Southern Cross

hotels

ANNUAL REPORT 2019

Southern Cross

hotels

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of Southern Cross Tourist Company Limited and its subsidiaries for the year ended December 31, 2019, the contents of which are listed below.

This report was approved by the Board of Directors on May 12, 2020.

Gérard GARRIOCH
Chairman

Thierry MERVEN
Group Chief Executive Officer

CONTENTS

CORPORATE INFORMATION

DIRECTORS:	DATE APPOINTED:
Gérard GARRIOCH - Chairman	May 13, 2011
Thierry MERVEN - Group Chief Executive Officer	May 13, 2011
Patrice DOGER DE SPEVILLE	May 13, 2011
Jacques MARRIER D'UNIENVILLE	May 13, 2011
Jean-Marc ULCOQ	December 12, 2012
Robert DOGER DE SPEVILLE	December 21, 2016
Jacques HAREL	August 7, 2018

SENIOR MANAGEMENT TEAM:	POSITION:
Thierry MERVEN	Group Chief Executive Officer
Ashwin FOOGOOA *(as from 18th November 2019)*	Group Chief Financial Officer
Christel CHAN YAM FONG	Group Finance Manager
Christina LEVALLOIS	Group Human Resources Manager
Fabio MEO	Chief Operating Officer, Southern Cross Hotels
Vincent COMARMOND	General Manager of Preskil Island Resort
Jean Philippe MACQUET *(up to 9th April 2019)*	General Manager of Solana Beach Mauritius
Ravidev TEELWAH *(as from 1st December 2019)*	General Manager of Solana Beach Mauritius

REGISTERED OFFICE:
Union Ducray
Riviere des Anguilles
Republic of Mauritius
Tel: (230) 626 2248
Fax: (230) 625 2541
Website: www.southerncrosshotels.mu

COMPANY SECRETARY:
Navitas Corporate Services Ltd
Navitas House
Robinson Road, Floréal
Tel: (230) 670 7277
Fax: (230) 698 5351

INTERNAL AUDITORS:
UHY Advisory Ltd
Duke of York Street
Champs de Mars
Port Louis

CORPORATE OFFICE:
Riche En Eau
St Hubert
Tel: (230) 633 7310
Fax: (230) 633 5244

LEGAL ADVISERS:
Me Patrice Doger de Spéville
5th Floor, Chancery House
Lislet Geoffroy Street
Port Louis

Me André Robert
8, Georges Guibert Street
Port Louis

NOTARY:
Me Didier Maigrot
1st Floor, Labama House
Sir William Newton Street
Port Louis

EXTERNAL AUDITORS:
BDO & Co
10, Frere Felix de Valois Street
Port Louis

BANKERS:
SBM Bank (Mauritius) Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis

The Mauritius Commercial Bank Ltd
Sir William Newton Street
Port Louis

SHARE REGISTRY:
MCB Registry and Securities Ltd
Raymond Lamusse Building
Sir William Newton Street
Port Louis

PRESKIL ISLAND RESORT MAURITIUS SOUTHERN CROSS HOTELS

Solana BEACH MAURITIUS

ASTROEA BEACH

Dear Shareholder,

I am pleased to communicate to you the results of Southern Cross Tourist Company Limited (SCT) for the financial year 2019.

The number of tourist arrivals to Mauritius decreased by 1.1% compared to last year and the tourism industry recorded a downturn of Rs 930 million in terms of earnings to reach Rs 63.1 billion in 2019, representing a decline of 1.5%.

It should be noted that the performance of Solana Beach Mauritius (Solana) was satisfactory for the year under review and showed an improvement compared to last year. Average room rate (ARR) rose from Rs 3,528 in 2018 to Rs 3,702 in 2019 and revenue per room (REVPOR) increased by 3% to reach Rs 6,357 in 2019. Improved yield in terms of room rate has been achieved due to an increase in Solana's share in the European market coupled with a rise in sales from OTAs. The occupancy rate improved satisfactorily above the industry average to reach 83.8% and revenue rose by Rs 20m, representing a growth of 9.8%. It should be underlined that gross profit was up by 13.2% and profit after tax picked up from Rs 13m last year to reach Rs 26m in 2019, a very commendable performance.

As for Preskil Island Resort (Preskil), after a little more than a year of renovation works, the hotel reopened in May 2019. The initial objective was to uplift our flagship property and reposition the hotel to a 4-star plus family resort with 214 keys. This was successfully achieved, albeit with some delays but the end result was beyond expectations and praised by all stakeholders. As a result, Preskil has realised satisfactory results and exceeded budgeted figures. The occupancy rate registered for the period was 78.4%, which was also above the industry average, and revenue achieved was Rs 300m against a forecast of Rs 276m. It is worthy to mention that EBITDA experienced a notable growth of 59% compared to forecast and reached Rs75m.

The Group's results for the year under review were satisfactory with revenue of Rs 523m whilst gross profit reached Rs 305m. It is to be noted that the group has exceeded its budget for the year 2019 despite the delay in Preskil's reopening. It should be emphasised that our Sales & Marketing team's strategy to increase bookings with OTAs also proved successful with substantial growth in turnover from OTAs, namely at Solana.

Unfortunately, with the outbreak of Covid-19 pandemic, the tourism industry in Mauritius has been heavily hit and remains at a standstill as our border remains closed and international travel is banned. The duration and impact of the COVID-19 pandemic remain uncertain and, as such, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the group's results and cash flows for future periods. Various scenarios are being studied by the management. The outlook looks very challenging, but our Sales and Marketing team stay prepared to the reopening of the Mauritian borders with aggressive marketing strategies and action plans.

Regarding the Wakashio disaster, the impact of the oil spill is localised in the southern eastern region of the island, but Preskil beach's has not been affected so far. It is to be noted that management has taken preventive measures to safeguard the pristine beach of Preskil.

I would like to express my sincere thanks to all the shareholders for their continued trust and a special word of thanks to the Group Chief Executive Officer, the Chief Operating Officer and the management team for their strong perseverance and hard work in these trying times.

Finally, I also wish to express my sincere appreciation to my fellow directors for their support and positive contribution during the year.

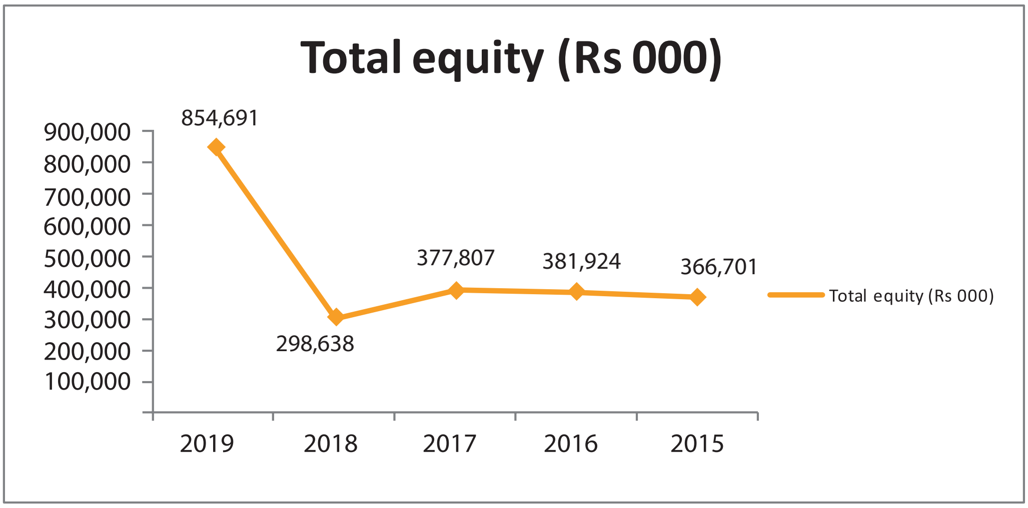
Gérard GARRIOCH
Chairman

May 12, 2020

5 YEAR STATISTICS - FINANCIAL HIGHLIGHTS

Statements of profit or loss	2019 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000	2015 Rs 000
Revenue	523,128	328,434	555,186	544,893	541,111
Gross profit	304,741	193,552	305,604	293,385	275,881
Results before finance costs	62,334	41,595	52,721	42,105	27,919
(Loss)/profit before taxation	(83,057)	(139,626)	6,190	13,403	(7,106)
Income tax credit/(charge)	18,889	32,789	(5,489)	(2,772)	(222)
(Loss)/profit for the year	(64,168)	(106,837)	701	10,631	(7,328)
(Loss)/profit attributable to owners of the parent	(64,168)	(106,837)	701	10,631	(7,328)
Dividends	-	-	-	-	-
Retained (loss)/profit for the year	(64,168)	(106,837)	701	10,631	(7,328)
EBITDA	130,893	67,305	91,631	82,810	67,934

Statements of financial position	2019 Rs 000	2018 Rs 000	2017 Rs 000	2016 Rs 000	2015 Rs 000
Non current assets	2,775,333	1,397,320	837,180	852,852	884,230
Current assets	272,581	325,204	153,230	151,178	155,980
Stated capital	253,186	253,186	253,186	253,186	253,186
Capital contribution	50,000	20,000	-	-	-
Other reserves	590,679	458	(7,210)	(2,392)	(6,984)
(Revenue deficit)/retained earnings	(39,174)	24,994	131,831	131,130	120,499
Total equity	854,691	298,638	377,807	381,924	366,701
Non current liabilities	1,924,348	1,345,415	459,874	441,518	469,963
Current liabilities	268,875	78,471	152,729	180,588	203,546



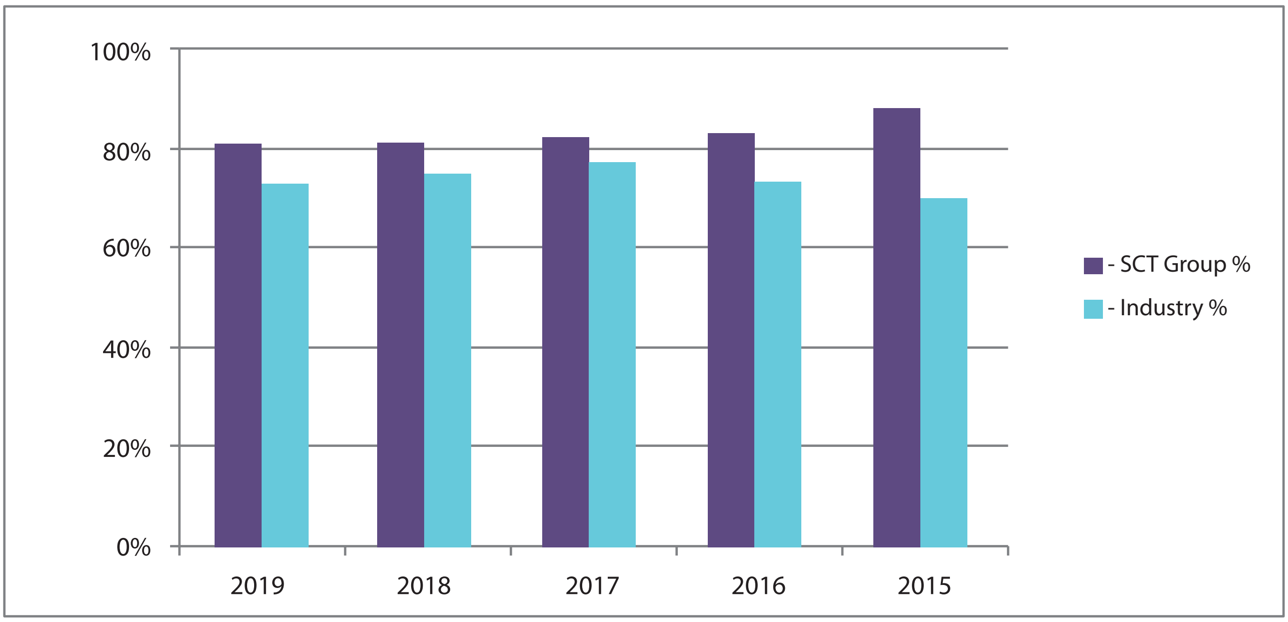
KEY FINANCIAL RATIOS		2019	2018	2017	2016	2015
Operating profit margin before finance costs	%	12%	13%	9%	8%	5%
(Loss)/earnings per share	Re/cs	(0.51)	(0.85)	0.01	0.08	(0.06)
Dividends per share	Re/cs	-	-	-	-	-
Interest cover	x	1.77	2.60	3.39	2.72	2.02
Dividend cover	x	-	-	-	-	-
Dividend payout	%	0%	0%	0%	0%	0%
Net asset value per share	Rs	6.80	2.38	3.01	3.04	2.92
Return on equity	%	-8%	-36%	0%	3%	-2%
Return on total assets	%	0%	-7%	4%	4%	3%
Gearing (Net debt-to-equity)	%	201%	383%	117%	120%	138%

ROOM OCCUPANCY STATISTICS		2019**	2018*	2017	2016	2015
Number of rooms		331	317	317	317	317
Number of guests nights		141,312	96,649	187,735	193,351	206,543
Occupancy	%	81%	81%	82%	83%	88%
Revenue per occupied room	Rs	7,486	6,548	6,008	5,737	5,447
Occupancy rate (%)						
- SCT Group	%	81%	81%	82%	83%	88%
- Industry	%	73%	75%	77%	73%	70%

* 2018 figures include Preskil Island Resort which has closed since April 2018 for renovation works. Solana Beach Mauritius had an average occupancy rate of 79% for the year 2018.

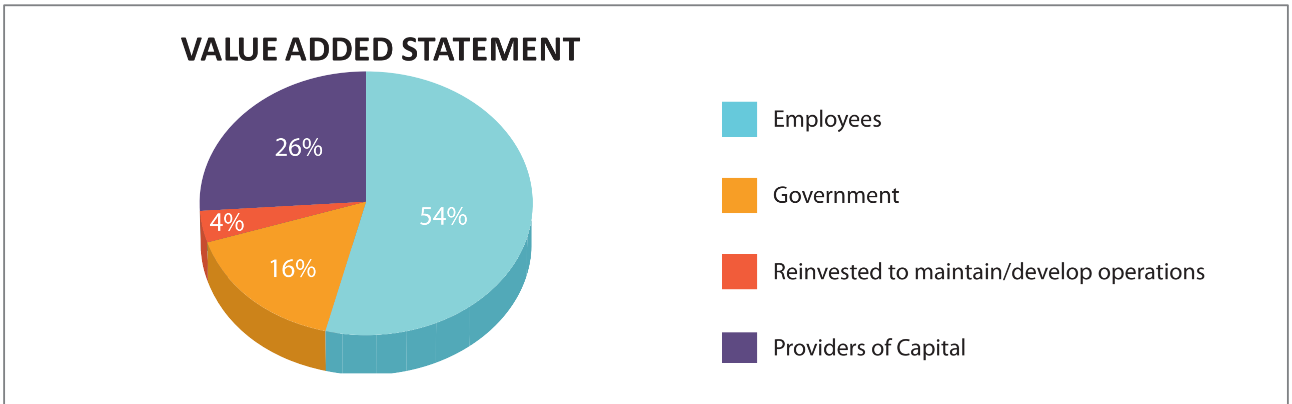
** 2019 figures include Preskil Island Resort which reopened on the 15th of May 2019 and operated at full capacity since 22nd August 2019.

OCCUPANCY RATE (%)



VALUE ADDED STATEMENT	Group 2019 Rs ' 000	%	Group 2018 Rs ' 000	%
Total revenue (VAT inclusive)	606,578		399,191	
Payments made to suppliers	(320,262)		(204,504)	
Value added by operations	286,316		194,687	
Total wealth created	**286,316**		**194,687**	
Distributed as follows:				
Employees				
Salaries and wages	153,208	54%	137,223	71%
Government				
Value added tax	54,930	19%	36,908	19%
Environment fees	4,363	2%	2,789	2%
Income tax (current and deferred)	(18,889)	-7%	(32,789)	-17%
Licences, leases and campement site tax	-	0%	19,392	10%
Social security charges	7,073	2%	6,397	3%
	47,477	16%	32,697	17%
Reinvested to maintain/develop operations				
Depreciation, amortisation and impairment	75,855	26%	105,687	54%
Retained loss for the year	(64,168)	-22%	(106,837)	-55%
	11,687	4%	(1,150)	-1%
Providers of capital				
Interest on borrowings and leases	73,944	26%	25,917	13%
Total wealth distributed	**286,316**	**100%**	**194,687**	**100%**

The value added statement illustrates the total value which has been created from the operating activities of the group and how the total wealth generated has been distributed among the employees and the other stakeholders which are the government and the providers of capital. The statement also indicates the portion of the value creation which has been set aside for reinvestment purposes.



Dear Shareholder,

I am pleased to report on the activities of the Company for the financial year ended 31st December 2019.

Market Environment

Tourist arrivals for the year 2019 stood at 1,383,488 representing a decrease of 1.1% compared to year 2018, whilst tourist earnings decreased by Rs 930 million to reach Rs 63.1 billion in 2019. It is to be noted that the average length of stay increased from 10.4 nights for the preceding year to 10.6 nights for year 2019.

Financial Highlights

Following the termination of exclusivity in the UK and German markets since previous years, Solana Beach Mauritius (Solana) has reaped the benefits of an increase in its share in the European market, which led to a higher average room rate (ARR). Furthermore, OTAs' sales have increased by 50% in 2019 compared to last year, which also contributed to an improved ARR. ARR at Solana rose from Rs 3,528 in 2018 to Rs 3,702 in 2019, which positively impacted on its revenue, representing an increase of 9.8% to reach Rs 226m in 2019. Moreover, the occupancy rate at Solana increased from 79.1% in 2018 to 83.8% in 2019 while the industry average stood at 73%. Revenue per room (REVPOR) rose by 2.8% to reach Rs 6,357 for year 2019 compared to Rs 6,182 in 2018. A point worthy of note is the favourable growth in gross profit which increased by Rs 16m from Rs 122m in 2018 to Rs 138m in year 2019, while profit after tax improved to Rs 26m against Rs 13m in year 2018.

After successful renovation works and an upgrade in the 4-star plus segment, Preskil Island Resort (Preskil), restarted its operations in the regional market on the 15th of May 2019 and in the international market on 1st of July 2019. It is to be noted that Preskil, the flagship of the Group, became fully operational with 214-keys as from mid-August 2019. Overall, Preskil has received excellent reviews from all its partners since its reopening. It deserves to be acknowledged that the performance of Preskil exceeded budgeted figures in terms of occupancy rate, revenue and EBITDA: average occupancy rate reached 78.4% compared to budgeted rate of 73.2%, which was also above the industry average for the second semester of year 2019. Over its first 7.5 months of operations, Preskil generated revenue amounting to Rs 300m, thereby exceeding its forecast by 8.7%. Preskil has also outperformed by registering an EBITDA of Rs 75m which was 59% above budget. It is to be noted that all expenses incurred during the renovation period were accounted under closure costs and amounted to Rs 63m for year 2019 compared to Rs 92m in 2018.

At Group level, the overall results for year 2019 were satisfactory. The Group's turnover reached Rs 523m compared to Rs 328m last year, whilst gross profit rose from Rs 194m in 2018 to Rs 305m this year. The Group recorded a combined occupancy rate of 81% and EBITDA increased from Rs 66m in 2018 to Rs 131m in 2019. Such improvements in the Group's results were mainly attributable to the reopening of Preskil coupled with improved yield in terms of higher room rates and room occupancy at both resorts.

Outlook

It is worth mentioning that the Group's results for the first quarter of year 2020 were satisfactory and pre-Covid-19 forecasts for the year 2020 were promising. However, since the outbreak of COVID-19 pandemic and the ensuing economic crisis, the Mauritian tourism industry has been facing major challenges. The Covid-19 pandemic dealt a tough blow to the strong momentum that was building up and the Group's revenue has been negatively impacted since the month of March 2020. Both hotels had to cease operations since end of March 2020 following the closure of the Mauritian borders and the suspension of commercial flights. With the uncertainty regarding the reopening of the Mauritian borders and the pandemic still active in our main markets (Europe and South Africa), the Group's revenues and cash flows are being and will continue to be severely affected. The Group has taken various measures to reduce costs by putting on hold most of its contracts with suppliers and freezing any new recruitment and capital expenditure. The Group has obtained financial support from its lenders by way of deferment in interest and capital repayments as well as new working capital facilities. The Group has also received wage assistance support from the Government since March 2020 and the management team and staff have voluntarily participated in a salary reduction scheme. Several hospitality industry support measures have been announced by the Government which will alleviate the stress on the Group's cashflow. Our Sales and Marketing team has already devised strategies and action plan to prepare for the reopening of the Mauritian borders and be aggressive on all markets.

It should be stressed that, during the lockdown period, Solana has positively responded to the Government of Mauritius's request to convert hotels into quarantine centres, in an upsurge of solidarity and act of patriotism. Solana is still being leased out to the Ministry of Health & Wellness as quarantine centre and rental will last as long as there is a demand for quarantine purposes.

Regarding the Wakashio and oil spill disaster, Management has undertaken protective measures to safeguard the pristine beach of Preskil and there has been no significant damage so far since most of the spill has been taken by the current down to the bottom of the Mahebourg Bay to Rivière des Créoles and Vieux Grand Port. It is worth mentioning that Preskil has re-opened for Wakashio Crisis Management and rooms are currently being rented to the team of professionals and experts involved in the Crisis Management.

Acknowledgement

I wish to thank the Chairman Mr Gérard Garrioch for his valuable support and guidance throughout the year as well as the board members for their active contribution.

I also wish to thank the management team for their hard work and their significant contribution in the positive results achieved by the company. Our gratitude is extended to all employees for their commitment, dedication and enthusiasm which have contributed to high levels of guest satisfaction.

Thierry MERVEN
Group Chief Executive Officer

May 12, 2020

The Board of Directors of Southern Cross Tourist Company Limited ('SCT' or the 'Company') is pleased to present the Annual Report together with the Audited Consolidated Financial Statements of the Company for the year ended December 31, 2019.

