goals in a sustainable manner.

Mode of Engagement / Communication	Frequency
Guest satisfaction surveys	Ongoing
Eco-friendly guest room products	Ongoing
Newsletters	Monthly
Brochures and Tent cards	Ongoing
Customer forums	Ongoing
Social media (Facebook, Twitter, Instagram, YouTube, TripAdvisor, Blogs, etc.)	Ongoing
Constance open doors	3 times a year
Newsletter	Monthly
Next Intranet	Ongoing
Open days	Annual
Signboards	Ongoing
Teletext	Ongoing
Training	Ongoing
Employee satisfaction surveys	2 times a year
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
Support to local suppliers	Ongoing
Supply-chain screening	Ongoing
Strategic partnerships and sponsorships	Ongoing
Community engagement programmes	Ongoing
Volunteering	Ongoing
Fundraising and cash contributions	Ongoing
In-kind donations	Ongoing
Disaster relief initiatives	As and when required
Support to NGOs: Pils, T1 Diams, Lizie dan Lamain, Etoile de Mer School, Centre Joie de Vivre, Friends of the Poor Safire, APDA and SOS Children's Village	Ongoing
Green Globe	Annual
Leading Hotels of the World	Annual
Active participation in relevant industry associations	Ongoing
Partnerships	Ongoing
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

7.9 Calendar 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

OTHER STATUTORY DISCLOSURES

(pursuant to section 221 of the Companies Act 2001)

The Board of Directors has agreed not to disclose the emoluments of Executive 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:

	2018 MUR'000	2017 MUR'000
Directors of Constance Hotels Services Limited		
Executive (full-time)	**21,137**	19,944
Non-Executive	**1,691**	1,930
Directors of subsidiary companies		
Executive	**8,399**	8,781
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 (as at 31 December 2018)

Directors	Ariatoll Services Ltd	Beauport Industries Limited	Constance Hospitality Management Limited	Constance Hospitality Training Centre Ltd	Constance Hotels International Services Limited	Constance Hotels Investment Limited	Constance Industries Limited	Halaveli Development Ltd	Hotels Constance (UK) Limited	LRM Company Ltd	Moofushi Development Ltd	White Sand Paradise Ltd	The Waterfront Pvt Ltd
Guy ADAM										•			
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										•			

OTHER STATUTORY DISCLOSURES (continued)

(pursuant to section 221 of the Companies Act 2001)

Auditors' Remuneration

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

	THE GROUP		THE HOLDING COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Audit fees paid to:				
BDO & Co.	**3,041**	2,678	**430**	410
Other firms	**988**	913	-	-
Fees for other services paid to:				
BDO & Co.	**100**	-	**100**	-
Other firms	**468**	400	-	-

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

George J. Dumbell
Chairman

Jean Ribet
Director
Constance Group Chief Executive Officer

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
Constance Group Chief Executive Officer

29 March 2019

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 Limited
Secretaries

29 March 2019

FINANCIAL
Statements

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Constance Hotels Services Limited

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 111 to 163 which comprise the statements of financial position as at December 31, 2018, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 111 to 163 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Constance Hotels Services Limited

KEY AUDIT MATTER	AUDIT RESPONSE
1. Buildings	
The carrying values of buildings at reporting date amount to MUR 4.5 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.	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.
Refer to Note 2(e) (accounting policies), Note 4(a) (critical accounting estimates and judgements) and Note 5 of the accompanying financial statements.	

KEY AUDIT MATTER	AUDIT RESPONSE
2. Recoverability of goodwill	
The Group has goodwill amounting to MUR 458 million at 31 December 2018. Significant judgement is required by management in assessing the impairment of goodwill annually, which is determined using the respective discounted cash flows for the Cash Generating Units (CGU) for which goodwill has been allocated. This test and assessment is largely based on the expected future cash flows from the latest management planning, extrapolated on the basis of long term revenue, expected growth rates and assumptions with regard to terminal values and discount rates. The judgements and estimates applied in these calculations result in the carrying value of the goodwill being identified as a key audit matter.	- We assessed the validity and reasonableness of the forecasts in line with the assumptions used. - We reviewed the latest management decision with regards to the business model to assess whether the assumptions are in line with the valuation and assumptions made. - We performed procedures relating to the disclosures on impairment testing included in the financial statements, looking specifically at the disclosure of assumptions that have the most significant effect on the determination of the recoverable amount of goodwill. In connection with this, we verified whether these disclosures are adequate and provide sufficient insight into the disclosed assumptions and sensitivities of the assumptions underlying the valuation. - We performed an independent sensitivity analysis on the assumptions used to determine the impact on the carriying values.
Refer to Note 2(h) (accounting policies), Note 4(e) (critical accounting estimates and judgements) and Note 6 of the accompanying financial statements.	

Other information

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

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

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

Corporate Governance Report

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

To the Shareholders of Constance Hotels Services Limited

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all information and explanations we have required.

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

Other Matter

This report is made solely to the shareholders of 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & CO
Chartered Accountants

Ameenah Ramdin, FCCA, ACA
Licensed by FRC

Port Louis,
Mauritius.

29 March 2019

Statements of Financial Position

December 31, 2018

	Notes	THE GROUP 2018 MUR'000	THE GROUP 2017 MUR'000	THE COMPANY 2018 MUR'000	THE COMPANY 2017 MUR'000
Assets					
Non-current assets					
Property, plant and equipment	5	**8,091,359**	8,296,015	**15,403**	22,390
Intangible assets	6	**1,131,970**	1,147,427	**2,380**	4,541
Investments in subsidiary companies	7	**-**	-	**2,196,534**	2,196,534
Investments in associates	8	**1,616,805**	1,142,851	**144,070**	186,510
Investment in financial assets	9	**-**	545	**-**	545
Financial assets at amortised cost	10	**110,755**	10,800	**53,906**	-
Deferred tax assets	11	**82,185**	92,075	**12,635**	26,917
		11,033,074	10,689,713	**2,424,928**	2,437,437
Current assets					
Inventories	12	**358,707**	315,891	**-**	1,059
Trade and other receivables	13	**402,533**	1,065,502	**-**	1,498,203
Prepayments		**58,565**	-	**265**	-
Financial assets at amortised cost	10	**503,476**	-	**1,920,593**	-
Current tax asset	20(a)	**17,723**	-	**-**	-
Cash and cash equivalents	26(b)	**76,712**	104,827	**6,357**	8,446
		1,417,716	1,486,220	**1,927,215**	1,507,708
Total assets		**12,450,790**	12,175,933	**4,352,143**	3,945,145
Equity and Liabilities					
Capital and reserves (attributable to owners of the parent company)					
Stated capital	14	**2,153,395**	2,153,395	**2,153,395**	2,153,395
Revaluation and other reserves	15	**3,266,313**	3,017,162	**-**	(28,898)
Retained earnings		**673,425**	528,938	**249,874**	146,020
Owners' interest		**6,093,133**	5,699,495	**2,403,269**	2,270,517
Non-controlling interests		**45,330**	64,734	**-**	-
Total equity		**6,138,463**	5,764,229	**2,403,269**	2,270,517
Liabilities					
Non-current liabilities					
Borrowings	16	**3,380,648**	3,915,301	**688,615**	743,960
Deferred tax liabilities	11	**60,062**	61,295	**-**	-
Retirement benefit obligations	17	**182,702**	186,396	**-**	74,040
		3,623,412	4,162,992	**688,615**	818,000
Current liabilities					
Trade and other payables	18	**773,848**	766,166	**517,396**	390,786
Borrowings	16	**1,860,240**	1,368,329	**688,036**	438,429
Dividend payable	19	**54,827**	27,413	**54,827**	27,413
Current tax liabilities	20(a)	**-**	86,804	**-**	-
		2,688,915	2,248,712	**1,260,259**	856,628
Total liabilities		**6,312,327**	6,411,704	**1,948,874**	1,674,628
Total equity and liabilities		**12,450,790**	12,175,933	**4,352,143**	3,945,145

These financial statements have been approved for issue by the Board of Directors on 29th March 2019.