NATURE OF BUSINESS

The main activity of the Company and its subsidiaries (the 'Group') is the hospitality sector.

The Group owns two (2) resorts,namely '*Preskil Island Resort*', a superior 4-star family resort, situated at Pointe Jérôme, Mahebourg and '*Solana Beach*', a 4-star adult-only resort, located at Belle Mare. In addition to the above, the Group has also a management contract for the operations of '*Astroea Beach*', a boutique hotel situated in Pointe d'Esny and Andréa Lodges, situated at Union Ducray, Rivière des Anguilles.

As from May 2014, the three (3) beach hotels are marketed under the brand name of Southern Cross Hotels.

DIRECTORS

The names of Directors of the Company and its subsidiaries at the end of the accounting period are as follows:

Southern Cross Tourist Company Limited
Gérard GARRIOCH - *Chairman*
Thierry MERVEN – *Group Chief Executive Officer*
Patrice DOGER DE SPEVILLE
Jacques MARRIER D'UNIENVILLE
Jean-Marc ULCOQ
Robert DOGER DE SPEVILLE
Jacques HAREL

Groupe Union Training Academy Ltd
Thierry MERVEN – *Group Chief Executive Officer*
Jacques MARRIER D'UNIENVILLE

Solana Beach Company Limited
Gérard GARRIOCH - *Chairman*
Thierry MERVEN – *Group Chief Executive Officer*

Southern Cross Management Co Ltd
Gérard GARRIOCH - *Chairman*
Thierry MERVEN – *Group Chief Executive Officer*

The Company believes in promoting Gender Equality and in order to be compliant with the provisions of the Companies Act 2001, the Company is currently considering the appointment of a female candidate as Director of the Company.

DIRECTORS' SERVICE CONTRACTS

As at December 31, 2019, save for Mr. Robert Doger de Speville who has a service contract with the Company with an expiry term, all the other Directors of the Company and of the subsidiary companies have no service contracts.

CONTRACTS OF SIGNIFICANCE

There were no contracts of significance subsisting during the period to which the Company or its subsidiaries was a party and in which a director was materially interested either directly or indirectly.

DIRECTORS' SHARE INTERESTS

The Directors' direct and indirect interests in the stated capital of the Company or its subsidiaries are detailed in the Corporate Governance Report.

DIRECTORS' REMUNERATION AND BENEFITS

Remuneration and benefits received or due and receivable from the Company and its subsidiaries were as follows:

	FROM THE COMPANY		FROM SUBSIDIARIES	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Executive Director				
Thierry Merven	**120**	130	**-**	-
Non-Executive Directors				
Gérard GARRIOCH	**120**	130	**-**	-
Patrice DOGER DE SPEVILLE	**120**	130	**-**	-
Jacques MARRIER D'UNIENVILLE	**110**	120	**-**	-
Jean-Marc ULCOQ	**120**	130	**-**	-
Robert DOGER DE SPEVILLE	***1,020**	*1,020	**-**	-
Jacques HAREL	**120**	52	**-**	-
Maurice BONIEUX	**N/A**	**78	**-**	-
	1,730	1,790	**-**	-

** This amount includes Rs 900,000 paid as consultancy fees.*
*** Mr. Maurice BONIEUX resigned on August 8, 2018.*
None of the Directors received any remuneration and benefits form the subsidiaries of the Company.

DONATIONS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Donations made during the year	**12**	-	**12**	-

AUDITORS' FEES

The fees paid to the Auditors, BDO & Co, for audit and other services were:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees	**785**	760	**445**	430
Review of implementation of IFRS 16	**75**	-	**75**	-
Turnover certificate and certificate for transfer of fund	**60**	-	**60**	-

No other services were provided by the Auditors.

Approved by the Board of Directors on May 12, 2020 and signed on its behalf by:

Gérard GARRIOCH
Chairman

Thierry MERVEN
Group Chief Executive Officer

Name of Public Interest Entity ('PIE') : Southern Cross Tourist Company Limited (the 'Company' or 'SCT')

Reporting period **:** December 31, 2019

On behalf of the Board of Directors of SCT, we confirm that, to the best of our knowledge, the Company has partially complied with all the obligations and requirements of the new National Code of Corporate Governance for Mauritius (2016) (the 'Code').

SCT has drafted its Corporate Governance Report for the year under review in conformity with the eight (8) principles of the new Code.

The areas of non-compliance, whose reasons are included in the Report, are as follows, namely:

- Principle 1:
  - Board Charter
  - Job Descriptions/Position Statements
  - Statement of Accountabilities

- Principle 2:
  - Board Diversity

- Principle 3:
  - Succession Planning

- Principle 4:
  - Board Evaluation
  - Information, Information Technology and Information Security

- Principle 5:
  - Whistle-blowing procedures

Gérard GARRIOCH
Chairman

Thierry MERVEN
Group Chief Executive Officer

May 12, 2020

COMPANY PROFILE

The Company, incorporated on April 05, 1985 in the Republic of Mauritius, is a Public Interest Entity as defined by the Financial Reporting Act 2004.

SCT is in the hospitality sector. The shares of SCT are listed on the Development Enterprise Market ('DEM') of the Stock Exchange of Mauritius Ltd since August 4, 2006.

On June 14, 2018, SCT has issued 861,300 Secured Floating Rate Notes and Secured Fixed Rate Notes ("Notes") as follows:
- Tranche FLRNMUR7Y, comprising 266,000 secured floating rate notes of nominal value of Rs 1,000 each;
- Tranche FLRNMUR10Y, comprising 308,000 secured floating rate notes of nominal value of Rs 1,000 each;
- Tranche FRNMUR5Y, comprising 276,000 secured fixed rate notes of nominal value of Rs 1,000 each;
- Tranche FLRNEUR4Y, comprising 7,300 secured floating rate notes of nominal value of EUR 1,000 each; and
- Tranche FLRNEUR5Y, comprising 4,000 secured floating rate notes of nominal value of EUR 1,000 each.

The above mentioned Notes have been listed on the Official Market of the Stock Exchange of Mauritius Ltd on August 3, 2018.

On November 6, 2019 ('Issue Date'), 125,000 non-convertible, redeemable, cumulative and non-voting preference shares of no par value ('Preference Shares') have been issued to one holder, by way of private placement, for an aggregate amount of Rs 125,000,000. The sole holder of the Preference Shares shall receive an annual dividend of (i) Rs 70 per Preference Share for the period from the Issue Date up to the fifth (5th) anniversary of the Issue Date, and (ii) as from the fifth (5th) anniversary of the Issue Date if the Preference Shares have not been redeemed or cancelled in accordance with the Preference Share Subscription Agreement, Rs 75 per Preference Share.

Hence, as at December 31, 2019, the stated capital of the Company was Rs 378,185,256 divided into 125,644,644 ordinary shares of no par value and 125,000 non-convertible, redeemable, cumulative and non-voting preference shares of no par value.

PRINCIPLE 1: GOVERNANCE STRUCTURE

The Board and Management of SCT reiterate their commitment to sustain high standards of Corporate Governance in order to maximise long-term value of all Shareholders and Stakeholders at large. Furthermore, it endorses the highest standards of business integrity and professionalism to ensure that the activities within the Company are managed ethically and responsibly to enhance business value for all stakeholders.

The Board assumes full responsibility for leading and controlling the organisation and meeting all legal and regulatory requirements. Besides, the Board is collectively responsible for the long-term success, reputation and governance of the Company. The Board also determines the Company's mission, vision, values and strategy.

This report describes, amongst others, the main corporate governance framework and compliance requirements of the Company which are laid down in the following:
- SCT's Constitution;
- the Terms of Reference of the Board Committees;
- the National Code of Corporate Governance for Mauritius (2016);
- the Mauritius Companies Act 2001;
- the Securities Act 2005;
- the DEM Rules of The Stock Exchange of Mauritius; and
- the Listing Rules of The Stock Exchange of Mauritius.

PRINCIPLE 1: GOVERNANCE STRUCTURE (CONT'D)

The Directors and Management of SCT also recognise the need to adapt and improve the principles and practices in light of their experience, regulatory requirements and investor expectations.

The Board Charter is currently being drafted and same will be adopted at the earliest.

Furthermore, a Group Code of Ethics has been adopted by the Board of Directors to ensure that policies, procedures and controls are in place for the business to be conducted honestly, fairly and ethically.

The Code of Ethics includes the principles, norms and standards that the Group wants to promote and integrate within its corporate culture in the conduct of its activities, including internal relations, interaction and dealings with external stakeholders.

Additionally, every person holding a senior governance position within the Company has a written contract stating his/her job description/position statement.

CONSTITUTION

SCT's Constitution is in conformity with the provisions of the Mauritius Companies Act 2001, the DEM Rules and the Listing Rules of The Stock Exchange of Mauritius.

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

A copy of SCT's Constitution can be obtained upon request in writing to the Company Secretary at its registered office C/o Navitas Corporate Services Ltd, Navitas House, Robinson Road, Floréal.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

BOARD STRUCTURE

SCT is led by an effective unitary Board which is the favoured structure for companies in Mauritius.

The Board of SCT consists of one (1) Executive and six (6) Non-Executive Directors.

The notion of independent directors is based on the criteria provided under the Generic Guidance of the Code.

BOARD SIZE

The Constitution of SCT provides that the Board of Directors shall consist of not less than six (6) and no more than nine (9).

All the Directors are re-elected by separate resolution at every Annual Meetings of Shareholders of the Company.

BOARD COMPOSITION

For the year under review, the Board of SCT was composed as follows:

Name of Directors	Category
Gérard GARRIOCH *(Chairman and Chairman of the Group Corporate Governance Committee)*	Non-Executive Chairman of the Board
Thierry MERVEN *(Group Chief Executive Officer)*	Executive Director
Patrice DOGER DE SPEVILLE	Non-Executive Director
Jacques MARRIER D'UNIENVILLE	Non-Executive Director
Jean-Marc ULCOQ *(Chairman of the Group Audit & Risk Committee)*	Non-Executive Director
Robert DOGER DE SPEVILLE	Non-Executive Director
Jacques HAREL	Non-Executive Director

The Board is of the view that its present composition is adequately balanced and that current Directors have the range of skills, expertise and experience to carry out their duties properly. It however undertakes to consider the appointment of additional Executive Director and Independent Directors if the need arises.

The names of the Directors, their profiles and their categorisation as well as their directorship details are set out in the Directors' Profiles section of this report. In this respect, the Board has decided to only disclose the directorships in listed companies.

BOARD DIVERSITY

The Directors of SCT are of the same gender and are all ordinarily resident of Mauritius.

SCT believes in promoting Gender Equality and in order to be compliant with the provisions of the Companies Act 2001, the Company is currently considering the appointment of a female candidate as Director of the Company.

SCT is also an equal opportunity employer, which has a non-discrimination policy that covers its senior governance positions and include diverse professional backgrounds with a broad mix of skills and competencies.

Notwithstanding the fact that a woman will be appointed to the Board at the earliest, SCT believes that, based on its size, the current Directors possess the appropriate expertise and knowledge to discharge their duties and responsibilities effectively and to meet the Company's business requirements.

BOARD OF DIRECTORS

The Board of Directors is SCT's ultimate decision-making entity and exercises leadership, entrepreneurship, integrity and sound judgement in directing the Company to achieve continuing prosperity for the organisation while ensuring both performance and compliance.

The Board also ensures that the activities of the Company comply with all legal and regulatory requirements as well as its Constitution from which the Board derives its authority to act.

All Directors are aware of the key discussions and decisions of the committees as the Chairman of each committee provides a summary to all the Directors at the Board meeting following the relevant committee meetings.

Besides, it is the Board's responsibility to apply proper and effective corporate governance principles and to be the focal point of the corporate governance system.

BOARD OF DIRECTORS (CONT'D)

The role of the Board of Directors is, *inter alia:*

a) To provide entrepreneurial leadership to the Company within a framework of prudent and effective risk management;
b) To determine the Company's vision, strategy and values;
c) To monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans;
d) To make sure that the necessary financial and human resources are in place for the Company to meet its objectives;
e) To ensure that the Company complies with all laws, regulations and codes of best business practice; and
f) To keep proper accounting records, ensure that a true and fair set of financial statements are prepared.

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER

As a cornerstone of Corporate Governance, during the year under review, the duties and responsibilities of the Chairman and Group Chief Executive Officer are kept separate to ensure proper balance of power, increased accountability and greater capacity of the Board for independent decision-making.

In his role as Chairman, Mr Gérard GARRIOCH, is responsible for leading the Board and for ascertaining its effectiveness whereas the Group Chief Executive Officer, Mr Thierry MERVEN, has the day-to-day management responsibility of the operations, implementing the strategies and policies approved by the Board. The Chairman has been appointed for an indeterminate period.

BOARD MEETINGS

The Board meetings are normally held at least once (1) each quarter and at any additional times as the Company requires. Decision taken between meetings are confirmed by way of resolutions in writing, agreed and signed by all Directors.

The Board meetings are conducted in accordance with the Company's Constitution and the Mauritius Companies Act 2001 and are convened by giving appropriate notice to the Directors.

Detailed agenda, as determined by the Chairman, together with other supporting documents are circularised in advance to the Directors to enable them to make focused and informed deliberations at Board meetings. To address specific urgent business needs, meetings are at times called at shorter notice. Furthermore, the Directors have the right to request independent professional advice at the Company's expense.

A quorum of a majority of the Directors is currently required for a Board Meeting of SCT and in case of equality of votes, the Chairman does not have a casting vote.

For the year under review, the Board met two (2) times and decisions were also taken by way of resolutions in writing, agreed and signed by all Directors.

The Directors may ask for any explanations or production of additional information and, more generally, submit to the Chairman any request for information or access to information which might appear to be appropriate to him. As per the Constitution of the Company, a majority of Directors is currently required to constitute a Board meeting.

All Directors have a duty to declare conflicts of interest before proceeding with any transaction. As such, a Director who had declared his interest shall not vote on any matter relating to transaction or proposed transaction in which he is interested and shall not be counted in the quorum for the same purpose of that decision. The Company Secretary takes note of any conflict of interest declared by a Director and same is recorded in the minutes of the meeting.

The minutes of the proceedings of each Board meeting are recorded by the Company Secretary and are entered in the Minutes Book of the Company. The minutes of each Board meeting are submitted for confirmation at its next meeting and these are then signed by the Chairman and the Company Secretary.

BOARD COMMITTEES

In order to facilitate effective management, the Board of Directors of SCT has established two (2) Committees for the Group, namely the Group Audit & Risk Committee and the Group Corporate Governance Committee, to assist the Board to ensure a more comprehensive evaluation of specific issues.

These Committees operate within defined Terms of Reference and independently to the Board.

The Chairman of each Board Committees report on the proceedings of the Committees at each Board meeting of the Company and the Committees regularly recommend actions to the Board. The Company Secretary acts as secretary to the Board Committees.

The Board Committees are authorised to obtain, at the Company's expense, professional advice both within and outside the Company in order for them to perform their duties.

The Board of SCT believes that the members of its two (2) above-mentioned Committees have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties. The Board of Directors assesses the Terms of Reference of the two (2) Board Committees on a regular basis to ensure that same are being applied correctly and that the said Terms of Reference are still compliant with the various regulations.

Group Audit & Risk Committee

The composition of the Group Audit & Risk Committee has remained unchanged during the year under review.

At the date of this report, the membership of the said Committee is as follows:

Members	Category
Jean-Marc ULCOQ - *Chairman*	Non-Executive Director
Patrice DOGER DE SPEVILLE	Non-Executive Director
Jacques MARRIER D'UNIENVILLE	Non-Executive Director
In attendance (when deemed appropriate)	
Thierry MERVEN	Group Chief Executive Officer
Ashwin FOOGOOA	Group Chief Financial Officer
Christel CHAN YAM FONG	Group Finance Manager
UHY Advisory	Internal Auditors – Independent Service Provider
BDO & Co	External Auditors – Independent Service Provider

The Group Audit & Risk Committee operates under the Terms of Reference approved by the Board.

The Committee meets at least once each quarter and reports on its activities to the Board. A quorum of two (2) members is currently required for a Group Audit & Risk Committee meeting.

The main functions of the Group Audit & Risk Committee are as follows:
- Reviewing the effectiveness of the Group's internal control and reporting systems;
- Monitoring the effectiveness of the internal audit function;
- Overseeing the financial reporting procedures in line with the relevant accounting standards;
- Recommending the Board of Directors on the appointment of external auditors, reviewing their scope of work and their remuneration;
- Monitoring the effectiveness and independence of external auditors;
- Recommendation of the condensed unaudited quarterly financial statements; and
- Maintaining the integrity of the financial statements.

The Group Audit & Risk Committee met four (4) times for the year under review.

Group Audit & Risk Committee (Cont'd)

BDO & Co had been re-appointed as external auditors at the Annual Meeting of the Company held on June 28, 2019. As per regulatory requirement, the external audit contract will be put out to tender and the appointment of the new external auditors for the financial year 2020 will be recommended for approval at the forthcoming Annual Meeting of Shareholders.

The Group Audit and Risk Committee confirms that it has fulfilled its responsibilities for the year under review, in accordance with its Terms of Reference.

The Company Secretary acts as Secretary of the Group Audit & Risk Committee to ensure proper recording of the proceedings of the meetings.

Group Corporate Governance Committee

The composition of the Group Corporate Governance Committee has remained unchanged during the year under review.

At the date of this report, the membership of the said Committee is as follows:

Members	Category
Gérard GARRIOCH – Chairman	Non-Executive Chairman of the Board
Thierry MERVEN	Executive Director
In attendance (when deemed appropriate)	
Ashwin FOOGOOA	Group Chief Financial Officer

The Group Corporate Governance Committee operates under the Terms of Reference approved by the Board and a quorum of two (2) members is currently required for a meeting of the said Committee.

The main functions of the Group Corporate Governance Committee are as follows:

- Providing guidance to the Board on on all corporate governance provisions to be adopted so that the Board remains effective and follows prevailing corporate governance principles;
- Reviewing the Corporate Governance Report to be published in SCT's Annual Report and ensuring that the reporting requirements are in accordance with the principles of the Code of Corporate Governance;
- Recommending to the Board of Directors the adoption of policies and best practices as appropriate;
- *In its role as Nomination Committee,* reviewing the structure, size and composition of the Board, identifying and recommending to the Board possible appointees as Directors, making recommendations to the Board on matters relating to appointment or re-appointment of Directors and succession plans for Directors whilst assessing the independence of the Independent Non-Executive Directors; and
- *In its role as Remuneration Committee,* determining and developing the Company's and Group's general policy on executive and senior management remuneration and making recommendations to the Board on all the essential components of remuneration whilst determining the adequate remuneration to be paid to Directors and senior management.

The Group Corporate Governance Committee met once (1) during the year under review.

The Group Corporate Governance Committee confirms that it has fulfilled its responsibilities for the year under review in accordance with its Terms of Reference.

Even though the Code's aspiration is that the Group Corporate Governance Committee be chaired by an Independent Non-Executive Director, the Chairman of the Board of Directors of SCT, namely Mr. Gérard GARRIOCH, has been appointed as Chairman of the said Committee in view of his extensive experience and knowledge and in order to provide continuity in the application of best practices.

The Company Secretary acts as Secretary of the Group Corporate Governance Committee to ensure proper recording of the proceedings of the meetings.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Attendance at Board and Committee meetings for the year under review is as follows:

Name of Directors	Category	Board meetings	Group Audit & Risk Committee Meetings	Group Corporate Governance Committee Meetings
Gérard GARRIOCH *(Chairman and Chairman of the Group Corporate Governance Committee)*	NECB	2 out of 2	N/A	1 out of 1
Thierry MERVEN *(Group Chief Executive Officer)*	ED	2 out of 2	4 out of 4*	1 out of 1
Patrice DOGER DE SPÉVILLE	NED	2 out of 2	4 out of 4	N/A
Jacques P. H. MARRIER D'UNIENVILLE	NED	1 out of 2	4 out of 4	N/A
M. Jean-Marc ULCOQ *(Chairman of the Group Audit & Risk Committee)*	NED	2 out of 2	4 out of 4	N/A
Robert DOGER DE SPEVILLE	NED	2 out of 2	N/A	N/A
Jacques HAREL	NED	2 out of 2	N/A	N/A
In attendance				
Ashwin FOOGOOA		1 out of 1	N/A	N/A
Christel CHAN YAM FONG		2 out of 2	4 out of 4	N/A
Fabio MEO		2 out of 2	1 out of 1	N/A
Vincent COMARMOND		1 out of 2	1 out of 1	N/A

* *In attendance – not a member* *ED: Executive Director* *NECB: Non-Executive Chairman of the Board* *NED: Non-Executive Director*

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES

DIRECTORS' PROFILES

The names of all Directors, their profile and their categorisation as well as their Directorship details in listed companies are provided thereafter.

Gérard GARRIOCH, *Non-Executive Director*
(Chairman and Chairman of the Group Corporate Governance Committee)
Mr. Gérard Garrioch, born in 1955, is the holder of a Master in Business Administration with Distinction from the University of Surrey, UK and a BSc (1st Class Honours) Biochemistry, from the University of Bath, UK. He has worked for 36 years for the Cernol Group of which he was a shareholder and the Executive Chairman since 2005 until he retired in August 2017. He is also a Director of ENL Commercial Limited and Précigraph Ltée. He was the President of the Association of Mauritian Manufacturers, President of the Mauritius Employers Federation and Chairman of the Joint Economic Council. He was also a member of the National Economic and Social Council and Human Resource Development Council. He is the Chairman of Compagnie de Beau Vallon Ltée since June 2011 and has been the Chairman of ENL Commercial Limited from January 2012 to December 2018.
Other directorships in listed companies:
- *Compagnie de Beau Vallon Limitée*
- *The Union Sugar Estates Company Limited*

DIRECTORS' PROFILES (CONT'D)

Thierry MERVEN, *Executive Director*
(Group Chief Executive Officer)
Mr. Thierry Merven, born in 1962, holds a "Maîtrise en Aménagement du Territoire" and a "Diplôme d'Études Supérieures Spécialisées (DESS) en Aménagement et Développement Local" from l'Institut d'Aménagement Régional d'Aix-en-Provence (France). He is currently the Chief Executive Officer of Compagnie de Beau Vallon Ltée and of the Union Group of companies which comprises of sugar estates, land development activities and the Southern Cross Group of Hotels. He joined the sugar sector in 2004 as General Manager of Compagnie de Beau Vallon Ltée which manages Riche en Eau S.E. He started his career in France where he practised between 1987 and 1996 as a Town Planner and an Environmental Specialist. Upon his return to Mauritius in 1996, he successively held office as Manager of Société de Traitement et d'Assainissement des Mascareignes Ltée (STAM) and of IBL Environment Ltd. He was the President of the Mauritius Chamber of Agriculture between 2008 and 2011 and is a Board member of several sugar-sector institutions and companies involved in agricultural production, sugar, hospitality and property development. Mr. Merven is also the Chairman of the Sugar Industry Pension Fund ('SIPF').
Other directorships in listed companies:
- *Compagnie de Beau Vallon Limitée*
- *The Union Sugar Estates Company Limited*

Patrice DOGER DE SPEVILLE, *Non-Executive Director*
Mr. Patrice Doger de Spéville, born in 1956, graduated in Law at the Council of Legal Education School of Law of London, UK and is also the holder of a French "Licence & Maitrise en Droit". He was called to the Mauritian Bar in 1978, is a member of the Middle Temple and is a door tenant at Courtyard Chambers, London. He was the President of the Mauritius Bar Council, was promoted to the rank of Senior Counsel in June 2010 and is currently in charge of the legal magazine "New Bar Chronicle". He is a litigation lawyer and is the legal advisor to various banking, financial, insurance, industrial, hotels and commercial institution.
Other directorships in listed companies:
- *Compagnie de Beau Vallon Limitée*
- *The Union Sugar Estates Company Limited*

Jacques MARRIER D'UNIENVILLE G.O.S.K, *Non-Executive Director*
Mr. Jacques Marrier d'Unienville, born in 1968, holds a Bachelor's degree in Commerce. Prior to joining Société Usinière du Sud (SUDS) as Chief Executive Officer in 2005, he was the Managing Director of Société de Traitement et d'Assainissement des Mascareignes. He has held office as Chief Executive Officer of MTMD (now Omnicane Limited) as from 1 April 2007. He is the Chairperson of Omnicane Thermal Energy Operations (La Baraque) Limited and Omnicane Thermal Energy Operations (St Aubin) Limited, Omnicane Milling Operations Limited, Omnicane Logistics Operations Limited, Airport Hotel Ltd and is a director of Real Good Food plc, Southern Cross Tourist Company Limited and The Union Sugar Estates Company Limited. He is a board member of several sugar sector institutions in Mauritius and was the President of the Mauritius Sugar Producers' Association in 2005, 2006, 2009, 2010 and 2015. He was the President of the Mauritius Sugar Syndicate in 2012.
Other directorships in listed companies:
- *Compagnie de Beau Vallon Limitée*
- *Omnicane Limited*
- *The Union Sugar Estates Company Limited*

Jean-Marc ULCOQ, *Non-Executive Director*
(Chairman of the Group Audit & Risk Committee)
Mr. Jean-Marc Ulcoq, born in 1952, has developed throughout the past 17 years a strong and proven international expertise in managing both at the operational / financial sides as well as at directorship level of many companies including listed companies in Mauritius, and of international operations for instance in South Africa, Madagascar, Mayotte and Reunion Island. He is a fellow of Chartered Association of Certified Accountants (UK), fellow member of the Mauritius Institute of Directors, member of the Committee setting up Corporate Governance Conventions in Mauritius and in the Audit and Accounting – Task Force. Mr. Ulcoq is also a Director of SBM Madagascar SA, subsidiary of SBM Holdings Ltd, and he is the Chairman of its Audit Committee. He also chairs the Audit Committee of several companies in Mauritius.
Other directorships in listed companies:
- *Compagnie des Villages De Vacances De L'Isle De France Limitée (COVIFRA)*
- *The Union Sugar Estates Company Limited*

DIRECTORS' PROFILES (CONT'D)

Robert DOGER DE SPEVILLE, *Non-Executive Director*
Mr. Doger de Spéville, born in 1951, qualified as a Chartered Accountant in South Africa in 1974. He joined New Mauritius Hotels Ltd as Director in 1977 up to 2015. He was appointed to the Board of Directors of the Company on 19th December 2016.
<u>Other directorships in listed companies:</u> *None*

Jacques HAREL, *Non-Executive Director*
Mr. Jacques Harel, born in 1969, holds a Bachelor of Arts in Business Studies from the University of Westminster, London and is a member of the Institute of Chartered Accountants in England and Wales (ICAEW). He has worked several years for De Chazal du Mée, Chartered Accountants, gaining expertise in various economic sectors. He is the Chief Executive Officer of BIRGER since April 2007, a technology company operating in the Indian Ocean region and Africa.
<u>Other directorships in listed companies:</u>
- *Compagnie de Beau Vallon Limitée*
- *The Union Sugar Estates Company Limited*

PROFILES OF SENIOR MANAGEMENT TEAM

Thierry MERVEN, *Group Chief Executive Officer*

The profile of Mr. Thierry Merven is available in the Directors' Profiles above.

Ashwin FOOGOOA, *Group Chief Financial Officer (since November 18, 2019)*
Mr. Foogooa is a Fellow of the Institute of Chartered Accountants in England and Wales and an economics graduate from Cambridge University, UK. He has previously been in banking in Mauritius, namely as Project Finance Team Leader at The Mauritius Commercial Bank Ltd and as Chief Risk Officer at the SBM Bank (Mauritius) Ltd. His banking experience has involved both relationship management with corporates as well as structured financing for projects and trade. Prior to his return to Mauritius, Mr Foogooa held finance roles at the Big 4 Accountancy Firms as well as listed blue chip companies such as General Electric Company and BP plc. He is also a State of Mauritius Scholar and a consistent prize-winner at his accountancy exams.

Christel CHAN, *Group Finance Manager*
Mrs. Chan is a Fellow Member of the Association of Chartered Certified Accountants and holds a Diploma in IFRS and a BSc (Hons) in Management. She has previously worked as a Senior Supervisor and Accountant at PCA Ltd, now known as Swan Pensions Ltd, with a portfolio of clients' funds under administration. She started her career in auditing and business advisory services at Ernst & Young and gained exposure in the hospitality, textile, insurance and media sectors.

Christina LEVALLOIS, *Group Human Resources Manager*
Mrs. Levallois holds an MBA from IAE Paris/Université Paris-Dauphine and also a French «Licence en Administration Économique et Sociale » from Université Robert Schuman of Strasbourg. Mrs Levallois, who has 18 years of working experience in the field of human resources management, has been the Personnel Manager of Preskil Island Resort before being appointed Group Human Resources Coordinator in 2007. She is also in charge of the Human Resources Department of Compagnie De Beau Vallon Limitée since January 2013.

Fabio MEO, *Chief Operating Officer – Southern Cross Hotels*
Mr. Meo holds a Diploma of Communication (European Communication School of Brussels, Belgium). He began his career in the hospitality industry in 2000 in Brussels, Belgium. He has occupied various positions in 2 different hotels in Brussels including a member of the prestigious hospitality consortium "Leading Hotels of the World". He has then occupied the position of Director of Sales & Marketing in Mauritius in a web-tourism company for 5 years. In 2012, he returned into the hospitality industry as Resident Manager of "Paradise Cove Boutique Hotel", then joined the group in January 2014, as Resort Manager of "Solana Beach Mauritius" until September 2017. In October 2017, he is promoted Chief Operating Officer of the group Southern Cross Hotels.

PROFILES OF SENIOR MANAGEMENT TEAM (CONT'D)

Vincent COMARMOND, *General Manager of Preskil Island Resort*
Mr. Comarmond joined Preskil Island Resort Mauritius in April 2018 where he took over as General Manager and Client Representative for the renovation project. Holder of a BBA Degree in Hotel Management awarded from Les Roches Global Hospitality Education, Switzerland, Vincent was also accredited Green Globe Internal Auditor license, and Associate Science in F&B. Influential in streaming and refining processes, Vincent began his career in the hospitality industry in 2003 and has occupied various Management positions with both Local and International Luxury Brands.

Ravidev TEELWAH, *General Manager- Solana Beach Mauritius (since December 1, 2019)*
Mr. Teelwah holds a diploma in Hotel Management awarded by SHATEC (Singapore Hotel and Tourism Education Centre). He started his career in 1994 and has over 25 years of both local and international industry experience and has occupied various management positions in the hospitality industry. His previous assignment was for 8 years in ARUSHA TANZANIA in the capacity of Deputy General Manager at the Mount Meru hotel, then joined Solana Beach Mauritius in December 2018 as Executive Assistant Manager before being promoted to the post of Resident Manager followed by General manager.

COMPANY SECRETARY

The Group has a service agreement with Navitas Corporate Services Ltd for the provision of company secretarial services.

All Directors have direct access to the advice and services of the Company Secretary who is responsible for providing detailed guidance to the Chairman and the Directors as to their fiduciary duties, responsibilities and powers. The Company Secretary also ensures that the Company is at all times complying with its Constitution, Terms of Reference, applicable laws, rules and regulations.

Moreover, the Company Secretary assists the Chairman, the Board and Board Committees in implementing and strengthening good governance practices and processes with a view to enhance long-term stakeholders' value. The Company Secretary also administers, attends and prepares minutes of all Board meetings, Board Committee meetings and Shareholders' meetings.

The Company Secretary is also the primary channel of communication between the Company and its Shareholders as well as the regulatory bodies.

APPOINTMENT AND RE-ELECTION

The responsibility of selecting a new Director forms part of the responsibility of the Group Corporate Governance Committee and the Chairman of the said Committee oversees the selection process.

The Group Corporate Governance Committee makes recommendation to the Board either to fill a casual vacancy or as an addition to the existing Directors and ensures that the total number of Directors shall not at any time exceed nine (9) Directors as stipulated in the Constitution of the Company.

The re-election of all the Directors is tabled at each Annual Meeting of Shareholders of SCT.

DIRECTOR'S INDUCTION

SCT has an informal induction to introduce newly appointed Director to the Company's and the Group's businesses as well as the Senior Executives.

The informal induction provided to the newly appointed Director depends on the past experience of the said Director and same tries to compensate the fields in which the new Director lack to fully understand the business and operations of SCT.

During the period under review, no new Director has been appointed to the Board either to fill a casual vacancy or in addition to the existing Directors.

The induction program meets the specific needs of both the Company and the newly appointed Director and enables the latter to get acquainted and develop a good understanding of the Group.

PROFESSIONAL DEVELOPMENT

Directors and employees of the Company are encouraged to follow continuous professional development courses/ trainings to keep up to date with industry, legal and regulatory developments.

The Company ensures that the necessary resources for developing and updating its Directors' knowledge and capabilities are provided as and when required.

SUCCESSION PLANNING

SCT does not have a documented procedure with respect to the succession plan for the time being and same will be considered by the Group Corporate Governance Committee. However, in the local context the Company is confident in its capacity to replace senior management position in short notice.

PRINCIPLE 4: DIRECTORS DUTIES, REMUNERATION AND PERFORMANCE

LEGAL DUTIES

All the Directors of SCT are aware of their legal duties and responsibilities as listed in the Mauritius Companies Act 2001.

The Directors further confirm that they exercise their duties with a degree of care, skill and diligence.

CODE OF ETHICS

A Group Code of Ethics has been adopted by the Board of Directors to ensure that policies, procedures and controls are in place for the business to be conducted honestly, fairly and ethically. The effectiveness and efficiency of the Group Code of Ethics are reviewed regularly by the Board of Directors to ensure that same is applied at all levels.

The Code of Ethics includes the principles, norms and standards that the Group wants to promote and integrate within its corporate culture in the conduct of its activities, including internal relations, interaction and dealings with external stakeholders.

Furthermore, the Group and its employees must, at all times, comply with all applicable laws and regulations.

CODE OF ETHICS (CONT'D)

SCT will not condone the activities of employees who achieve results through violation of the law or unethical business dealings. This includes any payments for illegal acts, indirect contributions, rebates, and bribery. The Group does not permit any activity that fails to stand the closest possible public scrutiny.

All business conduct should be above the minimum standards required by law. Accordingly, employees must ensure that their actions cannot be interpreted as being, in any way, in contravention of the laws and regulations governing the Group's operations. Employees uncertain about the application or interpretation of any legal requirements should refer the matter to their superior, who, if necessary, should seek the advice of someone at the highest level of hierarchy.

CONFLICT OF INTEREST

The Board of Directors strictly believes that a Director should make his best effort to avoid conflict of interest or situation where others might reasonably perceive such a conflict.

However, should any conflicts of interests arise, it is crucial for Directors to disclose them and the Interest Register is updated accordingly. The Interest Register is available for consultation by the shareholders upon written request to the Company Secretary.

As per SCT's Constitution, a Director who has declared his interest shall not vote on any matter relating to transaction or proposed transaction in which he is interested but shall be counted in the quorum present for the purpose of that decision.

RELATED PARTY TRANSACTIONS

Please refer to Note 31 to the Financial Statements.

Conflict of interest and related party transactions, if any, are conducted in accordance with Group Code of Ethics.

INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE

The Board is responsible to oversee information governance within the Company and ensures that the performance of information and information technology (IT) systems lead to business benefits and create value.

The Board has decided to delegate to Management the implementation of a framework on information, information technology and information security governance.

The Board will also ensure that the information security policy be regularly reviewed and monitored. The IT Department, after close examination of the IT systems and with the approval of the Board of Directors, allocates sufficient resources in the annual budget towards the IT expenditure.

BOARD INFORMATION

The Chairman, with the assistance of the Company Secretary, ensures that Directors receive all information necessary for them to perform their duties and that the Board has sufficient time for consultation and decision-making.

The Board members of SCT ensure that matters relating to the Company, learned in their capacity as Directors, are strictly confidential and private and shall not be divulged to anyone without the authority of the Board.

Besides as already mentioned above, the Directors have the right to request independent professional advice at the Company's expense in cases where the directors judge it necessary.

DIRECTORS' AND OFFICERS' INDEMNITY AND INSURANCE

A Directors' and Officers' liability insurance have been taken at the level of the holding entity.

BOARD EVALUATION AND DEVELOPMENT

During the year under review, no Board evaluation has been carried out. The Directors forming part of the Board of the Company, especially those who are members of Board committees, have been appointed in light of their wide range of skills and competence acquired through several years of working experience and professional background.

The Board of the Company is of the view that its composition is adequately balanced and that the current Directors have the range of skills, expertise and experience to carry out their duties properly.

Furthermore, Non-executive Directors are chosen for their business experience and their ability to provide a blend of knowledge, skills, objectivity, integrity, experience and commitment to the Board. These Directors are free from any business or other relationships which would materially affect their ability to exercise independent judgement and are critical observers.

REMUNERATION

STATEMENT OF REMUNERATION PHILOSOPHY

The Board of Directors has delegated to the Group Corporate Governance Committee the responsibility of determining the adequate remuneration to be paid to the Chairman of the Board, the Non-Executive Directors, the Executive Directors and the Management staff.

SCT's underlying philosophy is to set remuneration at an appropriate level to attract, motivate and retain high calibre personnel and directors and to reward them in accordance with their individual as well as collective contribution towards the achievement of the Company's objectives and performance.

Remuneration is set by taking into account market conditions, individual performance and company performance.

BOARD AND BOARD COMMITTEES' FEES

Directors are remunerated with a fixed fee per annum together with an attendance fee for each meeting.

The Chairman of each Board Committee receives a higher fixed fee per annum. Such fees are in line with market practices.

The Group Chief Executive Officer is remunerated by Compagnie de Beau Vallon Limitée. The Union Sugar Estates Company Limited ('USE') has shared remuneration of the Chief Executive Officer which has been accounted as management fees in the Financial Statements of USE.

For the remuneration and benefits received, or due and receivable, by the individual Directors from the Company and its subsidiaries as at December 31, 2019, please refer to page 10 of the Statutory Disclosures.

The Non-Executive Directors of the Company have not received remuneration in the form of share option or bonus associated with the performance of the Company.

DIRECTORS' DEALING IN THE SHARE OF SCT

The Directors of SCT are aware of their responsibilities to disclose any acquisition or disposal of the Company's shares in accordance with the Securities Act 2005 and the DEM Rules of the Stock Exchange of Mauritius Ltd.

In accordance with the Listing Rule and DEM Rules, Directors are strictly prohibited to deal in the shares of the Company during close periods.

During the year under review, no Director dealt in the shares of SCT.

INTEREST OF DIRECTORS IN THE SHARES OF THE COMPANY

Written records of the interests of the Directors and their closely related parties in shares of SCT are kept in a Register of Directors' Interests.

Accordingly, as soon as a Director becomes aware that he is interested in a transaction, or that his holdings or his associates' holdings have changed, this should be reported to the Company in writing. The Company Secretary then ensures that the Register of Interests is updated accordingly.

The direct and indirect interests of the Directors and of the Senior Management Team, who holds shares in SCT, are disclosed in the table below:

	Direct Interest		Indirect Interest
Name of Directors	**No. of shares**	**%**	**%**
Gérard GARRIOCH *(Chairman and Chairman of the Group Corporate Governance Committee)*	-	-	-
Thierry MERVEN *(Group Chief Executive Officer)*	-	-	-
Jacques MARRIER D'UNIENVILLE	-	-	-
Patrice DOGER DE SPEVILLE	-	-	-
Jean-Marc ULCOQ *(Chairman of the Group Audit & Risk Committee)*	-	-	-
Jacques HAREL	-	-	-
Name of Members of Senior Management			
Ashwin FOOGOOA	-	-	-
Christel CHAN YAM FONG	-	-	-
Christina LEVALLOIS	-	-	-
Fabio MEO	-	-	-
Vincent COMARMOND	-	-	-
Ravidev TEELWAH	-	-	-

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

The Board of SCT assumes its responsibilities in maintaining an effective system for risk governance and ensures that the Company develops and executes a comprehensive and robust system of risk management.

The Directors are committed to a strong risk management culture. The Group Chief Executive Officer has the main responsibility of risk management and works with the Senior Management team to effectively perform his duties.

INTERNAL AUDIT

The internal audit function is performed by UHY Advisory Ltd (previously known as M&A Internal Audit Ltd) since May 2012.

Internal Audit is responsible for the independent review of risk and control management of SCT with a view of supporting the organisation's objectives and adding value. Its objective is to provide reliable, valued and timely assurance to the Board, the Audit Committee, and Executive Management over the effectiveness of controls in place to mitigate current and evolving risks and, in so doing enhance the controls culture within SCT.

In particular, Internal Audit assists Executive Management by carrying out independent assessments and appraisals of the effectiveness of the internal control environment and makes recommendations for improvement, and supports SCT's strategies, objectives and business management policies.

The Audit Committee reviews and approves the Internal Audit's programme and resources, reviews and discusses major audit findings together with management responses and evaluates the effectiveness of the Internal Audit function.

The audit assignments carried out by UHY Advisory Ltd for the year under review were:

- Preskil Island Resort – Walkthrough of stock management, food and beverage, front office and procurement to payment processes and follow-up of procurement to payment for renovation carried out in September 2019; and
- Solana Beach – Internal Audit of human resource and payroll process, walkthrough of procurement to payment and stock management processes and follow-up audit of the revenue and debtors' management processes carried out in May 2019.

The audit reports were presented respectively at the Audit Committees of August 2019 and November 2019. A number of recommendations have been made and agreed by management to strengthen existing controls at both hotels.

The Group Audit & Risk Committee and the Directors oversee risk management. The Board aims that risks faced are effectively identified, assessed, monitored and managed at acceptable levels in order to improve the risk-return profile of its shareholders.

In that respect, SCT has put in place an organisational structure with clear lines of responsibilities to mitigate risks.

Some of the most important risks to which the Company is exposed are listed hereunder:

Financial risks - These risks (including currency risks, interest rate risks and price risks) are reported in note 3 to the Financial Statements.

Political and social risks - These risks are associated with adverse political and social conditions which may adversely affect the country as a tourist destination. As a matter of fact, it is of vital importance that we continue to maintain positive consultations with the authorities and this is done through our membership with the 'Association des Hoteliers et Restaurateurs – Ile Maurice' (AHRIM) which is the official body representing the interests of hotel operators in Mauritius and which discusses major areas such as air access policies, promotional campaigns, law and order situation in the country and future strategy for the development of the tourism industry. The company also ensures that it fulfils its social responsibility by regularly organising activities for the neighbouring community and also ensures that priority is given as far as possible for the employment of people from the region and for the contracting out of related activities such as diving centre and boat house.

Market risks - SCT is exposed to the negative effects of global economic crisis resulting in reduced worldwide travel due to an adverse impact on the disposable income of guests from our traditional source markets. SCT is also exposed to risk related to external events such as BREXIT which has created uncertainty, hence resulting in reduced revenue from the UK market. The company is also faced with risks associated with other events which discourage international travel such as epidemics, threatened acts of terrorism and natural disasters. All these factors could adversely affect SCT's financial results. Notwithstanding the fact that Europe remains our main market, measures have been taken to diversify the customer base as much as possible and adopt a target approach on some markets.

Operational risk - These risks are defined as the risk of loss arising from poor or failed internal processes, systems and from inadequate maintenance of the hotel assets as well as insufficient capital investment which may impact on the quality of the deliverables and standard of the hotel. The company ensures that regular investments are made on the maintenance and upgrading of IT and electronic equipment such as CCTV cameras and servers so as to ensure continuity of operations.