George J. Dumbell
Chairman

Jean Ribet
Executive Director
Constance Group Chief Executive Officer

The notes on pages 116 to 163 form an integral part of these financial statements.
Auditor's report on pages 106 to 110.

Statements of Profit or Loss

Year ended December 31, 2018

		THE GROUP		THE COMPANY	
	Notes	**2018 MUR'000**	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Revenue	21	**3,747,479**	3,766,189	**118,412**	174,948
Earnings before interest, taxation, depreciation and amortisation		**917,038**	861,474	**218,963**	31,316
Depreciation and amortisation	5,6	**(457,155)**	(469,665)	**(9,132)**	(9,625)
Operating profit	22	**459,883**	391,809	**209,831**	21,691
Finance costs	24	**(324,294)**	(331,442)	**(82,010)**	(81,615)
Share of results of associates	8	**120,757**	81,358	**-**	-
Profit/(loss) before taxation and non-recurring items		**256,346**	141,725	**127,821**	(59,924)
Non recurring items	23	**(14,245)**	(8,491)	**74,040**	-
Profit/(loss) before taxation		**242,101**	133,234	**201,861**	(59,924)
Income tax (expense)/credit	20(b)	**(28,598)**	(58,892)	**(14,282)**	10,254
Profit/(loss) for the year		**213,503**	74,342	**187,579**	(49,670)
Attributable to:					
Owners of the parent		**199,314**	54,781	**187,579**	(49,670)
Non-controlling interests		**14,189**	19,561	**-**	-
		213,503	74,342	**187,579**	(49,670)
Earnings/(loss) per share (MUR)	25	**1.82**	0.50	**1.71**	(0.45)

The notes on pages 116 to 163 form an integral part of these financial statements.
Auditor's report on pages 106 to 110.

Statements of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2018

	Notes	THE GROUP 2018 MUR'000	THE GROUP 2017 MUR'000	THE COMPANY 2018 MUR'000	THE COMPANY 2017 MUR'000
Profit/(loss) for the year		**213,503**	74,342	**187,579**	(49,670)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligations	17	**12,689**	(41,938)	**-**	(20,951)
Deferred tax on remeasurement of defined benefit obligations	11	**(278)**	6,292	**-**	3,143
Gains on revaluation of freehold land	5	**-**	1,404,320	**-**	-
Share of other comprehensive income of associates	8	**261,416**	-	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		**25,363**	(185,253)	**-**	-
Share of other comprehensive income of associates		**(49,212)**	50,503	**-**	-
Other comprehensive income for the year		**249,978**	1,233,924	**-**	(17,808)
Total comprehensive income for the year		**463,481**	1,308,266	**187,579**	(67,478)
Total comprehensive income attributable to:					
Owners of the parent		**448,465**	1,291,721	**187,579**	(67,478)
Non-controlling interests		**15,016**	16,545	**-**	-
		463,481	1,308,266	**187,579**	(67,478)

The notes on pages 116 to 163 form an integral part of these financial statements.

Auditor's report on pages 106 to 110.

Statements of Changes in Equity

Year ended December 31, 2018

	Notes	Attributable to owners of the parent					
		Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings MUR'000	Total MUR'000	Non-controlling interests MUR'000	Total equity MUR'000
THE GROUP							
At January 1, 2018		2,153,395	3,017,162	528,938	5,699,495	64,734	5,764,229
Profit for the year		-	-	199,314	199,314	14,189	213,503
Other comprehensive income for the year	15	-	249,151	-	249,151	827	249,978
Dividends	19	-	-	(54,827)	(54,827)	(34,420)	(89,247)
At December 31, 2018		**2,153,395**	**3,266,313**	**673,425**	**6,093,133**	**45,330**	**6,138,463**
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	15	-	1,236,940	-	1,236,940	(3,016)	1,233,924
Transfer		-	21,664	(23,965)	(2,301)	-	(2,301)
Dividends	19	-	-	(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**

	Notes	Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings MUR'000	Total MUR'000
THE COMPANY					
At January 1, 2018		2,153,395	(28,898)	146,020	2,270,517
Profit for the year		-	-	187,579	187,579
Other comprehensive income for the year	15	-	-	-	-
Transfer		-	28,898	(28,898)	-
Dividends	19	-	-	(54,827)	(54,827)
At December 31, 2018		**2,153,395**	**-**	**249,874**	**2,403,269**
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	15	-	(17,808)	-	(17,808)
Dividends	19	-	-	(27,413)	(27,413)
At December 31, 2017		**2,153,395**	**(28,898)**	**146,020**	**2,270,517**

The notes on pages 116 to 163 form an integral part of these financial statements.
Auditor's report on pages 106 to 110.

Statements of Cash Flows

Year ended December 31, 2018

	Note	THE GROUP 2018 MUR'000	THE GROUP 2017 MUR'000	THE COMPANY 2018 MUR'000	THE COMPANY 2017 MUR'000
Operating activities					
Profit/(loss) before taxation		**242,101**	133,234	**201,861**	(59,924)
Adjustment for:					
Share of results of associates		**(120,757)**	(81,358)	**-**	-
Foreign exchange differences		**(26,870)**	88,480	**-**	-
Depreciation of property, plant and equipment		**411,414**	423,330	**6,971**	7,345
Amortisation of intangible assets		**45,741**	46,335	**2,161**	2,280
(Profit)/loss on disposal of property, plant and equipment		**(900)**	924	**(1,663)**	(4,654)
Financial assets written off		**545**	-	**545**	-
Interest expense		**324,294**	331,442	**82,010**	81,615
Interest income		**(16,803)**	(8,083)	**(83,231)**	(86,282)
Retirement benefit obligations		**30,938**	30,419	**(74,040)**	10,794
Operating profit/(loss) before working capital changes		**889,703**	964,723	**134,614**	(48,826)
- inventories		**(42,816)**	(11,969)	**1,059**	(379)
- trade and other receivables		**(73,354)**	(130,044)	**(422,655)**	263,208
- trade and other payables		**122**	20,901	**119,050**	95,282
Cash flows generated from/(used in) operating activities		**773,655**	843,611	**(167,932)**	309,285
Interest paid		**(324,294)**	(331,442)	**(82,010)**	(81,615)
Interest received		**16,803**	8,083	**83,231**	86,282
Pension contribution paid		**(21,943)**	(23,867)	**-**	(6,760)
Tax paid		**(125,991)**	(52,318)	**-**	(1,045)
Net cash generated from/(used in) operating activities		**318,230**	444,067	**(166,711)**	306,147
Cash flows from investing activities					
Purchase of property, plant and equipment		**(150,064)**	(217,689)	**-**	(1,232)
Purchase of intangible assets		**(10,682)**	(13,488)	**-**	(481)
Proceeds from sale of property, plant and equipment		**4,939**	314	**1,679**	4,654
Investment in subsidiary company		**-**	-	**-**	(60,030)
Investment in associates		**(9,150)**	(130,000)	**-**	(130,000)
Loan to associate		**-**	(50,000)	**-**	(50,000)
Net cash (used in)/generated from investing activities		**(164,957)**	(410,863)	**1,679**	(237,089)
Cash flows from financing activities					
Proceeds from borrowings		**628,031**	1,040,099	**435,825**	182,812
Payments of borrowings		**(683,643)**	(1,002,847)	**(243,870)**	(224,000)
Finance lease principal payments		**(16,805)**	(19,363)	**(5,700)**	(6,112)
Issue of shares to non-controlling interests		**-**	20,010	**-**	-
Loan granted		**(48,160)**	(10,800)	**(3,906)**	-
Dividends paid to company's shareholders		**(27,413)**	(16,448)	**(27,413)**	(16,448)
Dividends paid to non-controlling interests		**(34,420)**	(7,226)	**-**	-
Net cash (used in)/generated from financing activities		**(182,410)**	3,425	**154,936**	(63,748)
Net (decrease)/increase in cash and cash equivalents		**(29,137)**	36,629	**(10,096)**	5,310
Cash and cash equivalents at January 1,		**(404,853)**	(441,482)	**(55,320)**	(60,630)
Cash and cash equivalents at December 31,	26(b)	**(433,990)**	(404,853)	**(65,416)**	(55,320)

The notes on pages 116 to 163 form an integral part of these financial statements.
Auditor's report on pages 106 to 110.