There are also well established procedures to ensure that proper back up of critical data is done. SCT has also invested in a new 'Hotel Management System' (HMS) software which has improved the reporting of key performance indicators as well as providing a more efficient management information system. The company ensures that adequate resources are mobilised through its yearly capital expenditure budget to enable the hotel product to be maintained up to a required standard so as to mitigate disruptions in the operations and negative comments from guests.

Legal & regulatory risks – These risks arise out of the inability to comply with policies, laws and regulatory requirements. SCT regularly seeks legal advice to mitigate this risk and to better safeguard its interests. SCT also ensures that adequate insurance covers are contracted for to cover the risk associated with our hotel operations. In that respect, regular consultations are carried out with our insurance broker to mitigate the risks associated with inadequate or inappropriate cover.

Human resources and Quality service – SCT believes in recruiting, motivating and retaining quality personnel and develops their skills to provide quality service to guests. SCT hence hires, trains and retains highly skilled employees to maintain world class service levels.

Salary surveys are conducted at industry level by AHRIM and the company tries to be in line with the salary and benefits trends as per industry norms in order to attract new talents and retain existing ones.

WHISTLE BLOWING POLICY

The Board of Directors has not yet adopted a whistle-blowing policy but is committed to implement same. The formal whistle-blowing policy will consist of responsible and effective procedures for disclosure or reporting of misconduct and impropriety so that appropriate actions are taken.

PRINCIPLE 6: REPORTING WITH INTEGRITY

The Directors of SCT affirm their responsibilities for preparing the Annual Report and Financial Statements of the Company.

The Board also considers that the Annual Report and Financial Statements of the Company, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders and other stakeholders to assess the SCT's position, performance and outlook.

Please refer to the Statement of Directors' Responsibilities found on page 32 of the Annual Report.

ENVIRONMENT, HEALTH AND SAFETY POLICY

SCT abides by the Occupational Safety and Health Act 2005 general rules and regulations governing the health, safety and environmental issues. The Group is committed to minimising any adverse effect of its operations on the environment and on the health and safety of its employees and the community in which it operates.

SOCIAL ISSUES AND CORPORATE SOCIAL RESPONSIBILITY ("CSR")

SCT recognises its social responsibility within the community and is committed to contributing to its welfare by undertaking various projects.

SOCIAL ISSUES AND CORPORATE SOCIAL RESPONSIBILITY ("CSR") (CONT'D)

For the year under review, the CSR contribution was as follows:

Organisation	Project	(Rs)
Mouvement Bien Etre Cité La Chaux	Activities for children	507
MRA		1,520
Total		**2,027**

CHARITABLE & POLITICAL CONTRIBUTIONS

During the year under review, SCT has made a donation of Rs 12,382 (2018: Nil) in respect of charitable associations.

No political contribution has been made for the year under review.

PRINCIPLE 7: AUDIT

The role of the Group Audit & Risk Committee is defined under Principle 2.

EXTERNAL AUDIT

BDO & Co. Ltd have been the External Auditors of the Company and the Auditors are due for rotation for the year ending December 31, 2020.

The Audit Committee has assessed the effectiveness of the external audit process and has discussed critical policies, judgements and estimates with the External Auditor. The Audit committee has regularly met External Auditors in the presence of management. However, it was considered that this would not have any impact on the objectivity of the meeting.

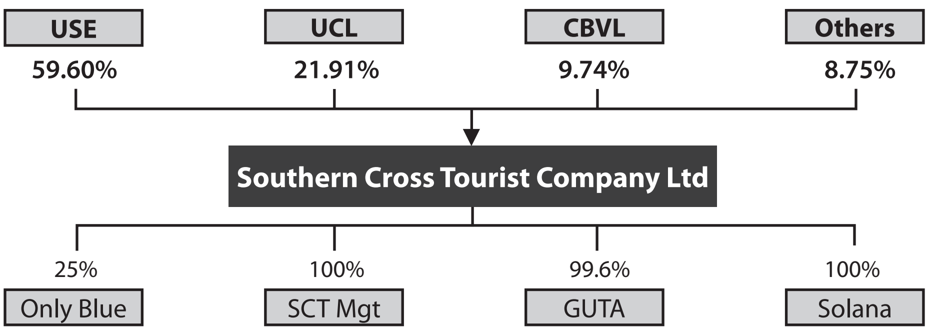
The Audit Committee has discussed the significant audit issues in relation to the financial statements and they have been disclosed as Key Audit Matters on page 33.

As mentioned in the section Statutory Disclosure, no other services were provided by the Auditors.

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The holding structure of December 31, 2019 was as follows:

HOLDING STRUCTURE



Abbreviations:

CBV : Compagnie de Beau Vallon Limitée
USE : The Union Sugar Estates Company Limited
UCL : Union Corporate Limited
Only Blue : Only Blue Co. Ltd
Solana : Solana Beach Company Limited
SCT Mgt : Southern Cross Management Co Ltd
GUTA : Groupe Union Training Academy Ltd

COMMON DIRECTORS

The names of the common Directors are as follows:

Name of Directors	GUTA	SCT Mgt	Solana	USE	UCL	CBVL
Gérard GARRIOCH *(Chairman and Chairman of the Group Corporate Governance Committee)*		√	√	√	√	√
Thierry MERVEN *(Group Chief Executive Officer)*	√	√	√	√	√	√
Jacques MARRIER D'UNIENVILLE	√			√	√	√
Patrice DOGER DE SPEVILLE				√	√	√
Jean-Marc ULCOQ				√		
Robert DOGER DE SPEVILLE						
Jacques HAREL				√		√

GUTA : Groupe Union Training Academy Ltd
SCT Mgt : Southern Cross Management Co Ltd
Solana : Solana Beach Company Limited
USE : The Union Sugar Estates Company Limited
UCL : Union Corporate Limited
CBVL : Compagnie de Beau Vallon Limitée

SUBSTANTIAL SHAREHOLDERS

As at December 31, 2019, SCT had 1 shareholder of non-convertible, redeemable, cumulative and non-voting preference shares and 208 shareholders of ordinary shares on its share registry.

The following shareholders of ordinary shares held more than 5% of its share capital, namely:

Name of shareholders	No. of ordinary shares	% Holding
The Union Sugar Estates Company Limited	74,885,308	59.60
Union Corporate Limited	27,524,944	21.91
Compagnie de Beau Vallon Limitée	12,239,074	9.74

COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

The Board of Directors places great importance on transparency and optimal disclosure to Shareholders and hence ensures that Shareholders are kept informed on matters affecting the Group.

Shareholders holding ordinary shares are invited to attend the Company's Annual Meeting, which remains the ideal forum for discussions with the Directors and the Management team. The Annual Report, including the Notice of the Annual Meeting of Shareholders, is sent to each Shareholder holding ordinary shares of the Company.

DIVIDEND POLICY

The Board of Directors of SCT has not adopted any formal dividend policy. Payment of dividends is subject to the profitability of SCT and its subsidiaries, their cash flows and their capital expenditure requirements along with growth opportunities and is approved by the Board of Directors.

A Certificate of Solvency is signed by all Directors in accordance with the requirements of the Mauritius Companies Act 2001 whenever a dividend is declared by the Board. During the year under review, SCT has not declared or paid any dividend to its Shareholders.

SHAREHOLDERS' AGREEMENT

To the best knowledge of the Company, there has been no such agreement with any of its Shareholders for the year under review.

SHARE REGISTRY AND TRANSFER OFFICE

SCT's Share Registry and Transfer Office with respect to ordinary shares are administrated by MCB Registry & Securities Limited.

Shareholders holding ordinary shares may contact MCB Registry & Securities Limited for any services like change of name, change of address, share transfers, dividends, etc.

SHAREHOLDING PROFILE

The share ownership and categories of Shareholders holding ordinary shares at December 31, 2019 were as follows:

No. of shareholders	Size of shareholding	Number of ordinary shares owned	% Holding
78	1 – 500 shares	9,402	0.01
17	501 - 1,000 shares	14,651	0.01
33	1,001 - 5,000 shares	98,508	0.08
15	5,001 - 10,000 shares	118,567	0.09
33	10,001 - 50,000 shares	983,481	0.78
10	50,001 - 100,000 shares	625,762	0.50
13	100,001 - 250,000 shares	2,071,425	1.65
1	250,001 - 500,000 shares	310,500	0.25
2	500,001 - 1,000,000 shares	1,503,250	1.20
6	Over 1,000,000 shares	119,909,098	95.43
208		**125,644,644**	**100.00**

No. of shareholders	Category of shareholders	Number of ordinary shares owned	% Holding
167	Individuals	4,807,802	3.83
1	Insurance and Assurance Companies	230,000	0.18
10	Investment and Trust Companies	3,097,248	2.47
30	Other Corporate Bodies	117,509,594	93.52
208		**125,644,644**	**100.00**

SHARES IN PUBLIC HANDS

The percentage of shares currently held in public hands at December 31, 2019 was 8.75% (2018: 8.75%) whilst the minimum threshold required by the DEM Rules is 10%.

The Board of Directors of SCT striving to meet this requirement at the earliest possible.

EMPLOYEE SHARE OPTION PLAN

SCT has no Employee Share Option Plan.

THIRD PARTY MANAGEMENT AGREEMENT

SCT has entered into a management contract with Astroea Beach Company Ltd, a 16 room boutique hotel in Pointe d'Esny.

SCT pays a fee to Union Corporate Limited, a subsidiary of The Union Sugar Estates Company Limited, for general corporate management services.

SHARE PRICE INFORMATION

The market value per ordinary share was Rs 4.50 as at December 31, 2019 as compared to Rs 5.42 as at December 31, 2018.

WEBSITE

In order to be compliant with the requirements of the Code, the Board would ensure that the Company's website, namely www.southerncrosshotels.mu, be revamped accordingly.

TIME TABLE OF IMPORTANT EVENTS

May 2020	Publication of Abridged Audited Financial Statements for the year ended December 31, 2019
June 2020	Annual Meeting
July 2020	Publication of 1st quarter results to March 31, 2020
August 2020	Publication of half-year results to June 30, 2020
November 2020	Publication of third quarter results to September 30, 2020

Gérard GARRIOCH
Chairman

Thierry MERVEN
Group Chief Executive Officer

May 12, 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED DECEMBER 31, 2019

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements in accordance with International Financial Reporting Standards ('IFRS') for each financial year, which present fairly the financial position, financial performance and cash flows of the Group and the Company.

The Directors confirm that, in preparing the Financial Statements, they have to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that IFRS have been adhered to, subject to any material departures being disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business; and
- ensure compliance with the Code of Corporate Governance (the 'Code') and provide reasons in case of non-compliance with any requirements of the Code.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the Financial Statements comply with the Mauritius Companies Act 2001, IFRS and the Financial Reporting Act 2004.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors hereby confirm that they have complied with the above requirements.

Approved by the Board of Directors on May 12, 2020 and signed on its behalf by:

Gérard GARRIOCH
Chairman

Thierry MERVEN
Group Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATE

In our capacity as Company Secretary, we hereby confirm that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, for the financial year ended December 31, 2019, all such returns as are required of the Company under the Mauritius Companies Act 2001.

Navitas Corporate Services Ltd
Company Secretary

Registered office:
Navitas House
Robinson Road
Floréal
Republic of Mauritius

May 12, 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Southern Cross Tourist Company Limited and its subsidiaries (the Group), and the Company's separate financial statements on pages 37 to 98 which comprise the statements of financial position as at December 31, 2019, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 37 to 98 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 39 in the financial statements, which describes management assessment of the impact of COVID-19 on the Group's ability to continue as a going concern for the next twelve months from the date of signature of these financial statements. As stated in Note 39, this event indicates that the hospitality sector in Mauritius is subject to material uncertainty going forward due to lost revenue and disruptions in its supply chain. Our opinion is not modified in respect of this matter

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to the key audit matters to be communicated in our report.

KEY AUDIT MATTER	AUDIT RESPONSE
1 - Valuation of buildings on leasehold land and right-of-use assets	
As at December 31, 2019, the net book value of the Group's buildings on leasehold land amounted to Rs 1,503.565 million and net book value of leasehold land recognised as right-of use assets amounted to Rs 773.694 million, representing 75% of total assets of the Group. All property, plant and equipment and right-of-use assets are measured initially at cost, with buildings on leasehold land and leasehold land subsequently measured at fair value. Valuations are performed by an independent professionally accredited expert and performed with sufficient regularity to ensure that the carrying value is not materially different from fair value at the Statement of Financial Position date. The valuation was done on June 30, 2019 and directors confirmed that the fair value of land has not increased significantly since then. *Refer to note 5 and note 6 of the accompanying financial statements.*	We have reviewed the key inputs to the valuation of buildings and leasehold land by comparing the values used by the valuer to market reports on leasehold land and buildings values from third party data sources and our own market knowledge by performing bench marking exercise. We ensured that depreciation rates to amortise cost of buildings are reasonable. Furthermore, we evaluated the adequacy of the company's disclosures regarding freehold land and buildings which are included in note 5 and note 6 of the consolidated financial statements.

Key Audit Matters (Cont'd)

2 - Deferred tax asset relating to tax losses	
At December 31, 2019 the Group accounted for a deferred tax asset of Rs 34.647 million relating to tax losses incurred by the Company and Solana Beach Company Limited, a wholly owned subsidiary. The recoverability of this deferred tax asset is dependent on the generation of sufficient future taxable profit to utilise these tax losses. Significant judgement is required in forecasting future taxable profit. *Refer to note 12 of the accompanying financial statements.*	We assessed management's judgements relating to the forecasts of future taxable profit and evaluated the reasonableness of the assumptions underlying the preparation of these forecasts.

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001
We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

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

Other Matter

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

BDO & Co
Chartered Accountants

Per Georges Chung Ming Kan F.C.C.A
Licensed by FRC

Port-Louis, Mauritius.
May 12, 2020

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019

		THE GROUP		THE COMPANY	
	Notes	**2019**	2018	**2019**	2018
		Rs'000	Rs'000	**Rs'000**	Rs'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**1,758,409**	1,203,354	**1,353,359**	856,751
Right-of-use assets	6	**784,602**	-	**655,837**	-
Leasehold land payments	7	**144,989**	147,970	**-**	-
Intangible assets	8	**71**	64	**-**	-
Investment in subsidiary companies	9	**-**	-	**644,280**	644,280
Investment in associate	10	**2,325**	2,311	**1,220**	1,220
Financial assets at fair value through other comprehensive income	11	**67**	62	**67**	62
Deferred tax assets	12	**84,870**	43,559	**-**	-
		2,775,333	1,397,320	**2,654,763**	1,502,313
Current assets					
Inventories	13	**16,291**	6,966	**10,984**	1,800
Trade receivables	14	**160,419**	48,542	**105,141**	949
Financial assets at amortised cost	15	**37,132**	51,333	**32,285**	49,894
Other current assets	16	**31,915**	65,744	**29,325**	60,301
Cash and cash equivalents	31(d)	**26,824**	152,619	**21,901**	151,439
		272,581	325,204	**199,636**	264,383
Total assets		**3,047,914**	1,722,524	**2,854,399**	1,766,696
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	17	**253,186**	253,186	**253,186**	253,186
Capital contribution	18	**50,000**	20,000	**50,000**	20,000
Other reserves	19	**590,679**	458	**481,521**	(1,275)
(Revenue deficit)/retained earnings		**(39,174)**	24,994	**65,854**	137,639
Total equity		**854,691**	298,638	**850,561**	409,550
Non-current liabilities					
Borrowings	20	**1,490,081**	1,271,911	**1,490,081**	1,271,340
Lease liabilities	6(b)	**205,842**	-	**140,906**	-
Deferred tax liabilities	12	**173,442**	30,154	**86,341**	9,238
Retirement benefit obligations	21	**54,983**	43,350	**43,590**	31,966
		1,924,348	1,345,415	**1,760,918**	1,312,544
Current liabilities					
Trade and other payables	22	**215,938**	52,934	**198,887**	24,529
Borrowings	20	**30,361**	25,537	**28,053**	20,073
Lease liabilities	6(b)	**22,576**	-	**15,980**	-
		268,875	78,471	**242,920**	44,602
Total liabilities		**2,193,223**	1,423,886	**2,003,838**	1,357,146
Total equity and liabilities		**3,047,914**	1,722,524	**2,854,399**	1,766,696

These financial statements have been approved for issue by the Board of Directors on May 12, 2020.

Gérard GARRIOCH
Chairman

Thierry MERVEN
Group Chief Executive Officer

The notes on pages 42 to 98 form an integral part of the financial statements.
Auditors' report on pages 33 to 36.

STATEMENTS OF PROFIT OR LOSS
YEAR ENDED DECEMBER 31, 2019

		THE GROUP		THE COMPANY	
	Notes	**2019**	2018	**2019**	2018
		Rs'000	Rs'000	**Rs'000**	Rs'000
Revenue	23	**523,128**	328,434	**299,680**	125,528
Cost of sales	24	**(218,387)**	(134,882)	**(133,317)**	(54,211)
Gross profit		**304,741**	193,552	**166,363**	71,317
Other income	25	**9,830**	7,370	**40,040**	26,037
		314,571	200,922	**206,403**	97,354
Administrative and other expenses	24	**(252,237)**	(159,327)	**(157,380)**	(66,973)
		62,334	41,595	**49,023**	30,381
Finance costs	26	**(83,239)**	(15,455)	**(80,024)**	(11,176)
Share of profit of associate	10(a)	**414**	194	**-**	-
(Loss)/profit before exceptional item		**(20,491)**	26,334	**(31,001)**	19,205
Exceptional item	27	**-**	(73,936)	**-**	(73,936)
Closure costs	24	**(62,566)**	(92,024)	**(62,566)**	(92,024)
Loss before taxation	28	**(83,057)**	(139,626)	**(93,567)**	(146,755)
Taxation	29(b)	**18,889**	32,789	**21,782**	31,898
Loss for the year		**(64,168)**	(106,837)	**(71,785)**	(114,857)
Loss attributable to:					
Owners of the parent		**(64,168)**	(106,837)	**(71,785)**	(114,857)
Non-controlling interests		**-**	-	**-**	-
		(64,168)	(106,837)	**(71,785)**	(114,857)
Loss per share (Re/cs)	30	**(0.51)**	(0.85)		

The notes on pages 42 to 98 form an integral part of the financial statements.
Auditors' report on pages 33 to 36.

		THE GROUP		THE COMPANY	
	Notes	2019	2018	2019	2018
		Rs'000	Rs'000	Rs'000	Rs'000
Loss for the year		(64,168)	(106,837)	(71,785)	(114,857)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on revaluation of buildings on leasehold land	5	165,066	-	93,330	-
Gains on revaluation of right-of-use assets	6	555,389	-	499,530	-
Changes in fair value of equity instruments at fair value through other comprehensive income	11	5	(15)	5	(15)
Remeasurement of post employment benefit obligations	21	(9,351)	9,050	(11,184)	8,804
Income tax relating to components of other comprehensive income	12(b)	(120,888)	(1,367)	(98,885)	(1,289)
Other comprehensive income for the year, net of tax		590,221	7,668	482,796	7,500
Total comprehensive income for the year		526,053	(99,169)	411,011	(107,357)
Total comprehensive income attributable to:					
Owners of the parent		526,053	(99,169)	411,011	(107,357)
Non-controlling interests		-	-	-	-
		526,053	(99,169)	411,011	(107,357)

The notes on pages 42 to 98 form an integral part of the financial statements.
Auditors' report on pages 33 to 36.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019

	Note	Stated capital	Capital contribution	Financial assets at FVOCI reserve	Actuarial (losses)/ gains	Revaluation surplus Property, plant and equipment	Revaluation surplus Right-of -use assets	(Revenue deficit)/ retained earnings	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(a) THE GROUP									
2019									
Balance at January 1, 2019		253,186	20,000	43	415	-	-	24,994	298,638
Loss for the year		-	-	-	-	-	-	(64,168)	(64,168)
Other comprehensive income		-	-	5	(7,761)	137,004	460,973	-	590,221
Total comprehensive income for the year		-	-	5	(7,761)	137,004	460,973	(64,168)	526,053
Capital contribution	18	-	30,000	-	-	-	-	-	30,000
Balance at December 31, 2019		**253,186**	**50,000**	**48**	**(7,346)**	**137,004**	**460,973**	**(39,174)**	**854,691**
2018									
Balance at January 1, 2018		253,186	-	58	(7,268)	-	-	131,831	377,807
Loss for the year		-	-	-	-	-	-	(106,837)	(106,837)
Other comprehensive income		-	-	(15)	7,683	-	-	-	7,668
Total comprehensive income for the year		-	-	(15)	7,683	-	-	(106,837)	(99,169)
Capital contribution	18	-	20,000	-	-	-	-	-	20,000
Balance at December 31, 2018		**253,186**	**20,000**	**43**	**415**	**-**	**-**	**24,994**	**298,638**
(b) THE COMPANY									
2019									
Balance at January 1, 2019		253,186	20,000	43	(1,318)	-	-	137,639	409,550
Loss for the year		-	-	-	-	-	-	(71,785)	(71,785)
Other comprehensive income		-	-	5	(9,283)	77,464	414,610	-	482,796
Total comprehensive income for the year		-	-	5	(9,283)	77,464	414,610	(71,785)	411,011
Capital contribution	18	-	30,000	-	-	-	-	-	30,000
Balance at December 31, 2019		**253,186**	**50,000**	**48**	**(10,601)**	**77,464**	**414,610**	**65,854**	**850,561**
2018									
Balance at January 1, 2018		253,186	-	58	(8,833)	-	-	252,496	496,907
Loss for the year		-	-	-	-	-	-	(114,857)	(114,857)
Other comprehensive income		-	-	(15)	7,515	-	-	-	7,500
Total comprehensive income for the year		-	-	(15)	7,515	-	-	(114,857)	(107,357)
Capital contribution	18	-	20,000	-	-	-	-	-	20,000
Balance at December 31, 2018		**253,186**	**20,000**	**43**	**(1,318)**	**-**	**-**	**137,639**	**409,550**

The notes on pages 42 to 98 form an integral part of the financial statements.
Auditors' report on pages 33 to 36.

		THE GROUP		THE COMPANY	
	Notes	**2019**	2018	**2019**	2018
		Rs'000	Rs'000	**Rs'000**	Rs'000
Cash flows from operating activities					
Cash generated from/(used in) operations	31(a)	**77,408**	(68,259)	**39,640**	(129,025)
Interest received		**2,374**	951	**2,374**	5,301
Interest paid		**(71,629)**	(49,003)	**(71,591)**	(42,793)
Tax paid	29(a)	**(22)**	(81)	**-**	-
Tax refunded	29(a)	**-**	5,301	**-**	5,301
Net cash generated from/(used in) operating activities		**8,131**	(111,091)	**(29,577)**	(161,216)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**222**	1,713	**222**	1,713
Purchase of property, plant and equipment	31(b)	**(343,837)**	(620,698)	**(338,460)**	(613,355)
Purchase of intangible assets	8	**(60)**	(20)	**-**	-
Loan granted to related parties		**-**	-	**-**	(202,112)
Dividend received		**400**	-	**19,400**	5,000
Net cash used in investing activities		**(343,275)**	(619,005)	**(318,838)**	(808,754)
Cash flows from financing activities					
Capital contribution		**30,000**	20,000	**30,000**	20,000
Proceeds from long term borrowings		**213,050**	-	**213,050**	-
Proceeds from loan notes		**-**	1,279,260	**-**	1,279,260
Payments of long term borrowings		**-**	(396,066)	**-**	(193,954)
Principal paid on lease liabilities (2018: principal paid on finance leases)		**(4,399)**	(4,595)	**(2,434)**	(2,064)
Interest paid on lease liabilities		**(19,587)**	-	**(13,396)**	-
Net cash generated from financing activities		**219,064**	898,599	**227,220**	1,103,242
Net (decrease)/increase in cash and cash equivalents		**(116,080)**	168,503	**(121,195)**	133,272
Movement in cash and cash equivalents					
At January 1,		**129,935**	(38,568)	**132,435**	(837)
(Decrease)/increase		**(116,080)**	168,503	**(121,195)**	133,272
At December 31,	31(d)	**13,855**	129,935	**11,240**	132,435

The notes on pages 42 to 98 form an integral part of the financial statements.
Auditors' report on pages 33 to 36.

1. GENERAL INFORMATION

Southern Cross Tourist Company Limited is a public limited liability company incorporated and domiciled in Mauritius. Its registered address is Union Ducray, Rivière des Anguilles and its place of business is at Pointe Jerome, Mahebourg.

The holding company of Southern Cross Tourist Company Limited is The Union Sugar Estates Company Limited, whose registered address is Union Ducray, Rivière des Anguilles. The Board of Directors considers Société du Trait d'Union as its ultimate holding entity. Both entities are incorporated in Mauritius.

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.

2.1 Basis of preparation

The financial statements of Southern Cross Tourist Company Limited comply with 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 prepared in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'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) leasehold land and buildings on leasehold land are carried at revalued amount;
(ii) relevant financial assets and liabilities are carried at amortised cost; and
(iii) relevant financial assets and financial liabilities are carried at amortised cost.

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

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Group has adopted IFRS 16 from January 1, 2019, but has not restated comparatives for 2018, as permitted under the specific transition provisions. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in note 2.9.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 9.1% for leasehold land and 6.5% for other leases.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

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

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

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

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

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:
- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- separately recognise any changes in the asset ceiling through other comprehensive income.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Standards, Amendments to published Standards and Interpretations issued but not yet effective (cont'd)

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

2.2 Property, plant and equipment

Buildings on leasehold land, held for use in the production or supply of goods or for administrative purposes, are stated at their fair value, based on periodic, but at least triennial valuations, by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. All other property, plant and equipment is stated at historical cost less depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. 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 assets 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 other comprehensive income and shown as revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to profit or loss.

Properties in the course of construction for production, 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 on a straight line basis to write off the cost of each asset to the residual values over their estimated useful lives as follows:

	%
Buildings on leasehold land	2.22 - 20
Improvement to leasehold building	10
Furniture and fittings	10 - 20
Plant and equipment	6.67 - 33.3
Other small equipment	20 - 33.3
Motor vehicles	20

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Property, plant and equipment (cont'd)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

2.3 Leasehold land payments

Leasehold land payments are amortised over a period of 54 years on a straight line basis.

2.4 Intangible assets

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).

2.5 Investment in subsidiaries

Separate financial statements of the investor
In the separate financial statements of the investor, investments in subsidiary companies 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 (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree 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 profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. The subsidiaries have consistently applied all the policies adopted by the Group..

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Investments in associate

Separate financial statements of the investor
In the separate financial statements of the investor, investments in associates are initially 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. Investments in associates are initially recognised at cost as adjusted by post acquisition changes in Group's share of the net assets of the associate less any impairment in the value of individual investments.

Any excess of the cost of acquisition and the Group's share of the 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 associate, the Group discontinues recognising further losses unless it has incurred legal or constructive obligation or made payment 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 and losses arising in investments in associates are recognised in profit or loss.

2.7 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) *Amortised cost*
These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial assets (cont'd)

(i) *Amortised cost (cont'd)*

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.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the statement of comprehensive income (operating profit).

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

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

(ii) *Fair value through other comprehensive income*

The Group has investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

2.8 Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other financial liabilities include the following items:

- Bank borrowings and the Group's loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Financial liabilities (cont'd)

- 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.

2.9 Leases

In 2018, 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.

Accounting for leases - where Group is the lessee
Finance leases are capitalised at the leases 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 on the finance balance outstanding. Finance charges are charged to profit or loss over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

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

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

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:
(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Leases (cont'd)

Identifying Leases (cont'd)

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

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

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

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

Subsequent to initial measurement, right-of-use assets recognised on leasehold land are stated at their fair value, based on periodic, but at least triennial valuations, by external independent valuers, less subsequent amortisation. Any accumulated amortisation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on revaluation of right-of-use assets on leasehold land are credited to other comprehensive income and shown as revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in equity; all other decreases are charged to profit or loss.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Leases (cont'd)

Identifying Leases (cont'd)

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

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

2.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are expensed.

2.11 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, for all 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 by the end of 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 profit will be available against which deductible temporary differences and losses can be utilised.

2.12 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by using the weighted average method. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Capital contribution

Interest free shareholder loan which is unsecured and is subordinated to all liabilities is classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 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.

2.16 Retirement benefit obligations

(i) ***Defined benefit plans***

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, years of service and compensation.

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

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

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

(ii) ***Gratuity on retirement***

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Workers' Rights Act 2019 (2018-Employment Rights Act, 2008) is calculated by a qualified actuary and provided for.

2.17 Trade and other payables

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

2.18 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 Group's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Foreign currencies (cont'd)

(ii) ***Transactions and balances***
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

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

2.19 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 which 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 level for which there are separately identifiable cash flows (cash-generating units).

2.20 Revenue recognition

(a) ***Revenue from contracts with customers***

Performance obligations and timing of revenue recognition
Revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

Room revenue is recognised over time of the contract for each day the customer stays in the hotel. Food and beverages revenue is recognised on consumption by customer. Wellness, laundry and telephone revenue are recognised when services are delivered to customer. There is limited judgement needed in identifying the point control passes; once customer spent each day at the hotel and physical delivery of the food and beverage has occurred and services rendered, the Company will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Determining the transaction price
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
There is a fixed unit price for rental of room and each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to rent of room (it is the total contract price divided by the number of days agreed) and to each unit ordered in such contracts .

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue recognition (cont'd)

(a) ***Revenue from contracts with customers (cont'd)***

Practical Exemptions
The Company has taken advantage of the practical exemptions:
- not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

(b) ***Other revenues earned by the Group/Company are recognised on the following bases:***
- Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).
- Dividend income - when the shareholder's right to receive payment is established.

2.21 Segment reporting

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

2.22 Exceptional item

Exceptional 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 material items of expense that have been shown separately due to the significance of their nature or amount.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risk factors, including
- Market risk (including currency risk, cash flow and fair value interest rate risk);
- Credit risk; and
- Liquidity risk.

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

(a) ***Market risk***

(i) ***Currency risk***
The Group markets its hotel internationally. The principal source of its revenue is from Europe, South Africa and Reunion Island. The Group is therefore exposed to foreign exchange risk in currencies such as the Euro, GB Pounds and Rand. During the year ended December 31, 2019, approximately 60% (2018: 64%) of the Group's and 68% (2018: 65%) of the Company's revenue was generated in Euro. The currency exposure is managed primarily through borrowings of 30% (2018: 34%) for the Group and 30% (2018: 34%) for the Company at December 31, 2019 denominated in Euro.

The profile of foreign currency assets and liabilities is disclosed in note 32 to the financial statements. Management has set up a policy to require the group companies to manage their foreign exchange risk exposure with treasury.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) ***Market risk (cont'd)***

(i) ***Currency risk (cont'd)***

THE GROUP

At December 31, 2019, if the rupee had weakened/strengthened by 5% against the Euro/GB pound with all other variables held constant, post-tax result for the year would have been Rs 17.165 million higher/lower (2018: Rs 19.690 million), mainly as a result of foreign exchange losses/gains on translation of Euro/GB pound denominated trade receivables, cash and cash equivalent and borrowings.

THE COMPANY

At December 31, 2019, if the rupee had weakened/strengthened by 5% against the Euro/GB Pound with all other variables held constant, post-tax result for the year would have been Rs 19.416 million higher/lower (2018: Rs 21.619 million), mainly as a result of foreign exchange losses/gains on translation of Euro/GB Pound denominated trade receivables, cash and cash equivalents and borrowings.

(ii) ***Cash flow and fair value interest rate risk***

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group's borrowings as shown in the financial statements are exposed to interest rate risks as it borrows mainly at variable rates.

The group manages its interest rate risk by close market monitoring.

THE GROUP

At December 31, 2019, if the interest rates on rupee-denominated borrowings had been 50 basis point higher/lower with all other variables held constant, post tax result for the year would have been Rs 2.238 million higher/lower (2018: Rs 1.106 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

At December 31, 2019, if the interest on Euro-denominated borrowings had been 50 basis point higher/lower with all variables held constant, post-tax result for the year would have been Rs 1.724 million higher/lower (2018: Rs 0.852 million lower/higher), mainly as a result of higher/lower interest expense on floating rate borrowings.

THE COMPANY

At December 31, 2019, if the interest rates on rupee-denominated borrowings had been 50 basis point higher/lower with all other variables held constant, post-tax result for the year would have been Rs 2.232 million (2018: Rs 0.830 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At December 31, 2019, if the interest on Euro-denominated borrowings had been 50 basis point higher/lower with all variables held constant, post-tax result for the year would have been Rs 1.720 million (2018: Rs 0.605 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) ***Credit risk***

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties are accepted.

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set 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.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(b) ***Credit risk (cont'd)***

The Group has no major concentration of credit risks and exposure is spread over a large number of tour operators.

The table below shows the percentage balances of its major counterparties at the end of the reporting period:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	%	%	**%**	%
12 major counterparties	**29**	58	**40**	62
Others	**71**	42	**60**	38
	100	100	**100**	100

In accordance with the Group's policy, close monitoring is carried out on all trade receivables and in appropriate cases, prepayments are required prior to the arrival of guests.

(c) ***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 implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Group aims at flexibility in funding by keeping committed credit lines available.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(c) Liquidity risk (cont'd)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

THE GROUP	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2019					
Trade and other payables	**215,938**	**-**	**-**	**-**	**215,938**
Bank borrowings	**30,361**	**17,787**	**55,821**	**-**	**103,969**
Secured fixed and floating rate notes	**-**	**-**	**726,939**	**565,995**	**1,292,934**
Lease liabilities	**22,576**	**22,681**	**61,574**	**121,587**	**228,418**
Preference shares	**-**	**-**	**-**	**123,539**	**123,539**
At December 31, 2018					
Trade and other payables	52,934	-	-	-	52,934
Bank borrowings	22,684	-	-	-	22,684
Secured fixed and floating rate notes	-	-	706,229	563,243	1,269,472
Finance lease liabilities	2,853	833	1,606	-	5,292

THE COMPANY	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2019					
Trade and other payables	**198,887**	**-**	**-**	**-**	**198,887**
Bank borrowings	**28,053**	**17,787**	**55,821**	**-**	**101,661**
Secured fixed and floating rate notes	**-**	**-**	**726,939**	**565,995**	**1,292,934**
Lease liabilities	**15,980**	**16,058**	**42,117**	**82,731**	**156,886**
Preference shares	**-**	**-**	**-**	**123,539**	**123,539**
At December 31, 2018					
Trade and other payables	24,529	-	-	-	24,529
Bank borrowings	19,004	-	-	-	19,004
Secured fixed and floating rate notes	-	-	706,229	563,243	1,269,472
Finance lease liabilities	1,069	647	1,221	-	2,937

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market price at the end of the reporting period. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale.

If fair value is based on unobservable inputs, it is classified as level 3.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 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 benefits for other stakeholders, and

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt to adjusted capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and other reserves).

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the debt-to-adjusted capital ratio at the lowest level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at December 31, 2019 and at December 31, 2018 were as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Lease liabilities (note 6)	**228,418**	-	**156,886**	-
Borrowings (note 20)	**1,520,442**	1,297,448	**1,518,134**	1,291,413
Total debt	**1,748,860**	1,297,448	**1,675,020**	1,291,413
Less: cash and cash equivalents (note 31(d))	**(26,824)**	(152,619)	**(21,901)**	(151,439)
Net debt	**1,722,036**	1,144,829	**1,653,119**	1,139,974
Total equity	**854,691**	298,638	**850,561**	409,550
Debt-to-adjusted capital ratio	**201%**	383%	**194%**	278%

The net debt to equity ratio changed from 383% in 2018 to 201% in 2019 and from 278% in 2018 to 194% in 2019 for the Group and the Company respectively following the adoption of IFRS 16 Leases and revaluation of assets made during the year. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on January 1, 2019.

There were no changes in the Group's approach to capital risk management during the year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation policies

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

The directors therefore make estimates based on 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) Pension benefits

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 21.

(c) 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.

(d) Asset lives and residual values

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

(e) Revaluation of property, plant and equipment and right-of-use assets

The Group measures leasehold land and buildings on leasehold land at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group has engaged valuation specialists to determine fair value during the year ended December 31, 2019. The Directors are of the opinion that the fair value at December 31, 2019 is not materially different to the last valuation performed by the valuation specialists.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

(i) 2019

	Buildings on leasehold land Rs'000	Improvement to leasehold building Rs'000	Furniture & fittings Rs'000	Plant and equipment Rs'000	Other small equipment Rs'000	Motor vehicles Rs'000	Work-in progress Rs'000	Total Rs'000
COST/VALUATION								
At January 1, 2019	591,775	4,654	50,573	75,031	-	8,630	648,927	1,379,590
Adjustment for change in accounting policy (note 37)	-	-	-	(19,180)	-	(6,045)	-	(25,225)
At January 1, 2019 - restated	591,775	4,654	50,573	55,851	-	2,585	648,927	1,354,365
Additions	1,809	-	1,493	5,692	-	-	446,190	455,184
Transfer	885,114	-	172,352	16,811	20,840	-	(1,095,117)	-
Revaluation surplus	53,235	-	-	-	-	-	-	53,235
Transfer from right-of-use assets (note 6)	-	-	-	18,213	-	1,225	-	19,438
Disposals	-	-	-	-	-	(1,326)	-	(1,326)
At December 31, 2019								
-cost	**-**	**4,654**	**224,418**	**96,567**	**20,840**	**2,484**	**-**	**348,963**
-valuation	**1,531,933**	**-**	**-**	**-**	**-**	**-**	**-**	**1,531,933**
	1,531,933	**4,654**	**224,418**	**96,567**	**20,840**	**2,484**	**-**	**1,880,896**
DEPRECIATION								
At January 1, 2019	106,385	233	21,522	43,894	-	4,202	-	176,236
Adjustment for change in accounting policy (note 37)	-	-	-	(11,968)	-	(2,218)	-	(14,186)
At January 1, 2019 - restated	106,385	233	21,522	31,926	-	1,984	-	162,050
Charge for the year	33,814	466	14,489	8,142	3,359	-	-	60,270
Revaluation adjustment	(111,831)	-	-	-	-	-	-	(111,831)
Transfer from right-of-use assets (note 6)	-	-	-	12,097	-	858	-	12,955
Disposal adjustments	-	-	-	-	-	(957)	-	(957)
At December 31, 2019	**28,368**	**699**	**36,011**	**52,165**	**3,359**	**1,885**	**-**	**122,487**
NET BOOK VALUES								
At December 31, 2019	**1,503,565**	**3,955**	**188,407**	**44,402**	**17,481**	**599**	**-**	**1,758,409**

(a) THE GROUP

(ii) 2018

	Buildings on leasehold land Rs'000	Improvement to leasehold building Rs'000	Furniture & fittings Rs'000	Plant and equipment Rs'000	Motor vehicles Rs'000	Work-in progress Rs'000	Total Rs'000
COST							
At January 1, 2018	775,250	-	104,214	152,728	8,347	13,386	1,053,925
Additions	3,053	4,654	3,083	2,269	1,049	635,541	649,649
Asset scrapped (note 5(f))	(186,528)	-	(56,724)	(79,966)	-	-	(323,218)
Disposals	-	-	-	-	(766)	-	(766)
At December 31, 2018	**591,775**	**4,654**	**50,573**	**75,031**	**8,630**	**648,927**	**1,379,590**
DEPRECIATION							
At January 1, 2018	214,771	-	66,508	112,113	3,950	-	397,342
Charge for the year	11,975	233	5,695	10,021	810	-	28,734
Asset scrapped (note 5(f))	(120,361)	-	(50,681)	(78,240)	-	-	(249,282)
Disposal adjustments	-	-	-	-	(558)	-	(558)
At December 31, 2018	**106,385**	**233**	**21,522**	**43,894**	**4,202**	**-**	**176,236**
NET BOOK VALUES							
At December 31, 2018	**485,390**	**4,421**	**29,051**	**31,137**	**4,428**	**648,927**	**1,203,354**

5. PROPERTY, PLANT AND EQUIPMENT

(b) THE COMPANY

(i) 2019

	Buildings on leasehold land Rs'000	Improvement to leasehold building Rs'000	Furniture & fittings Rs'000	Plant and equipment Rs'000	Other small equipment Rs'000	Motor vehicles Rs'000	Work-in progress Rs'000	Total Rs'000
COST/VALUATION								
At January 1, 2019	276,346	4,654	-	18,985	-	7,405	648,927	956,317
Adjustment for change in accounting policy (note 37)	-	-	-	(6,250)	-	(4,820)	-	(11,070)
At January 1, 2019 - restated	276,346	4,654	-	12,735	-	2,585	648,927	945,247
Additions	-	-	283	3,334	-	-	446,190	449,807
Transfer	885,114	-	172,352	16,811	20,840	-	(1,095,117)	-
Revaluation surplus	11,040	-	-	-	-	-	-	11,040
Transfer from right-of-use assets (note 6)	-	-	-	6,250	-	-	-	6,250
Disposals	-	-	-	-	-	(1,326)	-	(1,326)
At December 31, 2019								
-cost	**-**	**4,654**	**172,635**	**39,130**	**20,840**	**1,259**	**-**	**238,518**
-valuation	**1,172,500**	**-**	**-**	**-**	**-**	**-**	**-**	**1,172,500**
	1,172,500	**4,654**	**172,635**	**39,130**	**20,840**	**1,259**	**-**	**1,411,018**
DEPRECIATION								
At January 1, 2019	79,927	233	-	16,058	-	3,348	-	99,566
Adjustment for change in accounting policy (note 37)	-	-	-	(6,113)	-	(1,365)	-	(7,478)
At January 1, 2019 - restated	79,927	233	-	9,945	-	1,983	-	92,088
Charge for the year	26,906	466	9,369	2,468	3,359	-	-	42,568
Revaluation adjustment	(82,290)	-	-	-	-	-	-	(82,290)
Transfer from right-of-use assets (note 6)	-	-	-	6,250	-	-	-	6,250
Disposal adjustments	-	-	-	-	-	(957)	-	(957)
At December 31, 2019	**24,543**	**699**	**9,369**	**18,663**	**3,359**	**1,026**	**-**	**57,659**
NET BOOK VALUES								
At December 31, 2019	**1,147,957**	**3,955**	**163,266**	**20,467**	**17,481**	**233**	**-**	**1,353,359**

(b) THE COMPANY

(ii) 2018

	Buildings on leasehold land Rs'000	Improvement to leasehold building Rs'000	Furniture & fittings Rs'000	Plant and equipment Rs'000	Motor vehicles Rs'000	Work-in progress Rs'000	Total Rs'000
COST							
At January 1, 2018	462,874	-	56,724	98,856	7,122	13,386	638,962
Additions	-	4,654	-	95	1,049	635,541	641,339
Asset scrapped (note 5(f))	(186,528)	-	(56,724)	(79,966)	-	-	(323,218)
Disposals	-	-	-	-	(766)	-	(766)
At December 31, 2018	**276,346**	**4,654**	-	18,985	7,405	648,927	956,317
DEPRECIATION							
At January 1, 2018	194,309	-	49,859	90,209	3,268	-	337,645
Charge for the year	5,979	233	822	4,089	638	-	11,761
Asset scrapped (note 5(f))	(120,361)	-	(50,681)	(78,240)	-	-	(249,282)
Disposal adjustments	-	-	-	-	(558)	-	(558)
At December 31, 2018	**79,927**	**233**	**-**	**16,058**	**3,348**	**-**	**99,566**
NET BOOK VALUES							
At December 31, 2018	**196,419**	**4,421**	**-**	**2,927**	**4,057**	**648,927**	**856,751**

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Additions include assets leased under finance lease of Rs 2.016 million for the Group and Rs 1.049 million the Company in 2018.