Notes to the Financial Statements
Year ended December 31, 2018

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 include the consolidated statements of the parent company and its subsidiaries (The Group) and the separate financial statements of the parent company (The Company). The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (MUR'000), except when otherwise indicated.

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

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

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

The Group has a net current liability of MUR 1,271 million (2017: MUR 762 million). The Board is satisfied that the Group has the resources to meet its liabilities in the 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.

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

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(j). The Group has elected to apply the exemption in IFRS 9 paragraph 7.2.15 not to restate prior periods in the year of initial application of the standard. The Group has chosen to adopt the simplified expected credit loss model for trade receivables in accordance with IFRS 9 paragraph 5.5.15.

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(p).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

In accordance with the transition provisions in IFRS 15, the Group has not restated comparatives for previous financial year ended December 31, 2017.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The amendment has no impact on the Group's financial statements.

Applying IFRS 9, "Financial Instruments" with IFRS 4, "Insurance Contracts" (Amendments to IFRS 4)

The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. The amendment has no impact on the Group's financial statements.

Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. The amendment has no impact on the Group's financial statements.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration". The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. The amendment has no impact on the Group's financial statements.

Transfers of Investment Property (Amendments to IAS 40). The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. 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 1 January 2019 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:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 16, "Leases"
- IFRS 17, "Insurance Contracts"
- IFRIC 23, "Uncertainty over Income Tax Treatments"

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- 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
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

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.

IFRS 16, "Leases"

IFRS 16, effective for financial year beginning on or after January 1st 2019, will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at the end of the year, the Group has non-cancellable operating lease commitments of MUR 4,273 million, see note 27(b).

However, the Group is yet to assess what adjustments, if any, are necessary for example: change in the definition of the lease term, treatment of variable lease payments and extension and termination options. It is therefore not yet possible to estimate the amount of the right-to-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

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

(b) Investment in subsidiaries

Separate financial statements of the Company

In the Company's financial statements, investments in subsidiaries are carried at cost. The carrying amount is reduced to 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment in subsidiaries (continued)

Consolidated financial statements (continued)

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

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

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

Transactions and non-controlling interests

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

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the 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 to profit or loss.

(c) Investment in associates

Separate financial statements of the Company

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

Consolidated financial statements

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment in associates (continued)

Consolidated financial statements (continued)

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.

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

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

Buildings	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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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

(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 (25-50 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of non-financial assets

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

(j) Financial assets

The Group classifies its financial assets as follows:

Amortised cost

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial liabilities

The Group classifies its financial liabilities as follows:

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

(l) Borrowings

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

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

(m) Stated capital

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

(n) Current and deferred income tax

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

Current tax

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

Deferred tax

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

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

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

(o) Retirement benefit obligations

Defined benefit plan

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Retirement benefit obligations (continued)

Defined benefit plan (continued)

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.

(p) Revenue recognition

(i) Revenue from contracts with customers

Performance obligations and timing of revenue recognition

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

Determining the transaction price

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

Allocating amounts to performance obligations

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Revenue recognition (continued)

Financing component

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

(ii) *Dividend income*

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

(q) Borrowing costs

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

All other borrowing costs are expensed.

(r) Dividend distribution

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

(s) Provisions

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

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

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

(t) Segment reporting

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

(u) Non-recurring items

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities 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
2018						
Financial Assets						
Net trade receivables	142,814	172,842	51,516	33,512	1,849	**402,533**
Financial assets at amortised cost	344,123	105,869	479	163,760	-	**614,231**
Cash and cash equivalents	37,772	11,101	11,028	11,666	5,145	**76,712**
	524,709	**289,812**	**63,023**	**208,938**	**6,994**	**1,093,476**
Financial Liabilities						
Borrowings	384,140	1,901,939	-	2,954,809	-	**5,240,888**
Trade payables	-	118,145	-	153,381	-	**271,526**
	384,140	**2,020,084**	**-**	**3,108,190**	**-**	**5,512,414**

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2017						
Financial Assets						
Net trade receivables	130,998	168,839	50,649	30,392	2,379	**383,257**
Financial assets at amortised cost	-	10,800	-	-	-	**10,800**
Cash and cash equivalents	39,975	26,812	17,836	15,786	4,418	**104,827**
	170,973	**206,451**	**68,485**	**46,178**	**6,797**	**498,884**
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)

3.1 Financial Risk Factors (continued)

CURRENCY PROFILE (continued)

THE COMPANY	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2018						
Financial Assets						
Financial assets at amortised cost	300	1,581,027	-	393,172	-	**1,974,499**
Cash and cash equivalents	3,840	244	2,196	77	-	**6,357**
	4,140	**1,581,271**	**2,196**	**393,249**	**-**	**1,980,856**
Financial Liabilities						
Borrowings	40,221	105,825	-	1,230,605	-	**1,376,651**
Trade payables	-	-	-	22,085	-	**22,085**
	40,221	**105,825**	**-**	**1,252,690**	**-**	**1,398,736**

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2017						
Financial Assets						
Cash and cash equivalents	7,301	34	943	168	-	**8,446**
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**

At December 31, 2018, 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 11.1 million (2017: MUR 16.0 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 78.7 million (2017: MUR 135.1 million) higher/lower, principally due to Group's share of net assets in foreign associates and cash and borrowings of foreign subsidiaries.

Credit risk

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

Credit risk is managed on a Group basis.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

Credit risk (continued)

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

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

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

Interest rate risk

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

The interest rate profile of borrowings for the Group at December 31, 2018 and December 31, 2017 were:

	2018	2017
	Interest rate	Interest rate
EUR	**2.15% - 4.78%**	2.15% - 4.82%
USD	**4.33% - 7.39%**	5.32% - 6.45%
MUR	**3.75% - 6.75%**	3.50% - 7.00%

The Group's operating cashflows are exposed to interest risk as it borrows at variable rates. At December 31, 2018, if interest rate on variable rates 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 20.2 million (2017: MUR 20.0 million) mainly as a result of higher/lower interest expense. In order to manage the risk, the Group has some borrowings at fixed rate.

Liquidity risk

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

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

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

Bank borrowings maturity periods are detailed in note 16.

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 FINANCIAL RISK MANAGEMENT (continued)

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 2018, the Group's strategy which was unchanged from 2017, 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, 2018 and December 31, 2017 were as follows:

	THE GROUP		THE COMPANY	
	2018 MUR'M	2017 MUR'M	**2018 MUR'M**	2017 MUR'M
Total debt	**5,241**	5,284	**1,377**	1,182
Less: cash and cash equivalents	**(77)**	(105)	**(6)**	(8)
Net debt	**5,164**	5,179	**1,371**	1,174
Total equity	**6,138**	5,764	**2,403**	2,271
Total capital plus net debt	**11,302**	10,943	**3,774**	3,445
Debt-to-capital ratio	**45.7%**	47.3%	**36.3%**	34.1%

Total capital plus net debt is made up of capital and reserves plus net debt of the Group and the Company.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Depreciation policies (continued)

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 48.9 million (2017: MUR 61.1 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) Retirement benefit obligations

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

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

(d) Revaluation of freehold land

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

(e) Impairment of goodwill

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

(f) Impairment of financial assets

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

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

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, 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)

(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	
	2018 MUR'000	2017 MUR'000
Cost	**147,426**	147,426

(e) The additions to assets under finance leases for the Group during the year 2018 was MUR 5.4 million (2017: MUR 9.6 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, 2018	1,735	47,758	5,544	26,486	81,523
Disposals	-	(7,783)	-	(40)	(7,823)
At December 31, 2018	**1,735**	**39,975**	**5,544**	**26,446**	**73,700**
Depreciation					
At January 1, 2018	963	29,661	4,524	23,985	59,133
Charge for the year	135	5,523	227	1,086	6,971
Disposal adjustment	-	(7,783)	-	(24)	(7,807)
At December 31, 2018	**1,098**	**27,401**	**4,751**	**25,047**	**58,297**
Net Book Values					
At December 31, 2018	**637**	**12,574**	**793**	**1,399**	**15,403**

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, 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**

(h) There was no addition of assets under finance leases for the Company during the year 2018 (2017: MUR 5.9 million).

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Cost	**147,817**	95,233	**27,616**	30,977
Accumulated depreciation	**(79,012)**	(61,150)	**(15,041)**	(12,879)
Net book value	**68,805**	34,083	**12,575**	18,098

(j) Bank borrowings are secured by floating charges on the assets of the Group and Company including property, plant and equipment (note 16).

(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, 2017	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
Additions	-	-	10,682	10,682
Translation adjustment	8,321	18,152	395	26,868
At December 31, 2018	**457,980**	**854,603**	**192,899**	**1,505,482**
Amortisation				
At January 1, 2017	-	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
Charge for the year	-	38,351	7,390	45,741
Translation adjustment	-	6,936	330	7,266
At December 31, 2018	**-**	**312,059**	**61,453**	**373,512**
Net Book Values				
At December 31, 2018	**457,980**	**542,544**	**131,446**	**1,131,970**
At December 31, 2017	449,659	569,679	128,089	1,147,427

(b) THE COMPANY

	Computer software	
	2018 MUR'000	2017 MUR'000
Cost		
At January 1,	**16,955**	16,474
Additions	**-**	481
At December 31,	**16,955**	16,955
Amortisation		
At January 1,	**12,414**	10,134
Charge for the year	**2,161**	2,280
At December 31,	**14,575**	12,414
Net Book Values		
At December 31,	**2,380**	4,541

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 years and thereafter the cash flows are extrapolated using a growth rate of 3%. The pre-tax discount rate used in the years approximates 12%.

7 INVESTMENTS IN SUBSIDIARY COMPANIES

	THE COMPANY	
	2018	2017
	MUR'000	MUR'000
Cost		
At January 1,	**2,196,534**	2,136,504
Additions	**-**	60,030
At December 31,	**2,196,534**	2,196,534

7 INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

The Company's subsidiaries are as follows:

Name of corporation	Nominal value of investment MUR'000	Proportion of ownership interest Direct 2018 %	Direct 2017 %	Indirect 2018 %	Indirect 2017 %	Country of operation	Country of incorporation	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**	75	**-**	-	Mauritius	Mauritius	80,040	Hotel Industry
Constance Hotels International Services Limited	87,509	**100**	100	**-**	-	Mauritius	Mauritius	87,509	Investment Holding and Management Company
Constance Hospitality Training Centre Ltd	25,025	**100**	100	**-**	-	Mauritius	Mauritius	25,025	Training Centre
Constance Hotels Investment Limited	11,365	**100**	100	**-**	-	Mauritius	Mauritius	11,365	Investment Holding
Hotels Constance (UK) Limited	1	**100**	100	**-**	-	United Kingdom	United Kingdom	1	Marketing Representative
Ariatoll Services Ltd	32	**-**	-	**100**	100	Mauritius	Mauritius	32	Management Company
Constance Hospitality Management Limited	32	**100**	100	**-**	-	Mauritius	Mauritius	32	Management Company
LRM Company Ltd **	227	**-**	-	**75**	75	Mauritius	Mauritius	302	Management Company
Moofushi Development Ltd	3	**-**	-	**100**	100	Maldives	Mauritius	3	Hotel Industry
The Waterfront PVT Ltd	48	**-**	-	**100**	100	Maldives	Maldives	48	Hotel Industry
Halaveli Development Ltd	30	**-**	-	**100**	100	Mauritius	Mauritius	30	Investment Holding

* The Company acquired 75% investment in White Sand Paradise Ltd on 5th July 2017 and the proportion of ownership held by non-controlling interest for White Sand Paradise Ltd is 25% for the years 2018 and 2017.

** The proportion of ownership held by non-controlling interest for LRM Company Ltd is 25% for the years 2018 and 2017.

The shares held in the above subsidiaries are ordinary shares. The reporting date for all the above companies is December 31, 2018.

8 INVESTMENTS IN ASSOCIATES

	2018 MUR'000	2017 MUR'000
(a) THE COMPANY		
Unquoted - cost		
At January 1,	**186,510**	6,510
Additions	**7,560**	130,000
Loan to associate	**-**	50,000
Transfer to financial assets at amortised cost (note 10(c))	**(50,000)**	-
At December 31,	**144,070**	186,510

8 INVESTMENTS IN ASSOCIATES (continued)

		2018 MUR'000	2017 MUR'000
(b)	**THE GROUP**		
	Unquoted		
	At January 1,	**890,874**	629,013
	Additions	**190,993**	130,000
	Share of results for the year	**120,757**	81,358
	Share of other comprehensive income	**261,416**	-
	Exchange difference	**(49,212)**	50,503
		1,414,828	890,874
	Deposit on shares*	**201,977**	201,977
	Loan to associate **	**-**	50,000
	At December 31,	**1,616,805**	1,142,851

Investment in associates at December 31, 2018 include goodwill of MUR 16 million (2017: MUR 16 million).

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

** Loan to associate has been transferred to financial asset at amortised cost on account of change in accounting policies in 2018.

(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	Country of operation	By holding company 2018 & 2017 %	By other group companies 2018 %	By other group companies 2017 %
Le Refuge du Pêcheur Limited and its subsidiary *	December 31, 2018	Seychelles	Seychelles	-	**31.93**	25.42
Ampasy Ltd and its subsidiary	December 31, 2018	Mauritius	Mauritius	-	**37.50**	37.50
Constance Corporate Management Limited	December 31, 2018	Mauritius	Mauritius	**42.00**	**-**	-
Lagon De Rêve Limitée	June 30, 2018	Mauritius	Mauritius	**40.00**	**-**	-

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

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

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

8 INVESTMENTS IN ASSOCIATES (continued)

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

	Current assets MUR'000	Non-current assets MUR'000	Current liabilities MUR'000	Non-current liabilities MUR'000	Revenue MUR'000	Profit/ (loss) for the year MUR'000	Other compre-hensive income MUR'000
2018							
Le Refuge du Pêcheur Limited and its subsidiary	**692,263**	**6,152,069**	**1,803,539**	**1,536,958**	**2,677,460**	**351,978**	**962,094**
Lagon De Rêve Limitée	**91,676**	**516,226**	**126,792**	**147,500**	**4,800**	**(2,219)**	**-**
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)	-