(d) Leased assets included in property, plant and equipment are analysed as follows:-

	Plant and equipment		Motor Vehicles	
	2019	2018	**2019**	2018
The Group	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Cost - capitalised finance leases	-	19,180	-	6,045
Accumulated depreciation	-	(11,968)	-	(2,218)
Net book values	-	7,212	-	3,827
The Company				
Cost - capitalised finance leases	-	6,250	-	4,820
Accumulated depreciation	-	(6,113)	-	(1,365)
Net book values	-	137	-	3,455

From 2019 leased assets are presented as a seperate line item in the Statement of Financial Position

(e) Depreciation charged has been included as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Administrative and other expenses	**56,505**	22,497	**38,803**	5,524
Closure costs	**3,765**	6,237	**3,765**	6,237
	60,270	28,734	**42,568**	11,761

(f) During the year 2018, assets having a net book value of Rs 73.936 million were scrapped on renovation of Preskil Island Resort.

(g) Borrowings are secured by fixed and floating charges on the assets of the Group including property, plant and equipment.

Borrowing costs of Rs 22.257 million (2018: Rs 26.935) (note 26) arising on financing of the construction of buildings on leasehold land were capitalised during the year and are included in 'Additions'. Capitalisation rates between 4.00% p.a and 6.44% (2018: 4.00% p.a and 6.50%) p.a were used, representing the borrowing costs of the loan notes used to finance the project.

(h) The Group's buildings on leasehold land were revalued during the year ended December 31, 2019 by Noor Dilmohamed & Associates, an Independent Certified Practising Valuer. The revaluation surplus net of applicable deferred income taxes was credited to revaluation surplus in shareholders' equity (note 19).

Details of the Group's and Company's buildings measured at fair value and information about the fair value hierarchy are as follows:

December 31, 2019	THE GROUP	THE COMPANY
	Level 3	Level 3
	Rs'000	Rs'000
Buildings on leasehold land	1,503,565	1,147,957

The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(h) The fair value measurements of buildings using significant unobservable inputs are as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Opening balance	**485,390**	560,479	**196,419**	268,565
Addition	**1,809**	3,053	**-**	-
Transfer from work-in-progress	**885,114**	-	**885,114**	-
Revaluation surplus	**165,066**	-	**93,330**	-
Depreciation	**(33,814)**	(11,975)	**(26,906)**	(5,979)
Asset scrapped	**-**	(66,167)	**-**	(66,167)
Closing balance	**1,503,565**	485,390	**1,147,957**	196,419

(i) If the buildings were stated on the historical cost basis, the amount would be as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cost	**1,478,698**	591,775	**1,161,460**	276,346
Accumulated depreciation	**(139,556)**	(106,385)	**(106,747)**	(79,927)
Net book value	**1,339,142**	485,390	**1,054,713**	196,419

6. RIGHT-OF-USE ASSETS

(a) THE GROUP

	Leasehold land	Plant & equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000
COST/VALUATION				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16	228,590	19,180	6,045	253,815
- as restated	228,590	19,180	6,045	253,815
Additions	-	7,951	667	8,618
Revaluation surplus	553,081	-	-	553,081
Transfer to property, plant and equipment (note 5)	-	(18,213)	(1,225)	(19,438)
At December 31, 2019				
-cost	**-**	8,918	5,487	14,405
-valuation	**781,671**	**-**	**-**	781,671
	781,671	**8,918**	**5,487**	**796,076**
AMORTISATION				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16	-	11,968	2,218	14,186
- as restated	-	11,968	2,218	14,186
Charge for the year	10,285	1,587	679	12,551
Transfer to property, plant and equipment (note 5)	-	(12,097)	(858)	(12,955)
Revaluation adjustment	(2,308)	-	-	(2,308)
At December 31, 2019	**7,977**	**1,458**	**2,039**	**11,474**
NET BOOK VALUES				
At December 31, 2019	**773,694**	**7,460**	**3,448**	**784,602**

6. RIGHT-OF-USE ASSETS (CONT'D)

(a) THE COMPANY

	Leasehold land Rs'000	Plant & equipment Rs'000	Motor vehicles Rs'000	Total Rs'000
COST/VALUATION				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16	155,540	6,250	4,820	166,610
- as restated	155,540	6,250	4,820	166,610
Additions	-	6,776	667	7,443
Revaluation surplus	497,960	-	-	497,960
Transfer to property, plant and equipment (note 5)	-	(6,250)	-	(6,250)
At December 31, 2019				
-cost	-	6,776	5,487	12,263
-valuation	653,500	-	-	653,500
	653,500	**6,776**	**5,487**	**665,763**
AMORTISATION				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16	-	6,113	1,365	7,478
- as restated	-	6,113	1,365	7,478
Charge for the year	8,238	1,355	675	10,268
Transfer to property, plant and equipment (note 5)	-	(6,250)	-	(6,250)
Revaluation adjustment	(1,570)	-	-	(1,570)
At December 31, 2019	**6,668**	**1,218**	**2,040**	**9,926**
NET BOOK VALUES				
At December 31, 2019	**646,832**	**5,558**	**3,447**	**655,837**

(b) **Lease liabilities**

	Leasehold land Rs'000	Plant & equipment Rs'000	Motor vehicles Rs'000	Total Rs'000
THE GROUP				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16	218,890	2,559	2,733	224,182
- as restated	218,890	2,559	2,733	224,182
Additions	-	7,951	667	8,618
Interest expense	19,092	331	164	19,587
Foreign exchange movements	-	-	17	17
Lease payments	(19,399)	(3,519)	(1,068)	(23,986)
At December 31, 2019	**218,583**	**7,322**	**2,513**	**228,418**
Analysed as follows:				
Non-current				205,842
Current				22,576
				228,418
THE COMPANY				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16	148,940	225	2,712	151,877
- as restated	148,940	225	2,712	151,877
Additions	-	6,776	667	7,443
Interest expense	12,991	241	164	13,396
Lease payments	(13,200)	(1,583)	(1,047)	(15,830)
At December 31, 2019	**148,731**	**5,659**	**2,496**	**156,886**

6. RIGHT-OF-USE ASSETS (CONT'D)

(b) **Lease liabilities (cont'd)**

	Total
	Rs'000
Analysed as follows:	
Non-current	140,906
Current	15,980
	156,886

(c) The Group's leasehold land were revalued during the year ended December 31, 2019 by Noor Dilmohamed & Associates, an Independent Certified Practising Valuer. The revaluation surplus net of applicable deferred income taxes was credited to revaluation surplus in shareholders' equity (note 19).

Details of the Group's and Company's buildings measured at fair value and information about the fair value hierarchy are as follows:

December 31, 2019	THE GROUP	THE COMPANY
	Level 2	Level 2
	Rs'000	Rs'000
Leasehold land	773,694	646,832

The fair value of the leasehold land was derived using the sales comparison approach. Sales prices of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per arpent.

Significant unobservable valuation input:	2019
	Rs'000
Price per arpent	32,000

Significant increases/(decreases) in estimated price per arpent in isolation would result in a significantly higher/(lower) fair value.

(d) **Nature of leasing activities (in the capacity as lessee)**

The Group leases various portions of land from the Government of Mauritius on which the hotel complexes are constructed. The lease agreements expire on July 18, 2068. The lease contracts provide for payments to increase every three year by the cumulative inflation rate based on the Consumer Price Index during the 3-year period, which shall not exceed 15.7625%.

The Group also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

(e) **Variable lease payments**

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

6. RIGHT-OF-USE ASSETS (CONT'D)

(e) **Variable lease payments (cont'd)**

December 31, 2019	**THE GROUP**			
	Lease Contracts	**Fixed payments**	**Variable payments**	**Sensitivity**
	Number	%	%	Rs'000
Property leases with payments linked to inflation	2	-	100%	10,929
Lease of plant & machinery	1	100%	-	-
Vehicle leases	5	100%	-	-

	THE COMPANY			
	Lease Contracts	**Fixed payments**	**Variable payments**	**Sensitivity**
	Number	%	%	Rs'000
Property leases with payments linked to inflation	1	-	100%	7,437
Vehicle leases	5	100%	-	-

(f) There are no extension and termination options included in leases across the Group.

(g) The Group did not provide residual value guarantees in relation to leases.

(h) Borrowings are secured by fixed and floating charges on the assets of the Group including right-of-use assets.

(i) Interest expense

	THE GROUP	**THE COMPANY**
	2019	**2019**
	Rs'000	Rs'000
Interest expense (included in finance cost)	19,587	13,396

The total cash outflows for leases in 2019 was Rs 23.986 million and Rs 15.830 million for the Group and the Company respectively.

7. LEASEHOLD LAND PAYMENTS

	THE GROUP	
	2019	2018
(a) **COST**	**Rs'000**	Rs'000
At January 1, and December 31,	**162,000**	162,000
AMORTISATION		
At January 1,	**14,030**	11,050
Charge for the year	**2,981**	2,980
At December 31,	**17,011**	14,030
NET BOOK VALUE		
At December 31,	**144,989**	147,970

(b) Amortisation charge of Rs 2.981 million (2018: Rs 2.980 million) has been included in administrative and other expenses.

(c) The Group leases land from the Government of Mauritius on which the hotel complexes are constructed. The lease agreement expires on July 18, 2068.

8. INTANGIBLE ASSETS

	THE GROUP	
	2019	2018
(a) Computer software	**Rs'000**	Rs'000
COST		
At January 1,	**1,482**	1,462
Additions	**60**	20
At December 31,	**1,542**	1,482
AMORTISATION		
At January 1,	**1,418**	1,379
Charge for the year	**53**	39
At December 31,	**1,471**	1,418
NET BOOK VALUE		
At December 31,	**71**	64

(b) Amortisation charge of Rs 0.053 million (2018: Rs 0.039 million) has been included in administrative and other expenses.

9. INVESTMENT IN SUBSIDIARY COMPANIES

	THE COMPANY	
	2019	2018
	Rs'000	Rs'000
AT COST		
At January 1,	**644,280**	187,035
Addition during the year	**-**	457,245
At December 31,	**644,280**	644,280

Details of the subsidiary companies are as follows:

Name	Country of incorporation and operation	Class of shares held	Year end	Stated capital	% holding Direct	Main business
				Rs'000		
2019 & 2018						
-Groupe Union Training Academy Ltd	**Mauritius**	**Ordinary**	**December 31,**	**25**	**99.6**	**Training**
-Southern Cross Management Co Ltd	**Mauritius**	**Ordinary**	**December 31,**	**10**	**100**	**Management company**
-Solana Beach Company Limited	**Mauritius**	**Ordinary**	**December 31,**	**512,000**	**100**	**Hotel catering**

10. INVESTMENT IN ASSOCIATE

(a) **THE GROUP**

	2019	2018
	Rs'000	Rs'000
Unquoted - Group share of net assets		
At January 1,	**2,311**	2,117
Share of profit after tax	**414**	194
Dividend received	**(400)**	-
At December 31,	**2,325**	2,311

(b) **THE COMPANY**

	2019	2018
	Rs'000	Rs'000
Unquoted - cost		
At January 1, and December 31,	**1,220**	1,220

(c) The Company's interest in its principal associate, which is unlisted, and the results of which have been included in the consolidated financial statements, is as follows:

Name	Nature of business	Year end	Country of incorporation	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Profit	Proportion of direct ownership interest
				Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**%**
2019										
Only Blue Ltd	**Catamaran trips**	**December 31,**	**Mauritius**	**7,290**	**4,505**	**2,427**	**770**	**8,892**	**1,655**	**25%**
2018										
Only Blue Ltd	Catamaran trips	December 31,	Mauritius	4,914	5,663	773	1,261	7,501	777	25%

(d) **Reconciliation of summarised financial position**

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

	THE GROUP	
	2019	2018
	Rs'000	Rs'000
Opening net assets	**8,543**	7,766
Profit for the year	**1,655**	777
Dividend	**(1,600)**	-
Closing net assets	**8,598**	8,543
Ownership interest	**25%**	25%
Interest in associate	**2,150**	2,136
Goodwill	**175**	175
Carrying value	**2,325**	2,311

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Equity investments at fair value through other comprehensive income

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs'000	Rs'000
At January 1,	**62**	77
Change in fair value recognised in other comprehensive income (note 19(c))	**5**	(15)
At December 31,	**67**	62

(b) Fair value through other comprehensive income financial assets include the following:

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs'000	Rs'000
Quoted (level 1):		
SBM Holdings Ltd	**65**	60
Unquoted (level 3):		
Ecole du centre	**2**	2
	67	62

(c) Financial assets measured at fair value through other comprehensive income include the Group's equity investments not held for trading. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these investments.

(d) The fair value of quoted securities is based on published market prices. The fair value of the unquoted securities are based on expected cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

12. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method at 17% (2018: 17%).

(a) 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	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax assets	**84,870**	43,559	**-**	-
Deferred tax liabilities	**(173,442)**	(30,154)	**(86,341)**	(9,238)
	(88,572)	13,405	**(86,341)**	(9,238)

At the end of the reporting period, the Group had unused tax losses of Rs 203.808 million (2018: Rs 161.656 million) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses (2018: Rs 146.186 million). No deferred tax asset has been recognised in respect of the remaining Rs 15.470 million in 2018 due to unpredictability of future profit streams. The tax losses expire on a rolling basis over 5 years.

12. DEFERRED INCOME TAX (CONT'D)

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**13,405**	(11,296)	**(9,238)**	(33,045)
Profit or loss credit (note 29(b))	**18,911**	26,068	**21,782**	25,096
Other comprehensive income charge	**(120,888)**	(1,367)	**(98,885)**	(1,289)
At December 31,	**(88,572)**	13,405	**(86,341)**	(9,238)

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

(i) THE GROUP

	Accelerated tax depreciation	Right-of-use assets	Total
	Rs'000	Rs'000	Rs'000
Deferred tax liabilities			
At January 1, 2018	38,666	-	38,666
Profit or loss credit	(8,512)	-	(8,512)
At December 31, 2018	30,154	-	30,154
Effect of adopting IFRS 16 (note 37)	-	37,411	37,411
At January 1, (Restated)	30,154	37,411	67,565
Profit or loss (credit)/charge	(5,234)	829	(4,405)
Other comprehensive income charge	15,866	94,416	110,282
At December 31, 2019	**40,786**	**132,656**	**173,442**

	Accelerated tax depreciation	Tax losses	Retirement benefit obligations	Provisions of assets	Lease liabilities	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax assets						
At January 1, 2018	7,514	12,776	7,080	-	-	27,370
Profit and loss credit	3,412	12,075	1,657	412	-	17,556
Other comprehensive income charge	-	-	(1,367)	-	-	(1,367)
At December 31, 2018	10,926	24,851	7,370	412	-	43,559
Effect of adopting IFRS 16 (note 37)	-	-	-	-	37,411	37,411
At January 1, (Restated)	10,926	24,851	7,370	412	37,411	80,970
Profit and loss credit	2,548	9,796	388	875	899	14,506
Other comprehensive income (charge)/credit	(12,196)	-	1,590	-	-	(10,606)
At December 31, 2019	**1,278**	**34,647**	**9,348**	**1,287**	**38,310**	**84,870**

	2019	2018
	Rs'000	Rs'000
Net deferred tax assets/(liabilities)	**(173,442)**	(30,154)
Deferred tax liabilities	**84,870**	43,559
Deferred tax assets	**(88,572)**	13,405

12. DEFERRED INCOME TAX (CONT'D)

(ii) THE COMPANY

	Accelerated tax depreciation	Right-of-use assets	Total
	Rs'000	Rs'000	Rs'000
Deferred tax liabilities			
At January 1, 2018	38,666	-	38,666
Profit or loss credit	(8,512)	-	(8,512)
At December 31, 2018	30,154	-	30,154
Effect of adopting IFRS 16 (note 37)	-	25,320	25,320
At January 1, (Restated)	30,154	25,320	55,474
Profit or loss (credit)/charge	(5,234)	666	(4,568)
Other comprehensive income charge	15,866	84,920	100,786
At December 31, 2019	**40,786**	**110,906**	**151,692**

	Tax losses	Retirement benefit obligations	Provisions of assets	Lease liabilities	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Deferred tax assets					
At January 1, 2018	-	5,621	-	-	5,621
Profit or loss credit	15,089	1,102	393	-	16,584
Other comprehensive income charge	-	(1,289)	-	-	(1,289)
At December 31, 2018	15,089	5,434	393	-	20,916
Effect of adopting IFRS 16 (note 37)	-	-	-	25,320	25,320
At January 1, (Restated)	15,089	5,434	393	25,320	46,236
Profit or loss credit	15,655	75	557	927	17,214
Other comprehensive income charge	-	1,901	-	-	1,901
At December 31, 2019	**30,744**	**7,410**	**950**	**26,247**	**65,351**

	2019	2018
	Rs'000	Rs'000
Net deferred tax liabilities		
Deferred tax liabilities	**(151,692)**	(30,154)
Deferred tax assets	**65,351**	20,916
	(86,341)	(9,238)

13. INVENTORIES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Food and beverages	**7,663**	4,484	**4,838**	1,642
Maintenance and consumables	**8,628**	2,482	**6,146**	158
	16,291	6,966	**10,984**	1,800

(b) The cost of inventories recognised as expense and included in cost of sales amounted to Rs 59.352 million (2018: Rs 35.455 million) for the Group and Rs 33.802 million (2018: Rs 12.218 million) for the Company.

(c) Borrowings are secured by floating charges on the assets of the Group including inventory.

14. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade receivables	**167,992**	50,968	**110,732**	3,262
Less: provision for impairment	**(7,573)**	(2,426)	**(5,591)**	(2,313)
Trade receivables - net	**160,419**	48,542	**105,141**	949

(a) *Impairment of trade receivables*

The Company 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 credit sales over a period of four years before December 31, 2019 and December 31, 2018 respectively 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 have also looked at forward looking information that could impact the hospitality industry and has considered the CPI index for the hospitality industry (Restaurants and Hotels) to be relevant, which was unchanged during the month of January 2020 as per the statistics from the Government of Mauritius website (2018: increased by 1.3% during the month of January 2019). Therefore, the average default rate was unchanged when incorporating the forward looking information (2018: increased by 1.3%).

On that basis, the loss allowance as at December 31, 2019 and December 31, 2018 was determined as follows for trade receivables.

THE GROUP	2015	2016	2017	2018	Average
Expected loss rate	1.08%	0.19%	0.08%	0.73%	0.52%
Credit sales (Rs'000)	449,424	442,096	470,443	266,829	
Amount written off (Rs'000)	4,853	845	380	1,950	

THE COMPANY	2015	2016	2017	2018	Average
Expected loss rate	1.64%	0.11%	0.12%	1.81%	0.92%
Credit sales (Rs'000)	293,527	300,194	312,677	102,814	
Amount written off (Rs'000)	4,814	345	380	1,859	

The adjusted average default rate of 0.52% (2018: 1.67%) for the Group and 0.92% (2018: 1.79%) for the Company were then applied to the net receivables balance as at December 31, 2019 to estimate the Expected Credit Loss as at December 31, 2019.

The closing loss allowances for trade receivables as at December 31, 2019 reconcile to the opening loss allowances as follows:

Trade receivables	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**2,426**	663	**2,313**	448
Loss allowance recognised in profit or loss during the year	**7,688**	2,676	**5,729**	2,517
Receivables written off during the year as uncollectible	**(2,541)**	(913)	**(2,451)**	(652)
At December 31,	**7,573**	2,426	**5,591**	2,313

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) The carrying amounts of the Group's and Company's trade and other receivables are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Mauritian rupee	**75,167**	9,041	**60,460**	791
Euro	**63,813**	31,105	**36,093**	-
GBP	**17,958**	4,868	**8,118**	8
US Dollar	**3,481**	3,528	**470**	150
	160,419	48,542	**105,141**	949

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

15. FINANCIAL ASSETS AT AMORTISED COST

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Receivable from related parties (note 33)	**37,132**	51,333	**32,285**	49,894

(a) *Fair values of financial assets at amortised cost*
Due to the short-term nature of the current receivables, their carrying amount are considered to be the same as their fair value.

(b) *Impairment and risk exposure*
(i) Financial assets at amortised cost did not include any loss allowance at December 31, 2019.
(ii) All of the financial assets at amortised cost are denominated in Mauritian rupee. As a result, there is no exposure to foreign currency risk.

16. OTHER CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
VAT receivable	**13,679**	46,989	**13,679**	46,989
Advanced payments	**7,093**	104	**6,930**	-
Prepaid expenses	**2,626**	4,063	**1,309**	2,796
Deposits	**1,886**	1,609	**1,286**	964
TDS receivable	**892**	98	**833**	40
Leasehold land rentals prepaid	**-**	9,700	**-**	6,600
Other receivables (see note (a) below)	**5,739**	3,181	**5,288**	2,912
	31,915	65,744	**29,325**	60,301

(a) *Other receivables*
These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

(b) Due to the short-term nature of the current receivables, their carrying amount are considered to be the same as their fair value.

17. STATED CAPITAL

	THE GROUP AND THE COMPANY	
	Number of shares	Amount
	(thousands)	Rs'000
Issued shares		
At January 1, 2019 and December 31, 2019	125,645	253,186

Shares are issued at no par value and are fully paid. Fully paid ordinary shares carry one vote per share and carry a right to dividends.

18. CAPITAL CONTRIBUTION

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs'000	Rs'000
At January 1,	**20,000**	-
Addition during the year	**30,000**	20,000
At December 31,	**50,000**	20,000

Loan from shareholder is unsecured, interest free and is subordinated to all liabilities of the Company.