(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
2018											
Le Refuge du Pêcheur Limited and its subsidiary	**1,651,947**	**-**	**351,978**	**962,094**	**(50,185)**	**2,915,834**	**31.93**	**931,026**	**274,400**	**15,501**	**1,220,927**
Lagon De Rêve Limitée	**317,306**	**-**	**16,303**	**-**	**-**	**333,609**	**40.00**	**133,444**	**-**	**-**	**133,444**
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	-	324,999	(7,693)	-	-	317,306	40.00	126,922	50,000	-	176,922

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

	2018 MUR'000	2017 MUR'000
Carrying amount of interests	**60,457**	45,695
Share of profit	**18,374**	9,454
Share of other comprehensive income	**(11,172)**	70
Share of total comprehensive income	**7,202**	9,524

9 INVESTMENT IN FINANCIAL ASSETS

	THE GROUP AND THE COMPANY	
	2018	2017
	MUR'000	MUR'000
Unquoted (Level 3)		
At January 1	**545**	545
Write off	**(545)**	-
At December 31	**-**	545

(a) Investment 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 that the fair value of investment is nil under the changes in accounting policies.

10 FINANCIAL ASSETS AT AMORTISED COST

	THE GROUP			
	2018		2017	
	MUR'000	**MUR'000**	MUR'000	MUR'000
	Current	**Non-current**	Current	Non-current
(a) Receivables from associates:				
- other receivables (note (b))	**342,941**	**-**	-	-
- loan (note (c))	**-**	**53,906**	-	-
Other loan receivable (note (c))	**-**	**56,849**	-	10,800
Other receivables (note (b))	**160,535**	**-**	-	-
	503,476	**110,755**	-	10,800

	THE COMPANY			
	2018		2017	
	MUR'000	**MUR'000**	MUR'000	MUR'000
	Current	**Non-current**	Current	Non-current
Receivables from subsidiary companies	**1,906,412**	**-**	-	-
Receivables from associates:				
- other receivables (note (b))	**300**	**-**	-	-
- loan (see note (c))	**-**	**53,906**	-	-
Other receivables (note (b))	**13,881**	**-**	-	-
	1,920,593	**53,906**	-	-

(b) Other receivables

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

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

11 DEFERRED INCOME TAX

(a) Deferred income taxes are calculated on all temporary differences under the liability method at 15%-17% (2017: 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	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Deferred tax assets	**82,185**	92,075	**12,635**	26,917
Deferred tax liabilities	**(60,062)**	(61,295)	**-**	-
Net deferred income tax assets	**22,123**	30,780	**12,635**	26,917

(b) At the end of the reporting period, the Group and the Company had unused tax losses of MUR 667.9 million (2017: MUR 665.0 million) and MUR 57.9 million (2017: MUR 104.0 million) respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of MUR 296.3 million (2017: MUR 407.3 million) for the Group and MUR 57.9 million (2017: MUR 104.0 million) for the Company respectively of such losses. No deferred tax asset has been recognised in respect of the remaining MUR 371.6 million (2017: MUR 257.7 million) for the Group due to unpredictability of future profit streams. The tax losses expire on a rolling basis over 5 years.

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
At January 1,	**30,780**	35,215	**26,917**	13,968
(Charged)/credited to profit or loss (note 20(b))	**(7,134)**	(12,414)	**(14,282)**	9,806
(Charged)/credited to other comprehensive income	**(1,523)**	7,979	**-**	3,143
At December 31,	**22,123**	30,780	**12,635**	26,917

(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, 2017	(14,642)	73,958	59,316
Charged 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
Charged to profit or loss	12,174	-	12,174
Charged to other comprehensive income	305	1,105	1,410
At December 31, 2018	**(877)**	**72,710**	**71,833**

11 DEFERRED INCOME TAX (continued)

(ii) Deferred tax assets

	THE GROUP			
	Retirement benefit obligations MUR'000	**Tax losses carried forward MUR'000**	**Impairment loss provisions MUR'000**	**Total MUR'000**
At January 1, 2017	20,686	73,845	-	94,531
Credited/(charged) 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
Credited/(charged) to profit or loss	3,379	(12,258)	13,922	5,043
Credited/(charged) to other comprehensive income	(278)	127	35	(116)
At December 31, 2018	**31,060**	**48,939**	**13,957**	**93,956**

(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, 2017	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
Credited/(charged) to profit or loss	2,643	(11,163)	(5,762)	(14,282)
At December 31, 2018	**2,789**	**-**	**9,846**	**12,635**

12 INVENTORIES

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
At Cost/net realisable value				
Food and Beverages	**173,777**	158,656	**-**	-
Operating supplies	**51,126**	46,508	**-**	-
Maintenance	**82,146**	67,445	**-**	-
Sales products	**29,549**	23,334	**-**	-
Others	**22,109**	19,948	**-**	1,059
	358,707	315,891	**-**	1,059

(a) Bank borrowings are secured by floating charges on the assets of the Group including inventories (see note 16).

(b) The cost of inventories recognised as expense and included in cost of sales amounted to MUR 785.3 million (2017: MUR 813.1 million) for the Group.

13 TRADE AND OTHER RECEIVABLES

		THE GROUP		THE COMPANY	
		2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
(a)	Trade receivables	**496,574**	483,959	**-**	-
	Less: Provision for impairment (note 13(b))	**(94,041)**	(100,702)	**-**	-
	Net trade receivables	**402,533**	383,257	**-**	-
	Receivables from group companies:				
	- Subsidiary companies	**-**	-	**-**	1,482,803
	- Associates	**-**	376,837	**-**	6,098
	Other receivables	**-**	305,408	**-**	9,302
		402,533	1,065,502	**-**	1,498,203

The carrying amount of trade receivables approximate their fair values.

(b) *Provision for impairment of trade receivables*

	THE GROUP	
	2018 MUR'000	2017 MUR'000
At January 1,	**100,702**	99,931
Bad debts written off	**(14,676)**	-
Provisions made during the year	**8,015**	771
At December 31,	**94,041**	100,702

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

(d) *Impairment of trade receivables*

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

13 TRADE AND OTHER RECEIVABLES (continued)

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

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

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

The closing loss allowances for trade receivables as at December 31, 2018 reconcile to the opening loss allowances as follows:

Trade receivables	2018 MUR'000	2017 MUR'000
As at January 1, (IAS 39)	**100,702**	99,931
Loss allowance recognised in profit or loss during the year (IFRS 9/IAS 39)	**8,015**	771
Receivables written off during the year	**(14,676)**	-
At December 31,	**94,041**	100,702

In previous years, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

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

(iii) In previous years, trade receivables were 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 was established when there was objective evidence that the Group would not be able to collect all amounts due according to the original terms of receivables.

14 STATED CAPITAL

		Number of shares	Ordinary shares MUR'000	Share premium MUR'000	Total MUR'000
(a)	**Issued shares**				
	At December 31, 2018 & 2017	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.

15 REVALUATION AND OTHER RESERVES

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
The movements in each category are as follows:				
Revaluation reserve				
At January 1,	**2,795,249**	1,369,265	**-**	-
Transfer from retained earnings	**-**	21,664	**-**	-
Revaluation surplus on freehold land	**271,876**	1,404,320	**-**	-
At December 31,	**3,067,125**	2,795,249	**-**	-
Translation of foreign operations				
At January 1,	**332,776**	464,510	**-**	-
Movement for the year	**(24,676)**	(131,734)	**-**	-
At December 31,	**308,100**	332,776	**-**	-
Actuarial losses				
At January 1,	**(110,863)**	(75,217)	**(28,898)**	(11,090)
Movement for the year	**1,951**	(35,646)	**28,898**	(17,808)
At December 31,	**(108,912)**	(110,863)	**-**	(28,898)
Total	**3,266,313**	3,017,162	**-**	(28,898)

(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 cumulative remeasurement of defined benefit obligation recognised.

16 BORROWINGS

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Non-current				
Loans - USD	**1,205,989**	1,489,963	**-**	-
- EUR	**179,518**	274,572	**-**	-
- MUR	**1,930,544**	2,124,064	**679,621**	729,246
Finance lease liabilities	**64,597**	26,702	**8,994**	14,714
	3,380,648	3,915,301	**688,615**	743,960
Current				
Bank overdrafts	**510,702**	509,680	**71,773**	63,766
Loans - USD	**456,405**	303,975	**105,825**	-
- EUR	**163,130**	179,413	**39,710**	138,955
- MUR	**708,000**	361,000	**465,000**	230,000
Finance lease liabilities	**22,003**	14,261	**5,728**	5,708
	1,860,240	1,368,329	**688,036**	438,429
Total borrowings	**5,240,888**	5,283,630	**1,376,651**	1,182,389

(a) Finance lease liabilities - minimum lease payments:

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Not later than 1 year	**26,912**	16,587	**6,568**	6,945
Later than one year and not later than two years	**23,895**	11,587	**4,870**	6,568
Later than two years and not later than five years	**24,071**	16,437	**4,802**	9,673
After five years	**23,844**	1,479	**-**	-
	98,722	46,090	**16,240**	23,186
Future finance charges on finance leases	**(12,122)**	(5,127)	**(1,518)**	(2,764)
Present value of finance lease liabilities	**86,600**	40,963	**14,722**	20,422

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
The present value of finance lease liabilities may be analysed as follows:				
Not later than one year	**22,003**	14,261	**5,727**	5,708
Later than one year and not later than two years	**20,402**	10,031	**4,420**	5,719
Later than two years and not later than five years	**21,719**	15,270	**4,575**	8,995
After five years	**22,476**	1,401	**-**	-
	86,600	40,963	**14,722**	20,422

16 BORROWINGS (continued)

(a) Finance lease liabilities - minimum lease payments: (continued)

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

(b) Bank borrowings are secured on the assets of the Group including inventories, property, plant and equipment. The interest rates on these loans vary between 4.3% and 7.4%.

(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	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
After one year and before two years	**612,349**	596,997	**54,420**	55,727
After two years and before three years	**783,053**	900,023	**53,665**	54,419
After three years and before five years	**1,445,551**	922,082	**100,910**	104,538
After five years	**539,695**	1,496,199	**479,620**	529,276
	3,380,648	3,915,301	**688,615**	743,960

(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.

17 RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Amounts recognised in the statements of financial position:				
Defined pension benefits (note (a)(ii))	**182,261**	185,892	**-**	74,040
Other post retirement benefits (note (b)(i))	**441**	504	**-**	-
	182,702	186,396	**-**	74,040
Analysed as follows:				
Non-current liabilities	**182,702**	186,396	**-**	74,040
Amounts charged/(credited) to profit or loss:				
- Defined pension benefits (note (a)(v))	**30,857**	30,372	**(74,040)**	10,794
- Other post retirement benefits (note (b)(ii))	**81**	47	**-**	-
	30,938	30,419	**(74,040)**	10,794
Amounts (credited)/charged to other comprehensive income:				
- Defined pension benefits (note (a)(vi))	**(12,545)**	42,265	**-**	20,951
- Other post retirement benefits (note (b)(ii))	**(144)**	(327)	**-**	-
	(12,689)	41,938	**-**	20,951

17 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) **Defined pension benefits**

(i) The Group contributes to a defined benefit pension. The plan is a final salary plan, which provides benefits to members in the form of pension at retirement and a benefit on death or disablement in service before retirement. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at December 31, 2018 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	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Present value of funded obligations	**405,837**	379,845	**-**	140,143
Fair value of plan assets	**(223,576)**	(193,953)	**-**	(66,103)
Liability in the statements of financial position	**182,261**	185,892	**-**	74,040

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
At January 1,	**185,892**	137,122	**74,040**	49,055
Charged/(credited) to profit or loss	**30,857**	30,372	**(74,040)**	10,794
(Credited)/charged to other comprehensive income	**(12,545)**	42,265	**-**	20,951
Contributions paid	**(21,943)**	(23,867)	**-**	(6,760)
At December 31,	**182,261**	185,892	**-**	74,040

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
At January 1,	**379,845**	319,964	**140,143**	112,277
Effect of transfer of members (note 23(b))	**-**	-	**(140,143)**	-
Current service cost	**19,654**	19,803	**-**	7,095
Interest expense	**18,900**	19,764	**-**	6,960
Remeasurements:				
- Actuarial (gains)/losses	**(8,755)**	40,542	**-**	20,386
Benefits paid	**(3,807)**	(20,228)	**-**	(6,575)
At December 31,	**405,837**	379,845	**-**	140,143

17 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
At January 1,	**193,953**	182,842	**66,103**	63,222
Effect of transfer of members (note 23(b))	**-**	-	**(66,103)**	-
Remeasurements:				
- Return on plan assets	**10,088**	11,569	**-**	3,975
- Actuarial gains/(losses)	**3,791**	(1,723)	**-**	(565)
Scheme expenses	**(866)**	(866)	**-**	(267)
Cost of insuring risk benefits	**(1,526)**	(1,508)	**-**	(447)
Contributions by the employer	**21,943**	23,867	**-**	6,760
Benefits paid	**(3,807)**	(20,228)	**-**	(6,575)
At December 31,	**223,576**	193,953	**-**	66,103

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Effect of transfer of members (note 23(b))	**-**	-	**(74,040)**	-
Current service cost	**19,654**	19,803	**-**	7,095
Scheme expenses	**866**	866	**-**	267
Cost of insuring risk benefits	**1,526**	1,508	**-**	447
Net interest expense	**8,811**	8,195	**-**	2,985
Total included in employee benefit expense	**30,857**	30,372	**(74,040)**	10,794

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	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Actual return on plan assets	**13,879**	9,846	**-**	3,410

17 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Liability experience gains	**(8,451)**	(13,905)	**-**	(2,419)
Actuarial (gains)/losses arising from changes in financial assumptions	**(303)**	54,447	**-**	22,805
Actuarial (gains)/losses	**(8,754)**	40,542	**-**	20,386
Return on plan assets excluding interest income	**(3,791)**	1,723	**-**	565
	(12,545)	42,265	**-**	20,951

(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:

	2018 %	2017 %
Discount rate	**6.1**	5.0
Future salary growth rate	**4.0**	3.0
Future pension growth rate	**-**	-

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
December 31,				
Discount rate (1% movement)	**38,344**	49,815	**-**	13,415
Future long term salary (1% movement)	**50,956**	35,983	**-**	16,474

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.

17 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

Longevity Risk

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

Interest rate Risk

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

Investment Risk

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

Salary Risk

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

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

(xii) The Group expects to pay MUR 14.6 million in contributions to its post-employment benefit plans for the year ending December 31, 2019.