19. OTHER RESERVES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Revaluation surplus on:				
- property, plant and equipment (note 19(a))	**137,004**	-	**77,464**	-
- right-of-use assets (note 19(b))	**460,973**	-	**414,610**	-
Financial assets at FVOCI reserve (note 19(c))	**48**	43	**48**	43
Actuarial gains/(losses) (note 19(d))	**(7,346)**	415	**(10,601)**	(1,318)
	590,679	458	**481,521**	(1,275)

(a) **Revaluation surplus on property, plant and equipment**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Gains on revaluation of buildings on leasehold land (note 5)	**165,066**	-	**93,330**	-
Income tax relating to components of other comprehensive income	**(28,062)**	-	**(15,866)**	-
At December 31,	**137,004**	-	**77,464**	-

The revaluation arises on the revaluation of property, plant and equipment.

(b) **Revaluation surplus on right-of-use**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Gains on revaluation of right-of-use assets (note 6)	**555,389**	-	**499,530**	-
Income tax relating to components of other comprehensive income	**(94,416)**	-	**(84,920)**	-
At December 31,	**460,973**	-	**414,610**	-

The revaluation arises on the revaluation of right-of-use assets.

19. OTHER RESERVES (CONT'D)

(c) **Financial assets at FVOCI reserve**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**43**	58	**43**	58
Change in fair value (note 11)	**5**	(15)	**5**	(15)
At December 31,	**48**	43	**48**	43

Financial assets at FVOCI reserve comprises gains/losses arising on financial assets at fair value through other comprehensive income.

(d) **Actuarial gains/(losses)**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**415**	(7,268)	**(1,318)**	(8,833)
Remeasurement of post employment benefit obligations	**(9,351)**	9,050	**(11,184)**	8,804
Income tax relating to components of other comprehensive income	**1,590**	(1,367)	**1,901**	(1,289)
At December 31,	**(7,346)**	415	**(10,601)**	(1,318)

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

20. BORROWINGS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Non-current				
Bank loans	**73,608**	-	**73,608**	-
Secured fixed and floating rate notes (note (b))	**1,292,934**	1,269,472	**1,292,934**	1,269,472
Preference shares (note (c))	**123,539**	-	**123,539**	-
Finance lease liabilities (note (f))	**-**	2,439	**-**	1,868
	1,490,081	1,271,911	**1,490,081**	1,271,340
Current				
Bank overdraft	**12,969**	22,684	**10,661**	19,004
Bank loans	**17,392**	-	**17,392**	-
Finance lease liabilities (note (f))	**-**	2,853	**-**	1,069
	30,361	25,537	**28,053**	20,073
Total borrowings	**1,520,442**	1,297,448	**1,518,134**	1,291,413

(a) The borrowings include secured liabilities (secured fixed and floating rate notes, leases, bank overdraft and bank loans) amounting to Rs 1,396.903 million (2018: Rs 1,297.448 million) for the Group and Rs 1,394.595 million (2018: Rs 1,291.413 million) for the Company. The bank borrowings are secured by floating charges on the assets of the Group including property, plant and equipment, right-of-use assets and inventories. The rate of interest on bank borrowings and preference shares vary between 6.75% and 7.60% (2018: 7.75%) and those on finance lease liabilities vary between 2.75% to 7.75% in 2018.

The Group leases plant and equipment and motor vehicles under finance leases. The leases have varying terms and escalation clauses. The Group has options to purchase the assets for a nominal amount at the conclusion of the lease agreements. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. There is no restrictions imposed on the Group by lease arrangements other than in respect of the specific assets being leased.

20. BORROWINGS (CONT'D)

(b) **Secured fixed and floating rate notes**

	Interest	Maturity	THE GROUP AND THE COMPANY 2019	2018
			Rs'000	Rs'000
4-year notes (Euro)	EURIBOR (floored 0%) +4.00%	14-Jun-22	**293,527**	281,185
5-year notes (Euro)	EURIBOR (floored 0%) +4.25%	14-Jun-23	**160,591**	153,996
5-year notes (Mur)	5.75%	14-Jun-23	**272,821**	271,048
7-year notes (Mur)	Repo + 2.25%	14-Jun-25	**262,442**	261,078
10-year notes (Mur)	Repo + 3%	14-Jun-28	**303,553**	302,165
			1,292,934	1,269,472

(i) The notes are secured by way of:
- a fixed charge on the property of the Company, a floating charge over all its assets, an assignment of the relevant leasehold rights in favour of the Noteholders' Representative and an assignment of the insurance proceeds on the property in favour of the Noteholders' Representative; and
- a fixed charge on the property of Solana Beach Company Limited, a floating charge over all its assets and an assignment of the relevant leasehold rights in favour of the Noteholders' Representative.

(ii) Interest is payable semi-annually in June and December.

(c) **Preference shares**

On November 6, 2019 ('Issue Date'), 125,000 non-convertible, redeemable, cumulative and non-voting preference shares of no par value ('Preference Shares') have been issued to one holder, by way of private placement, for an aggregate amount of Rs 125.000 million.

The preference shares:
- are subordinated to secured debt obligations of the Company, including the Notes;
- rank senior to ordinary shares issued by the Company; and
- rank pari passu without any preference among themselves.

Subject to the provisions of the Companies Act, the Company may, at its sole discretion, redeem the whole of the preferences shares:
- on the 5th anniversary of the Issue date by issuing a written redemption notice to the preference shareholders at least forty (40) business days prior to such anniversary date; or
- from the 5th anniversary of the Issue Date until its 7th anniversary, by issuing a written redemption notice to the preference shareholders at least forty (40) business days prior to the expected redemption date.

From the 7th anniversary of the Issue Date and subject to the provisions of the Companies Act, any preference shareholder may, at its sole discretion, require the Company to redeem all of its preference shares by issuing a written redemption notice to the Company at least forty (40) business days prior to the expected redemption date.

The sole holder of the Preference Shares shall receive an annual dividend of :

(i) Rs 70 per Preference Share for the period from the Issue Date up to the fifth (5th) anniversary of the Issue Date, and

(ii) as from the fifth (5th) anniversary of the Issue Date and if the Preference Shares have not been redeemed or cancelled in accordance with the Preference Share Subscription Agreement, Rs 75 per Preference Share.

Save for class meetings, the holder of preference shares shall have no right to receive notice of, or attend to, or vote on shareholders matters pursuant to the Companies Act 2001 at shareholders' meeting of the Company.

The preference shares shall not confer any right to participate in any distribution of the assets or capital of the Company, subject to the mandatory provisions applicable under Insolvency Proceedings.

20. BORROWINGS (CONT'D)

(c) **Preference shares (cont'd)**

The preference shares shall not confer on the preference shareholder any right to convert the preference shares into ordinary shares of the Company.

The preference shares have been classified as borrowings as they do not have all the features to be classified as an equity instrument under IFRS 32.16A

(d) The exposure of the Group's and the Company's borrowings to interest rate changes and the contractual repricing dates are as follows:

(i) THE GROUP

	6 months or less	6 - 12 months	1 - 5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2019	**1,124,082**	**-**	**272,821**	**123,539**	**1,520,442**
At December 31, 2018	1,022,854	1,107	273,487	-	1,297,448

(ii) THE COMPANY

	6 months or less	6 - 12 months	1 - 5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2019	**1,121,774**	**-**	**272,821**	**123,539**	**1,518,134**
At December 31, 2018	1,018,079	418	272,916	-	1,291,413

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
After one year and before two years	**17,787**	833	**17,787**	647
After two years and before five years	**782,760**	707,835	**782,760**	707,450
Over five years	**689,534**	563,243	**689,534**	563,243
	1,490,081	1,271,911	**1,490,081**	1,271,340

(f) Finance lease liabilities - minimum lease payments

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Not later than one year	-	3,074	-	1,225
Later than one year and not later than two years	-	1,375	-	747
Later than two years and not later than five years	-	1,308	-	1,308
	-	5,757	-	3,280
Future finance charges on finance leases	-	(465)	-	(343)
Present value of finance lease liabilities	-	5,292	-	2,937
The present value of finance lease liabilities may be analysed as follows:				
Not later than one year	-	2,853	-	1,069
Later than one year and not later than two years	-	833	-	647
Later than two years and not later than five years	-	1,606	-	1,221
	-	5,292	-	2,937

20. BORROWINGS (CONT'D)

(g) Non-current borrowings can be analysed as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- After one year and before two years				
Bank loans	**17,787**	-	**17,787**	-
Finance lease liabilities	**-**	833	**-**	647
	17,787	833	**17,787**	647
- After two years and before five years				
Bank loans	**55,821**	-	**55,821**	-
Secured fixed and floating rate notes	**726,939**	706,229	**726,939**	706,229
Finance lease liabilities	**-**	1,606	**-**	1,221
	782,760	707,835	**782,760**	707,450
- After five years				
Preference shares	**123,539**	-	**123,539**	-
Secured fixed and floating rate notes	**565,995**	563,243	**565,995**	563,243
	689,534	563,243	**689,534**	563,243

(h) The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Mauritian rupees	**1,066,324**	860,647	**1,064,016**	856,104
Euro	**454,118**	436,801	**454,118**	435,309
	1,520,442	1,297,448	**1,518,134**	1,291,413

(i) The carrying amounts of borrowings are not materially different from the fair value.

21. RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Pension benefits:				
Amount recognised in the statements of financial position as non-current liabilities (note 21(ii))	**54,983**	43,350	**43,590**	31,966
Amount charged to profit or loss (note 21(vi))	**7,878**	10,753	**5,080**	8,366
Amount charged/credited) to other comprehensive income (note 21(vii))	**9,351**	(9,050)	**11,184**	(8,804)

(i) The Group operates a defined benefit pension. The plan is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for 5 years. 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 a superannuation fund.

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at December 31, 2019 by Aon Hewitt Ltd (Actuarial Valuer). The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Present value of funded obligations	**151,587**	143,906	**137,488**	130,023
Fair value of plan assets	**(96,604)**	(100,556)	**(93,898)**	(98,057)
Liability in the statements of financial position	**54,983**	43,350	**43,590**	31,966

(iii) The movements in the statements of financial position are as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**43,350**	47,199	**31,966**	37,476
Profit or loss charge	**7,878**	10,753	**5,080**	8,366
Other comprehensive income charge/(credit)	**9,351**	(9,050)	**11,184**	(8,804)
Contributions paid	**(5,596)**	(5,552)	**(4,640)**	(5,072)
At December 31,	**54,983**	43,350	**43,590**	31,966

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**143,906**	141,731	**130,023**	130,713
Current service cost	**7,558**	8,327	**5,977**	6,712
Past service cost	**(1,705)**	(4)	**(2,225)**	(248)
Interest expense	**7,799**	7,702	**6,945**	7,072
Employee contributions	**524**	568	**508**	554
Liability experience gain	**(4,527)**	(983)	**(2,411)**	(1,072)
Liability loss/(gain) due to change in financial assumption	**10,517**	(10,011)	**10,326**	(9,645)
Benefits paid	**(12,485)**	(3,424)	**(11,655)**	(4,063)
At December 31,	**151,587**	143,906	**137,488**	130,023

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1,	100,556	94,532	98,057	93,237
Interest income	5,774	5,272	5,617	5,170
Employer contributions	5,596	5,552	4,640	5,072
Employee contributions	524	568	508	554
Benefits paid	(12,485)	(3,424)	(11,655)	(4,063)
Return on plan assets excluding interest income	(3,361)	(1,944)	(3,269)	(1,913)
At December 31,	96,604	100,556	93,898	98,057

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

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Current service cost	7,558	8,327	5,977	6,712
Past service cost	(1,705)	(4)	(2,225)	(248)
Net interest on net defined benefit liabilities	2,025	2,430	1,328	1,902
Total included in "employee benefit expense" note (28(a))	7,878	10,753	5,080	8,366
Actual return in plan assets	2,413	3,328	2,348	3,257

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

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Return on plan assets below interest income	3,361	1,944	3,269	1,913
Liability experience gain	(4,527)	(983)	(2,411)	(1,072)
Liability loss/(gain) due to change in financial assumptions	10,517	(10,011)	10,326	(9,645)
	9,351	(9,050)	11,184	(8,804)

(viii) The fair value of the plan assets at the end of the reporting period for each category are as follows:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Equity - local quoted	26,083	31,172	25,352	30,398
Debt - local unquoted	11,592	12,067	11,268	11,767
Investment funds	46,370	45,250	45,071	44,126
Cash and others	12,559	12,067	12,207	11,767
	96,604	100,556	93,898	98,057

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(ix) Allocation of plan assets at end of period:

	THE GROUP AND THE COMPANY	
	2019	2018
	%	%
Reporting entity's own transferable financial instruments	**-**	-
Property occupied by reporting entity	**-**	-
Other assets used by reporting entity	**-**	-

(x) Principal actuarial assumptions at end of period:

	THE GROUP AND THE COMPANY	
	2019	2018
	%	%
Discount rate	**5.3**	6.1
Future salary increases	**3.6**	4.5
Future pension increases	**-**	-
Average retirement age (ARA)	**60**	60
Average life expectancy for:		
-Male at ARA	**23.2 years**	23.2 years
-Female at ARA	**26.2 years**	26.2 years

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

	2019		2018	
THE GROUP	**Increase**	**Decrease**	Increase	Decrease
	Rs'000	**Rs'000**	Rs'000	Rs'000
Discount rate (1% movement)	**30,568**	**23,739**	29,129	22,677
THE COMPANY				
Discount rate (1% movement)	**28,532**	**22,107**	26,941	20,941

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

The sensitivity above has 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.

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

Investment risk
The plan liability is calculated using a discount rate determined by reference to government bonds yield ; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest rate risk
A decrease in the bond interest rate will increase the plan liability. However, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk
The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk
The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

(xiii) The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

(xiv) Expected contributions to post-employment benefit plans for the year ending December 31, 2020 are Rs 5.897 million for the group and Rs 4.989 million for the Company.

(xv) The weighted average duration of the defined benefit obligation is between 13 and 19 years at the end of the reporting period.

22. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade payables	**69,477**	23,976	**49,326**	7,137
Payables to related parties (note 33)	**9,693**	2,676	**22,249**	3,153
Accrued expenses	**9,383**	8,571	**7,184**	5,919
VAT payable	**2,867**	2,746	**-**	-
Deposit from clients	**18,419**	4,836	**16,756**	309
Capital expenditure for hotel renovation	**92,816**	3,726	**92,816**	3,726
Other payables	**13,283**	6,403	**10,556**	4,285
	215,938	52,934	**198,887**	24,529

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

23. REVENUE

The following is an analysis of the Group's/Company's revenue for the year:

		THE GROUP		THE COMPANY	
		2019	2018	**2019**	2018
		Rs'000	Rs'000	**Rs'000**	Rs'000
(a)	Room revenue	**322,360**	195,039	**192,702**	79,751
	Food and beverages	**186,526**	124,884	**98,481**	42,856
	Wellness, laundry and telephone	**14,242**	8,511	**8,497**	2,921
		523,128	328,434	**299,680**	125,528
(b)	Revenue from sales of goods	**186,526**	124,884	**98,481**	42,856
	Revenue from rendering of services	**336,602**	203,550	**201,199**	82,672
		523,128	328,434	**299,680**	125,528
(c)	Timing of revenue recognition				
	At a point in time	**200,768**	133,395	**106,978**	45,777
	Over time	**322,360**	195,039	**192,702**	79,751
		523,128	328,434	**299,680**	125,528

24. EXPENSES BY NATURE

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Employee benefit expense (note 28(a))	**160,281**	143,620	**106,485**	93,526
Depreciation of property, plant and equipment (note 5)	**60,270**	28,734	**42,568**	11,761
Consumables used (note 13)	**59,352**	35,455	**33,802**	12,218
Marketing expenses	**40,121**	32,253	**25,245**	17,918
Structure costs	**32,807**	15,379	**29,823**	12,691
Electricity and water	**23,687**	19,785	**11,208**	7,369
Overbooking expenses	**20,641**	7,030	**22,676**	8,946
Maintenance expenses	**19,060**	12,002	**10,238**	4,610
Amortisation of right-of-use assets (note 6)	**12,551**	-	**10,268**	-
Sub-contractor costs	**10,392**	8,085	**4,978**	2,860
Security fees	**10,202**	8,502	**6,070**	4,409
Laundry	**8,893**	3,832	**6,511**	1,616
Diesel and gas consumption	**7,717**	5,921	**2,501**	1,815
Provision for bad debts (note 14)	**7,688**	2,676	**5,729**	2,517
Employee transportation	**7,082**	7,579	**3,605**	2,677
Entertainment	**6,890**	4,665	**3,877**	1,518
Replacement costs	**6,641**	2,389	**4,321**	292
Bank charges	**3,859**	2,428	**2,229**	1,111
Amortisation of leasehold land payments (note 7)	**2,981**	2,980	**-**	-
Telephone and postage	**2,356**	2,600	**1,391**	1,607
Printing and stationery	**2,283**	1,825	**914**	487
Operating lease rental	**-**	19,392	**-**	13,200
Amortisation of intangible assets (note 8)	**53**	39	**-**	-
Others expenses	**27,383**	19,062	**18,824**	10,060
Total cost of sales, administrative expenses and closure costs	**533,190**	386,233	**353,263**	213,208

Closure costs includes employee benefit expenses and other expenses incurred during the closure of Preskil Island Resort from May 2018 to June 2019 for renovation. Other expenses consist of expenses incurred in the day to day operation of the Group.

25. OTHER INCOME

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Income from leisure activities	**4,726**	2,622	**3,646**	1,415
Rental income	**1,383**	1,187	**580**	380
Management income	**1,111**	974	**13,804**	12,436
Insurance refund	**-**	131	**-**	-
Interest income	**2,374**	951	**2,374**	5,301
Dividend income	**-**	-	**19,400**	5,000
(Loss)/profit on disposal of property, plant and equipment	**(147)**	1,505	**(147)**	1,505
Sundry income	**383**	-	**383**	-
	9,830	7,370	**40,040**	26,037

26. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Net foreign exchange transaction losses/(gains)	**9,295**	(10,462)	**12,307**	(8,531)
Interest expense on:				
Bank loan repayable by instalments	**201**	10,826	**201**	5,297
Secured fixed and floating rate notes	**73,073**	40,659	**73,073**	40,659
Preference shares	**1,489**	-	**1,489**	-
Leases	**19,587**	347	**13,396**	238
Bank overdraft	**1,851**	1,020	**1,815**	448
	96,201	52,852	**89,974**	46,642
Less amounts included in the cost of qualifying assets (note 5(g))	**(22,257)**	(26,935)	**(22,257)**	(26,935)
	73,944	25,917	**67,717**	19,707
Net finance costs	**83,239**	15,455	**80,024**	11,176

27. EXCEPTIONAL ITEM

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loss on assets scrapped (note 5(f))	**-**	73,936	**-**	73,936

28. LOSS BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loss before taxation is arrived at after:				
Crediting:				
Profit on disposal of property, plant and equipment	**-**	1,505	**-**	1,505
Charging:				
Depreciation on property, plant and equipment:				
- Owned assets	**60,270**	25,990	**42,568**	10,492
- Leased assets under finance leases	**-**	2,744	**-**	1,269
Amortisation of right-of-use assets (note 6)	**12,551**	-	**10,268**	-
Amortisation of leasehold land payments (note 7)	**2,981**	2,980	**-**	-
Amortisation of intangible assets (note 8)	**53**	39	**-**	-
Costs of inventories recognised as expense	**59,352**	35,455	**33,802**	12,218
Operating lease rental	**-**	19,392	**-**	13,200
Loss on disposal of property, plant and equipment	**147**	-	**147**	-
Employee benefit expense (note (a) below)	**160,281**	143,620	**106,485**	93,526

(a) Analysis of employee benefit expense:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Wages and salaries	**145,330**	126,470	**96,973**	81,190
Social security costs	**7,073**	6,397	**4,432**	3,970
Pension costs - defined benefit plans (note 121)	**7,878**	10,753	**5,080**	8,366
	160,281	143,620	**106,485**	93,526

29. INCOME TAX EXPENSE

(a) Amounts shown in statements of financial position are as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**-**	1,501	**-**	1,501
Profit or loss charge/(credit)	**22**	(6,721)	**-**	(6,802)
Refunded during the year	**-**	5,301	**-**	5,301
Paid during the year	**(22)**	(81)	**-**	-
At December 31,	**-**	-	**-**	-

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(b) Current tax on the adjusted profit for the year at 15% (2018 : 15%)	**22**	-	**-**	-
Over provision in previous years	**-**	(6,721)	**-**	(6,802)
	22	(6,721)	**-**	(6,802)
Deferred tax (note 12(b))	**(18,911)**	(26,068)	**(21,782)**	(25,096)
Tax credit	**(18,889)**	(32,789)	**(21,782)**	(31,898)

29. INCOME TAX EXPENSE (CONT'D)

(c) **Tax reconciliation**

The tax on the (loss)/profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loss before taxation	**(83,057)**	(139,626)	**(93,567)**	(146,755)
Tax calculated at a rate of 15% (2018: 15%)	**(12,458)**	(20,944)	**(14,035)**	(22,013)
Income not subject to tax	**(12,238)**	(5,187)	**(13,187)**	(4,813)
Expenses not deductible for tax purposes	**18,622**	15,205	**13,636**	11,737
Over provision in previous years	**-**	(6,721)	**-**	(6,802)
Tax losses	**13,586**	15,089	**13,586**	15,089
Deferred tax credit	**(18,911)**	(26,068)	**(21,782)**	(25,096)
Utilisation of tax losses	**(7,490)**	(4,163)	**-**	-
Tax credit	**(18,889)**	(32,789)	**(21,782)**	(31,898)

30. LOSS PER SHARE

		THE GROUP	
		2019	2018
Loss attributable to owners of the parent	Rs'000	**(64,168)**	(106,837)
Number of ordinary shares in issue		**125,644,644**	125,644,644
Loss per share	Re/cs	**(0.51)**	(0.85)