(xiii) The weighted average duration of the defined benefit obligation is 11-13 years at the end of the reporting period for the Group (2017: 10-17 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 statements of financial position are as follows:

	THE GROUP	
	2018 MUR'000	2017 MUR'000
Present value of unfunded obligations	**441**	504

17 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) **Other post retirement benefits**

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

		THE GROUP	
		2018 MUR'000	2017 MUR'000
	At January 1,	**504**	784
	Charged to profit or loss (a)	**81**	47
	Credited in other comprehensive income	**(144)**	(327)
		441	504
(a)	Included in profit or loss		
	- Current service cost	**55**	13
	- Net interest expense	**26**	34
		81	47

18 TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Trade payables	**271,526**	230,349	**22,085**	3,125
Payable to group companies:				
- Ultimate Holding Company	**509**	-	**509**	-
- Subsidiary companies	**-**	-	**464,634**	316,424
- Associated companies	**27,405**	27,546	**27,119**	27,546
Other payables	**474,408**	508,271	**3,049**	43,691
	773,848	766,166	**517,396**	390,786

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

19 DIVIDEND

	THE GROUP AND THE COMPANY	
	2018 MUR'000	2017 MUR'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend declared and payable for the year ended December 31, 2018 of MUR 0.50 per share (2017: MUR 0.25 per share)	**54,827**	27,413

20 INCOME TAX

	THE GROUP	
	2018 MUR'000	2017 MUR'000
(a) **Amounts recognised in the statements of financial position are as follows:**		
Current tax assets	**17,723**	-
Current tax liabilities	**-**	(86,804)
	17,723	(86,804)

Current tax liabilities is on adjusted profit for the year at 15% (2017: 15%).

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Current tax on the adjustment profit for the year at 15% (2017: 15%)	**36,323**	38,215	**-**	-
Foreign tax credit	**(15,827)**	(15,477)	**-**	-
Withholding tax	**-**	6,026	**-**	-
Penalty and interest	**-**	15,312	**-**	-
Under/(over) provision in previous years	**968**	2,402	**-**	(448)
Deferred income tax (note 11(c))	**7,134**	12,414	**14,282**	(9,806)
Charged/(credited) to profit or loss	**28,598**	58,892	**14,282**	(10,254)

(c) **Withholding tax**

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

20 INCOME TAX (continued)

(d) **Tax reconciliation**

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Profit/(loss) before taxation	**242,101**	133,234	**201,861**	(59,924)
Less: Share of results of associates	**(120,757)**	(81,358)	**-**	-
	121,344	51,876	**201,861**	(59,924)
Tax calculated at a rate of 15% (2017: 15%)	**18,202**	7,781	**30,279**	(8,989)
Expenses not deductible for tax purposes	**23,223**	53,466	**7,927**	24,977
Withholding and foreign tax	**(15,827)**	(15,477)	**-**	-
Income not subject to tax	**(21,845)**	(18,509)	**(21,933)**	(26,242)
Deemed tax credit	**-**	471	**-**	-
Penalty interest	**-**	15,312	**-**	-
Under provision in previous years	**968**	2,402	**-**	-
Tax losses for which no deferred income tax was recognised	**26,951**	6,569	**-**	-
Deferred tax rate differential on corporate social responsibility tax	**(10,906)**	-	**(1,991)**	-
Other adjustments and timing differences	**7,832**	6,877	**-**	-
Charged/(credited) to profit or loss	**28,598**	58,892	**14,282**	(10,254)

21 REVENUE

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
The following is an analysis of the revenue for the year.				
Revenue from operations	**3,809,728**	3,766,189	**-**	-
Less: commission expenses	**(62,249)**	-	**-**	-
	3,747,479	3,766,189	**-**	-
Dividend income	**-**	-	**118,412**	174,948
Net Revenue	**3,747,479**	3,766,189	**118,412**	174,948

THE GROUP	Hotel operations	
	2018 MUR'000	2017 MUR'000
Timing of revenue recognition		
At a point in time	**3,747,479**	3,766,189

22 OPERATING PROFIT

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
The operating profit is arrived at:				
after crediting:				
Other operating income	**2,542**	1,409	**-**	-
Interest income	**16,803**	8,083	**83,231**	86,282
Net foreign exchange transaction gains	**49,723**	-	**28,026**	-
after charging:				
Net foreign exchange transaction loss	**-**	37,406	**-**	112,486
Cost of sales	**1,171,653**	1,234,580	**-**	-
Operating expenses	**1,120,078**	1,167,971	**-**	-
Administrative expenses (net of allocation)	**1,064,933**	943,915	**19,838**	127,053

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

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Depreciation - owned assets	**395,559**	403,010	**1,448**	1,808
- leased assets	**15,855**	20,320	**5,523**	5,537
Amortisation of intangible assets	**45,741**	46,335	**2,161**	2,280
Staff costs - note 1	**999,815**	956,907	**-**	-

Note 1:
Staff costs for the company amounting to MUR nil (2017: MUR 160.0 million) have been allocated to other companies in the Group.

23 NON-RECURRING ITEMS

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Pre-opening expenses (note (a))	**14,245**	8,491	**-**	-
Retirement benefit obligations (note (b))	**-**	-	**74,040**	-
	14,245	8,491	**74,040**	-

23 NON-RECURRING ITEMS (contined)

		THE GROUP	
		2018	2017
		MUR'000	MUR'000
(a)	Pre-opening expenses:		
	Staff costs	**2,402**	4,517
	Selling and marketing expenses	**8,402**	-
	Others	**3,441**	3,974
		14,245	8,491

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

(b) Retirement benefit obligation amounting to MUR 74.0 million has been derecognised by the Company upon transfer of its employees to Constance Hospitality Management Limited (CHML), a fully owned subsidiary. No change in liability occurred for the Group, since CHML has recognised the same liability in its books as at 01 January 2018.

24 FINANCE COSTS

	THE GROUP		THE COMPANY	
	2018	2017	**2018**	2017
	MUR'000	MUR'000	**MUR'000**	MUR'000
Interest expense:	**MUR'000**	MUR'000	**MUR'000**	MUR'000
- Bank overdrafts	**49,535**	44,571	**3,379**	3,390
- Bank and other borrowings repayable by instalments	**273,656**	286,415	**66,235**	76,251
- Other interests	**1,103**	456	**12,396**	1,974
Total borrowing costs	**324,294**	331,442	**82,010**	81,615

25 EARNINGS/(LOSS) PER SHARE

		THE GROUP		THE COMPANY	
		2018	2017	**2018**	2017
Profit/(loss) attributable to equityholders	MUR'000	**199,314**	54,781	**187,579**	(49,670)
Number of ordinary shares in issue	(thousands)	**109,653**	109,653	**109,653**	109,653
Earnings/(loss) per share	MUR	**1.82**	0.50	**1.71**	(0.45)

26 NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

THE GROUP

		Cash changes		Non-Cash changes		
	2017 MUR'000	Net cash flows MUR'000	Proceeds from lease MUR'000	Acquisition MUR'000	Foreign exchange movement MUR'000	**2018 MUR'000**
Long term borrowings	4,414,032	(493,024)	(57,000)	-	23,211	**3,887,219**
Short term borrowings	318,955	437,412	-	-	-	**756,367**
Lease liabilities	40,963	(16,805)	57,000	5,442	-	**86,600**
Dividend proposed	27,413	(27,413)	-	54,827	-	**54,827**
Total liabilities from financing activities	4,801,363	(99,830)	-	60,269	23,211	**4,785,013**

THE COMPANY

		Cash changes	Non-Cash changes	
	2017 MUR'000	Net cash flows MUR'000	Acquisition MUR'000	**2018 MUR'000**
Long term borrowings	779,246	(49,625)	-	**729,621**
Short term borrowings	318,955	241,580	-	**560,535**
Lease liabilities	20,422	(5,700)	-	**14,722**
Dividend proposed	27,413	(27,413)	54,827	**54,827**
Total liabilities from financing activities	1,146,036	158,842	54,827	**1,359,705**

(b) **Cash and cash equivalents**

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Cash in hand and at banks	**76,712**	104,827	**6,357**	8,446
Bank overdrafts (note 16)	**(510,702)**	(509,680)	**(71,773)**	(63,766)
	(433,990)	(404,853)	**(65,416)**	(55,320)

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

26 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(c) Non-cash transactions

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Rights issue settled through current account	**7,561**	-	**7,561**	-
Acquisition of property, plant and equipment using finance lease	**5,442**	9,577	**-**	5,921
	13,003	9,577	**7,561**	5,921

27 COMMITMENTS

	THE GROUP	
	2018 MUR'000	2017 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	**56,812**	22,635

(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.

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

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

	THE GROUP	
	2018 MUR'000	2017 MUR'000
Not later than one year	**232,818**	163,751
Later than one year and not later than five years	**976,647**	936,975
Later than five years	**3,063,845**	3,233,778
	4,273,310	4,334,504

28 CONTINGENCIES

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
(a) **Contingent liabilities**				
Bank guarantees to third parties	**1,085**	1,083	**1,065**	1,083

29 RELATED PARTY TRANSACTIONS

	Sales of goods and services		**Purchase of goods and services**		**Dividend Income / Financial income/(charges)**		**Management fees**		**Loan to/(from)**		**Amount due (to)/from**	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000	**2018 MUR'000**	2017 MUR'000	**2018 MUR'000**	2017 MUR'000	**2018 MUR'000**	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
THE GROUP												
Ultimate holding company	**-**	-	**-**	-	**(1,835)**	-	**-**	-	**(165,000)**	-	**(1,835)**	-
Holding company	**-**	-	**-**	-	**(27,962)**	(13,981)	**-**	-	**-**	-	**(27,962)**	(13,981)
Enterprises with common shareholders	**124**	-	**(11,674)**	(19,750)	**-**	(1,947)	**-**	-	**-**	-	**(48)**	(28)
Associates	**1,498**	999	**-**	-	**14,518**	13,865	**143,482**	119,049	**53,906**	50,000	**315,536**	349,291
THE COMPANY												
Ultimate holding company	**-**	-	**-**	-	**(1,769)**	-	**-**	-	**(65,000)**	-	**(1,769)**	-
Holding company	**-**	-	**-**	-	**(27,962)**	(13,981)	**-**	-	**-**	-	**(27,962)**	(13,981)
Subsidiaries	**-**	-	**-**	-	**185,878**	258,384	**-**	-	**-**	-	**1,441,778**	1,166,379
Enterprises with common shareholders	**-**	-	**(221)**	(899)	**-**	(1,942)	**-**	-	**-**	-	**-**	-
Associates	**-**	-	**-**	-	**-**	-	**30,300**	(39,519)	**53,906**	50,000	**(26,819)**	(21,448)

29 RELATED PARTY TRANSACTIONS (continued)

	THE GROUP		THE COMPANY	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
Key management personnel compensation:				
Short term employee benefit	**138,161**	126,781	**1,792**	93,320
Post-employment benefit	**4,812**	5,014	**-**	4,977
	142,973	131,795	**1,792**	98,297

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.

30 ULTIMATE HOLDING COMPANY

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

31 SEGMENT REPORTING

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

(b) **Geographical information**

	Revenues from external customers		Non-current assets	
	2018 MUR'000	2017 MUR'000	**2018 MUR'000**	2017 MUR'000
THE GROUP				
Mauritius	**2,155,717**	2,077,712	**7,455,577**	6,932,979
Maldives	**1,591,762**	1,688,477	**3,577,497**	3,756,734
Total	**3,747,479**	3,766,189	**11,033,074**	10,689,713

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

32 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassification and the adjustments arising from the new accounting policies are therefore not reflected in the comparative figures for the year ended December 31, 2017 but are recognised during the year ended December 31, 2018 due to the insignificance of the items.

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

Statement of financial position (extract)

	As previously stated December 31, 2017 MUR'000	IFRS 9 MUR'000	IFRS 15 MUR'000	January 1, 2018 MUR'000
Non-current assets				
Investment in financial assets	545	(545)	-	**-**
Non-current receivables	10,800	(10,800)	-	**-**
Financial assets at amortised cost	-	10,800	-	**10,800**
Current assets				
Trade and other receivables	1,065,502	(1,065,502)	-	**-**
Trade receivables	-	383,257	-	**383,257**
Financial assets at amortised cost	-	618,048	-	**618,048**
Prepayments	-	64,197	-	**64,197**

(b) IFRS 9 Financial Instruments

Impairment of financial assets

The Group's financial asset which is subject to IFRS 9's new expected credit loss model:

- Trade receivables from the provisions of hotel services, group loans and current accounts.

The Group was required to revise its impairment methodology under IFRS 9 for the above financial assets. The impact of the change in impairment methodology on the Group was not material and has been accounted in profit or loss for the year ended December 31, 2018.

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

32 CHANGES IN ACCOUNTING POLICIES (continued)

(b) IFRS 9 Financial Instruments (continued)

Trade receivables

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The restatement on transition to IFRS 9 as a result of applying the expected credit loss model was immaterial and the cumulative increase of the loss allowance is accounted for during the year ended December 31, 2018 by MUR 4.8 million for trade receivables.

(c) IFRS 15 Revenue from Contracts with customers

The Group has applied IFRS 15 for the first time using the modified retrospective method of adoption with the date of application from January 1, 2018. Comparative of the prior period has not been adjusted.

	31 Dec 2018 without adoption of IFRS 15 MUR'000	Increase/ (decrease) MUR'000	As reported under IFRS 15 MUR'000
Revenue	3,809,728	62,249	3,747,479
Cost of sales	1,233,902	62,249	1,171,653

The adjustment for commission at December 31, 2017 will have no impact on retained earnings at January 1, 2018.

Notice of Annual Meeting of Shareholders

Notice is hereby given that the Annual Meeting of the shareholders of the Company will be held on Wednesday, 26 June 2019, 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 2018
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 2018
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 approve Directors' fees
6. To authorise Mr George J. Dumbell to continue to hold office as a Director of the Company in accordance with section 138 (6) of the Companies Act 2001
7. By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as Directors of the Company:
   a. Mr Colin Taylor
   b. Mr Noël Adolphe Vallet
   c. Mr Michel Nicolas Boullé
8. Shareholders' questions.

By order of the Board

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

30 April 2019

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 Tuesday, 25 June 2019 (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 30 May 2019.

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 Wednesday, 26 June 2019, 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 2018			
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 approve Directors' fees			
6	To authorise Mr George J. Dumbell to continue to hold office as a Director of the Company in accordance with section 138 (6) of the Companies Act 2001			
7	By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as Directors of the Company: a. Mr Colin Taylor b. Mr Noël Adolphe Vallet c. Mr Michel Nicolas Boullé			

Dated this .... day of 2019

....
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 Tuesday, 25 June 2019 (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 30 May 2019.*

On a mission to portray the world of Constance Hotels & Resorts from a new perspective, in 2018, the Mauritian photographer and story-teller Paul Choy set sail to our hotels in the Maldives, the Seychelles, Madagascar, Pemba-Zanzibar and of course Mauritius.

The project gave birth to a book « True by Nature », based on the four main pillars of the brand: True Places, True People, True Services and True Experiences.

From the warm smiling faces of our team members to the beauty of the wild nature, this book shows the true world of Constance Hotels & Resorts and above all, what makes the brand unique.

The cover and back-cover pictures of this annual report and the illustrative photos on pages 1, 2-3, 13, 14-15, 21, 28, 31 are by Paul Choy.

CONSTANCE
HOTELS, RESORTS & GOLF

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

MAURITIUS | SEYCHELLES | MALDIVES | MADAGASCAR | PEMBA, ZANZIBAR