31. NOTES TO THE STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) **Cash generated from operations**				
Loss before taxation	**(83,057)**	(139,626)	**(93,567)**	(146,755)
Adjustments for:				
Loss/(profit) on disposal of property, plant and equipment	**147**	(1,505)	**147**	(1,505)
Depreciation on property, plant and equipment	**60,270**	28,734	**42,568**	11,761
Amortisation of right-of-use assets	**12,551**	-	**10,268**	-
Loss on assets scrapped	**-**	73,936	**-**	73,936
Amortisation of leasehold land payments	**2,981**	2,980	**-**	-
Amortisation of intangible assets	**53**	39	**-**	-
Increase in provision for retirement benefit obligations	**2,282**	5,201	**440**	3,294
Dividend income	**-**	-	**(19,400)**	(5,000)
Interest income	**(2,374)**	(951)	**(2,374)**	(5,301)
Interest expense	**73,944**	25,917	**67,717**	19,707
Exchange losses/(gains) on borrowings	**16,334**	(10,163)	**16,317**	(9,879)
Exchange losses on loan to related parties	**-**	-	**-**	1,200
Share of profit of associate (note 10(a))	**(414)**	(194)	**-**	-
	82,717	(15,632)	**22,116**	(58,542)
Changes in working capital:				
Inventories	**(9,325)**	4,366	**(9,184)**	4,345
Trade receivables	**(111,877)**	58,893	**(104,192)**	71,952
Financial assets at amortised cost	**14,201**	(85,063)	**17,609**	(113,369)
Other current assets	**24,129**	(1,653)	**24,376**	(1,560)
Trade and other payables	**77,563**	(29,170)	**88,915**	(31,851)
Cash generated from/(used in) operations	**77,408**	(68,259)	**39,640**	(129,025)

(b) **Non-cash transactions**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(i) Property, plant and equipment				
Total acquisition of property, plant and equipment	**455,184**	649,649	**449,807**	641,339
Interest capitalised (note 5(g))	**(22,257)**	(26,935)	**(22,257)**	(26,935)
Amount paid for previous year	**3,726**	-	**3,726**	-
Amount not yet paid (note 22)	**(92,816)**	-	**(92,816)**	-
Less: acquisition using finance leases	**-**	(2,016)	**-**	(1,049)
Amount paid	**343,837**	620,698	**338,460**	613,355
(ii) Investment in subsidiary companies				
Total investment in subsidiary	**-**	-	**-**	457,245
Less: - current account capitalised	**-**	-	**-**	(106,357)
- loan receivable capitalised	**-**	-	**-**	(350,888)
Net investment in subsidiary	**-**	-	**-**	-

31. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

(c) Reconciliation of liabilities arising from financing activities

(i) **THE GROUP**

	Long term borrowings	Preference shares	Lease liabilities	Total
	Rs'000	Rs'000	Rs'000	Rs'000
2019				
Opening balance	1,269,472	-	5,292	1,274,764
Recognised on adoption of IFRS 16	-	-	218,890	218,890
Cash flows	91,000	122,050	(23,986)	189,064
Interest paid	(69,488)	-	-	(69,480)
Non-cash changes:				
- acquisition	-	-	8,618	8,618
- interest accrued	76,633	1,489	19,587	97,709
- foreign exchange movement	16,317	-	17	16,334
Closing balance	**1,383,934**	**123,539**	**228,418**	**1,735,899**
2018				
Opening balance	396,386	-	7,926	404,312
Cash flows	883,194	-	(4,595)	878,599
Non-cash changes:				
- acquisition	-	-	2,016	2,016
- foreign exchange movement	(10,108)	-	(55)	(10,163)
Closing balance	**1,269,472**	**-**	**5,292**	**1,274,764**

(ii) **THE COMPANY**

	Long term borrowings	Preference shares	Lease liabilities	Total
	Rs'000	Rs'000	Rs'000	Rs'000
2019				
Opening balance	1,269,472	-	2,937	1,272,409
Recognised on adoption of IFRS 16	-	-	148,940	148,940
Cash flows	91,000	122,050	(15,830)	197,220
Interest paid	(69,488)	-	-	(69,480)
Non-cash changes:				
- acquisition	-	-	7,443	7,443
- interest accrued	76,633	1,489	13,396	91,518
- foreign exchange movement	16,317	-	-	16,317
Closing balance	**1,383,934**	**123,539**	**156,886**	**1,664,367**
2018				
Opening balance	194,041	-	3,956	197,997
Cash flows	1,085,306	-	(2,064)	1,083,242
Non-cash changes:				
- acquisition	-	-	1,049	1,049
- interest accrued	-	-	-	-
- foreign exchange movement	(9,875)	-	(4)	(9,879)
Closing balance	**1,269,472**	**-**	**2,937**	**1,272,409**

31. NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

(d) **Cash and cash equivalents**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash in hand and at bank	**26,824**	7,663	**21,901**	6,483
Short term deposit	**-**	144,956	**-**	144,956
Cash and cash equivalents	**26,824**	152,619	**21,901**	151,439

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

Cash and cash equivalents and bank overdraft include the following for the purpose of the statements of cash flows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash and cash equivalents	**26,824**	152,619	**21,901**	151,439
Bank overdraft	**(12,969)**	(22,684)	**(10,661)**	(19,004)
	13,855	129,935	**11,240**	132,435

32. CURRENCY PROFILE

The tables below summarise the Group's assets and liabilities currency profiles as at December 31, 2019 and December 31, 2018.

(a) THE GROUP

	MRU	EURO	GBP	AUD	USD	ZAR	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
As at December 31, 2019							
Assets							
Cash in hand and at bank	1,263	17,872	5,456	86	2,147	-	26,824
Trade receivables	75,167	63,813	17,958	-	3,481	-	160,419
Financial assets at amortised cost	37,132	-	-	-	-	-	37,132
Other current assets	31,915	-	-	-	-	-	31,915
Property, plant and equipment	1,758,409	-	-	-	-	-	1,758,409
Right-of-use assets	784,602	-	-	-	-	-	784,602
Leasehold land payments	144,989	-	-	-	-	-	144,989
Intangible assets	71	-	-	-	-	-	71
Investments	2,392	-	-	-	-	-	2,392
Inventories	16,291	-	-	-	-	-	16,291
Deferred tax assets	84,870	-	-	-	-	-	84,870
Total assets	**2,937,101**	**81,685**	**23,414**	**86**	**5,628**	**-**	**3,047,914**
Liabilities							
Retirement benefit obligations	54,983	-	-	-	-	-	54,983
Trade and other payables	215,938	-	-	-	-	-	215,938
Borrowings	1,066,324	454,118	-	-	-	-	1,520,442
Lease liabilities	228,418	-	-	-	-	-	228,418
Deferred tax liabilities	173,442	-	-	-	-	-	173,442
Total liabilities	**1,739,105**	**454,118**	**-**	**-**	**-**	**-**	**2,193,223**
Net assets/(liabilities) in statements of financial position	**1,197,996**	**(372,433)**	**23,414**	**86**	**5,628**	**-**	**854,691**

(b) THE GROUP

	MRU	EURO	GBP	AUD	USD	ZAR	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
As at December 31, 2018							
Assets							
Cash in hand and at bank	149,111	775	98	63	2,572	-	152,619
Trade receivables	9,041	31,105	4,868	-	3,528	-	48,542
Financial assets at amortised cost	51,333	-	-	-	-	-	51,333
Other current assets	65,744	-	-	-	-	-	65,744
Property, plant and equipment	1,203,354	-	-	-	-	-	1,203,354
Leasehold land payments	147,970	-	-	-	-	-	147,970
Intangible assets	64	-	-	-	-	-	64
Investments	2,373	-	-	-	-	-	2,373
Inventories	6,966	-	-	-	-	-	6,966
Deferred tax assets	43,559	-	-	-	-	-	43,559
Total assets	**1,679,515**	**31,880**	**4,966**	**63**	**6,100**	**-**	**1,722,524**
Liabilities							
Retirement benefit obligations	43,350	-	-	-	-	-	43,350
Trade and other payables	52,934	-	-	-	-	-	52,934
Borrowings	860,647	436,801	-	-	-	-	1,297,448
Deferred tax liabilities	30,154	-	-	-	-	-	30,154
Total liabilities	**987,085**	**436,801**	**-**	**-**	**-**	**-**	**1,423,886**
Net assets/(liabilities) in statements of financial position	**692,430**	**(404,921)**	**4,966**	**63**	**6,100**	**-**	**298,638**

32. CURRENCY PROFILE (CONT'D)

The tables below summarise the Company's assets and liabilities currency profiles as at December 31, 2019 and December 31, 2018.

(c) THE COMPANY

	MRU	EURO	GBP	AUD	USD	ZAR	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
As at December 31, 2019							
Assets							
Cash in hand and at bank	785	14,871	4,034	64	2,147	-	21,901
Trade receivables	60,460	36,093	8,118	-	470	-	105,141
Financial assets at amortised cost	32,285	-	-	-	-	-	32,285
Other current assets	29,325	-	-	-	-	-	29,325
Property, plant and equipment	1,353,359	-	-	-	-	-	1,353,359
Right-of-use assets	655,837	-	-	-	-	-	655,837
Investments	645,567	-	-	-	-	-	645,567
Inventories	10,984	-	-	-	-	-	10,984
Total assets	**2,788,602**	**50,964**	12,152	64	2,617	-	2,854,399
Liabilities							
Retirement benefit obligations	43,590	-	-	-	-	-	43,590
Trade and other payables	198,887	-	-	-	-	-	198,887
Borrowings	1,064,016	454,118	-	-	-	-	1,518,134
Lease liabilities	156,886	-	-	-	-	-	156,886
Deferred tax liabilities	86,341	-	-	-	-	-	86,341
Total liabilities	**1,549,720**	**454,118**	-	-	-	-	2,003,838
Net assets/(liabilities) in statements of financial position	**1,238,882**	**(403,154)**	12,152	64	2,617	-	850,561

(d) THE COMPANY

	MRU	EURO	GBP	AUD	USD	ZAR	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
As at December 31, 2018							
Assets							
Cash in hand and at bank	148,660	67	77	63	2,572	-	151,439
Trade receivables	791	-	8	-	150	-	949
Financial assets at amortised cost	49,894	-	-	-	-	-	49,894
Other current assets	60,301	-	-	-	-	-	60,301
Property, plant and equipment	856,751	-	-	-	-	-	856,751
Investments	645,562	-	-	-	-	-	645,562
Inventories	1,800	-	-	-	-	-	1,800
Total assets	**1,763,759**	**67**	**85**	**63**	**2,722**	**-**	**1,766,696**
Liabilities							
Retirement benefit obligations	31,966	-	-	-	-	-	31,966
Trade and other payables	24,529	-	-	-	-	-	24,529
Borrowings	856,104	435,309	-	-	-	-	1,291,413
Deferred tax liabilities	9,238	-	-	-	-	-	9,238
Total liabilities	**921,837**	**435,309**	**-**	**-**	**-**	**-**	**1,357,146**
Net assets/(liabilities) in statements of financial position	**841,922**	**(435,242)**	**85**	**63**	**2,722**	**-**	**409,550**

33. RELATED PARTY TRANSACTIONS

(a) THE GROUP

	Sales of goods or services	Purchases of goods or services	Management income	Management fees	Interest income	Amount owed by related parties	Amount owed to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2019							
Holding company	**-**	**-**	**-**	**-**	**2,374**	**31,476**	**-**
Intermediate holding company	**-**	**2,924**	**-**	**-**	**-**	**-**	**3,234**
Fellow subsidiaries	**5,919**	**-**	**1,111**	**12,733**	**-**	**5,656**	**6,305**
Associate	**-**	**-**	**-**	**-**	**-**	**-**	**154**
	5,919	**2,924**	**1,111**	**12,733**	**2,374**	**37,132**	**9,693**
2018							
Holding company	-	-	-	-	950	39,850	-
Intermediate holding company	-	644	-	-	-	4	1,662
Fellow subsidiaries	5,824	-	974	12,407	-	11,412	1,014
Associate	-	-	-	-	-	67	-
	5,824	644	974	12,407	950	51,333	2,676

(b) THE COMPANY

	Sales of goods or services	Purchases of goods or services	Management income	Management fees	Interest income	Amount owed by related parties	Amount owed to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2019							
Holding company	**-**	**-**	**-**	**-**	**2,374**	**27,476**	**-**
Intermediate holding company	**-**	**2,924**	**-**	**-**	**-**	**-**	**3,234**
Subsidiary companies	**94**	**2,133**	**13,804**	**-**	**-**	**3,193**	**12,556**
Fellow subsidiaries	**5,919**	**-**	**1,111**	**12,733**	**-**	**1,616**	**6,305**
Associate	**-**	**-**	**-**	**-**	**-**	**-**	**154**
	6,013	**5,057**	**14,915**	**12,733**	**2,374**	**32,285**	**22,249**
2018							
Holding company	-	-	-	-	950	35,850	-
Intermediate holding company	-	644	-	-	-	4	1,662
Subsidiary companies	568	2,056	12,436	-	4,350	4,993	477
Fellow subsidiaries	5,024	-	-	12,407	-	8,980	1,014
Associate	-	-	-	-	-	67	-
	5,592	2,700	12,436	12,407	5,300	49,894	3,153

(c) The amounts outstanding are unsecured and will be settled in cash.

The Group charged interest at the rate ranging between 3.80% and 7.69% on amount owed by the holding company (2018: 4.40%). In 2018, the Company charged interest ranging between 5.00% and 7.75% (2018: 5.00% and 7.75%) on loan receivable from its subsidiary.

(d) For the year ended 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: Rs Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(e) The bank borrowings of Southern Cross Tourist Company Limited is secured by a fixed charge on the property of Solana Beach Company Limited (a wholly owned subsidiary) and a fixed charge on a parcel of land owned by The Union Sugar Estates Company Limited (the holding company).

33. RELATED PARTY TRANSACTIONS (CONT'D)

(f) **Key management personnel compensation, including directors remuneration and benefits**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Salaries and short term employee benefits	**15,046**	11,482	**12,953**	9,829
Post-employment benefits	**283**	117	**249**	36
	15,329	11,599	**13,202**	9,865

34. SEGMENT INFORMATION

Reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Company has only a reportable segment involved in hotel keeping.

The accounting policies of the operating segment are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations before tax expense.

	2019	2018
	Rs'000	Rs'000
Total segment revenues	**525,333**	331,052
Inter-segment revenues	**(2,205)**	(2,618)
Revenues from external customers	**523,128**	328,434
Segment profit	**314,571**	200,922
Unallocated corporate expenses	**-**	-
Operating profit	**314,571**	200,922
Administrative expenses	**(252,237)**	(159,327)
Exceptional item	**-**	(73,936)
Closure costs	**(62,566)**	(92,024)
Finance costs (note 26)	**(83,239)**	(15,455)
Share of profit of associate (note 10(a))	**414**	194
Loss before taxation	**(83,057)**	(139,626)
Taxation	**18,889**	32,789
Loss for the year	**(64,168)**	(106,837)

34. SEGMENT INFORMATION (CONT'D)

	2019	2018
	Rs'000	Rs'000
Interest revenue	2,374	951
Interest expense	(73,944)	(25,917)
Net interest expense	(71,570)	(24,966)
Material items of income and expense:		
- Revenue from hotel keeping	523,128	328,434
- Consumables used	(59,352)	(35,455)
- Employee benefit expense	(160,281)	(143,620)
- Structure costs	(32,807)	(15,379)
- Operating lease rental	-	(19,392)
- Marketing expenses	(40,121)	(32,253)
- Electricity and water	(23,687)	(19,785)
Investment in associates	2,325	2,311
Addition to non-current assets (other than financial instruments & deferred tax assets)	463,862	649,669
Depreciation (note 5)	60,270	28,734
Amortisation of rights-of-use assets (note 6)	12,551	-
Amortisation of leasehold land payments (note 7)	2,981	2,980
Amortisation of intangible assets (note 8)	53	39
Segment assets	3,047,914	1,722,524
Segment liabilities	(2,193,223)	(1,423,886)

Geographical information	**Revenues from external customers**		**Non-current assets**	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
France	113,682	69,408	-	-
Reunion Island	69,789	24,829	-	-
United Kingdom	64,101	32,074	-	-
Republic of South Africa	65,728	42,594	-	-
Germany	89,116	55,828	-	-
Italy	29,463	38,126	-	-
Mauritius	18,276	8,790	2,775,333	1,397,320
Others	72,973	56,785	-	-
	523,128	328,434	2,775,333	1,397,320

"Others" include revenue from individual foreign countries which are not material.
The Group's customer is highly diversified, with no individually significant customer.

35. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Property, plant and equipment - approved but not yet contracted	**-**	250,000	**-**	250,000

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

The Group leases various portions of land from the Government of Mauritius on which the hotel complexes are constructed. The lease agreements expire on July 18, 2068.

Based on the terms and conditions included in the lease agreements, the future minimum lease payments have been estimated as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Not later than one year	**-**	20,047	**-**	13,839
Later than one year but not later than five years	**-**	92,768	**-**	64,041
Later than five years	**-**	4,057,773	**-**	2,801,222
	-	4,170,588	**-**	2,879,102

36. CONTINGENCIES

Bank and other guarantees

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities would arise. The Company have given guarantees in the ordinary course of business as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Guarantee to third parties	**-**	-	**25,000**	25,000

37. CHANGES IN ACCOUNTING POLICIES

(a) **Impact on the financial statements - IFRS 16**

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

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

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

Transition Method and Practical Expedients Utilised

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

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

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

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

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

Classification under IAS 17	Right-of-use assets	Lease liabilities
All other operating leases	Leasehold land and Plant & equipment: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.	Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at January 1, 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 9.1% for leasehold land and 6.5% for other leases.
Finance leases	Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).	

37. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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

THE GROUP	Adjustments	December 31, 2018 as originally presented	IFRS 16	January 1, 2019
		Rs'000	Rs'000	Rs'000
Assets				
Property, plant and equipment	(a)	1,203,354	(11,039)	1,192,315
Right-of-use assets	(b)	-	239,629	239,629
Deferred tax assets	(c)	43,559	37,411	80,970
Other current assets	(d)	65,744	(9,700)	56,044
Liabilities				
Loans and borrowings	(e)	1,297,448	(5,292)	1,292,156
Lease liabilities	(f)	-	224,182	224,182
Deferred tax liabilities	(c)	30,154	37,411	67,565

THE COMPANY	Adjustments	December 31, 2018 as originally presented	IFRS 16	January 1, 2019
		Rs'000	Rs'000	Rs'000
Assets				
Property, plant and equipment	(a)	856,751	(3,592)	853,159
Right-of-use assets	(b)	-	159,132	159,132
Deferred tax assets	(c)	20,916	25,320	46,236
Other current assets	(d)	60,301	(6,600)	53,701
Liabilities				
Loans and borrowings	(e)	1,291,449	(2,937)	1,288,512
Lease liabilities	(f)	-	151,877	151,877
Deferred tax liabilities	(c)	30,154	25,320	55,474

(a) *The Group*

Property, plant and equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by Rs 25.225 million and accumulated amortisation by Rs 14.186 million for a net adjustment of Rs 11.039 million.

The Company

Property, plant and equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by Rs 11.070 million and accumulated amortisation by Rs 7.478 million for a net adjustment of Rs 3.592 million.

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

	THE GROUP	THE COMPANY
	Rs'000	Rs'000
Adjustment noted in (a) - finance type leases	11,039	3,592
Operating type leases	228,590	155,540
Right-of-use assets	239,629	159,132

(c) Deferred tax assets and deferred tax liabilities were adjusted to reflect the tax effect of the other adjustments recorded.

37. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(d) Lease payments made as at the date of initial application were transferred from other current assets to right-of-use assets.

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

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

	THE GROUP	THE COMPANY
	2019	**2019**
	Rs'000	Rs'000
Minimum operating lease commitment at December 31, 2018	4,170,588	2,879,102
Less: adjustment to rentals based on future increase in Consumer Price Index	(3,220,023)	(2,232,308)
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(731,675)	(497,854)
Plus: leases previously classified as finance type under IAS 17	5,292	2,937
Lease liability as at January 1, 2019	**224,182**	**151,877**
Of which are:		
Current lease liabilities	22,252	14,268
Non-current lease liabilities	201,930	137,609
	224,182	**151,877**

38. EVENTS AFTER THE REPORTING PERIOD

Overall risk to operations

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

With a complete travel ban in Mauritius since March 19, 2020, the hospitality industry in Mauritius is currently facing an unprecedented existential crisis with huge and evolving challenges. It is expected that the Group's revenue and results for the year 2020 will be negatively impacted with cancelled bookings and uncertainty regarding future bookings due to volatile market conditions. Recovery in demand can be assumed to follow once travel bans are lifted worldwide and as the pandemic and economic crisis subside. However, such recovery will take time.

The Group has determined thet these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. Whist the Government and Bank of Mauritius have responded with monetary and fiscal interventions to stabilise the economic conditions, their effectiveness are currently unknown. Also, the duration and impact of the COVID-19 pandemic remain uncertain. As such, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company and Group for future periods.

Customer defaults

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

39. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

With the impact of COVID-19 pandemic, the Group will face major challenges with lost revenue and disruptions in its supply chain. Management has set up a Crisis Commitee to devise strategies to reduce costs and is working in close collaboration with AHRIM and the Authorities. Several hospitality industry support measures are being finalised to that effect to provide both financial and non-financial assistance to the industry. The Group expects to meet its cashflow and working capital requirements with deferrals of payment to its creditors, costs containment, and low-interest loan from BOM Special Relief Amount, amongst others. Pending the lifting of travel restrictions and the re-opening od airports in Europe, revenue is expected to derive mostly from the local and regional market segments.

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

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