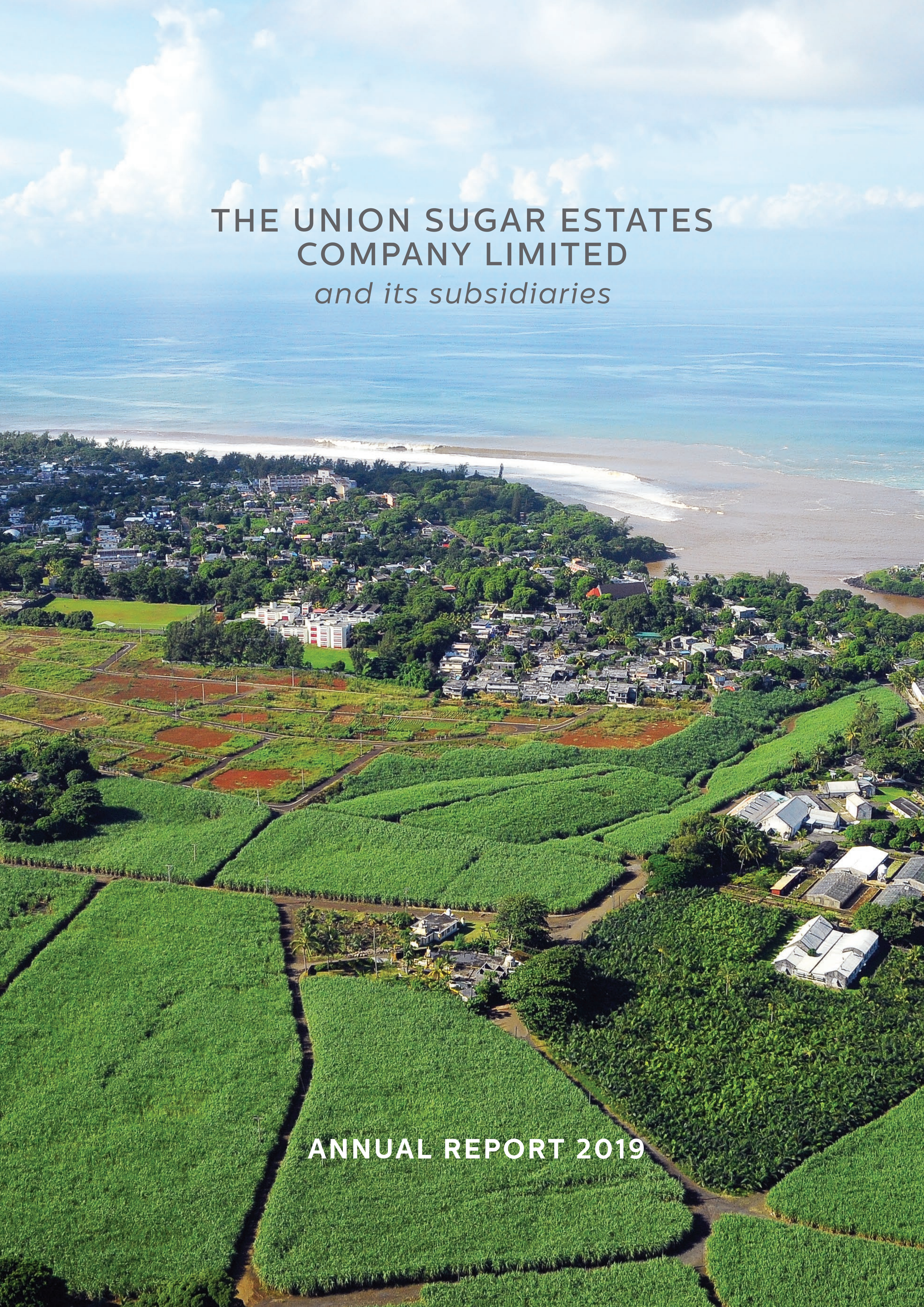
THE UNION SUGAR ESTATES COMPANY LIMITED

and its subsidiaries



ANNUAL REPORT 2019

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of The Union Sugar Estates 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

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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
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*
Christophe CURÉ	*Group Property Manager*
Pierre Yves MONGELARD	*Group Agricultural Manager*
Arnaud GUIBERT	*Administrative Manager, The Union Sugar Estates Company Limited*

Registered Office:
Union Ducray
Rivière des Anguilles
Republic of Mauritius
Tel : (230) 626 2248
Fax : (230) 625 2541
Website : www.cbvl.mu

Corporate Office:
Riche En Eau
St Hubert
Tel : (230) 633 7310
Fax : (230) 633 5244

Company Secretary:
Navitas Corporate Services Ltd
Navitas House
Robinson Road
Floréal
Tel: (230) 670 7277
Fax: (230) 698 5351

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

Internal Auditors:
UHY Advisory Ltd
Duke of York Street
Champs de Mars
Port Louis

External Auditors:
BDO & Co
10, Frère Felix de Valois Street
Port Louis

MAIN BANKER:
The Mauritius Commercial Bank Ltd
Sir William Newton Street
Port Louis

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

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

CHAIRMAN'S STATEMENT

Dear Shareholder,

Please find hereafter, on behalf of the Board of Directors, the audited Financial Statements of The Union Sugar Estates Company Limited and its subsidiaries (USE) for the year ended 31 December 2019.

We are pleased with the good performance of the group in 2019 as it finished the year with an operating profit of Rs 44.5m compared to a loss of Rs 21m last year, whilst loss for the year decreased from Rs 144m to Rs 66m in 2019. Turnover of the group rose by a further Rs 199.1m to reach Rs 691.2m in 2019, representing an increase of 40% with the re-opening of the Preskil in May 2019.

Both our agro and hospitality segments performed well in 2019. The agro segment recorded an increase in revenue of Rs 4.1m mainly derived from its diversification activities, whist overall revenue from sugar activities were at par with last year. Operating results improved from a loss of Rs 47m in 2018 to a profit of Rs 1m in 2019, which was mainly due to a favourable variance of Rs 19m arising from the fair value movement in standing cane coupled with a decrease in expenses and impairment of bearer plants.

With regards to the hospitality segment, the results have significantly improved with revenue amounting to Rs 542m in 2019 compared to Rs 347m last year whilst operating profit rose from Rs 41m to reach Rs 61m this year. This was mainly attributable to the reopening of Preskil Island Resort as a 4-star plus family resort since mid-May 2019, which was a success with an average occupancy rate of 78.4% over 7.5 months. Preskil has achieved satisfactory results in 2019 and exceeded budgeted figures. Regarding Solana Beach Mauritius (Solana), despite a year-on-year decrease of 1.1% in tourist arrivals, Solana registered an improved occupancy rate of 83.8% (2018: 79.1%). Revenue at Solana rose by Rs 20m, representing a growth of 9.8% whilst gross profit was up by 13.2% and profit after tax picked up from Rs 13m last year to reach Rs 26m in 2019. The combined occupancy rate in both resorts stood at 81% compared to the industry average of 73% for year 2019.

The future of the sugar sector is uncertain and challenging on account of the current low sugar prices and rising costs of production. However, considering the strategic importance of this industry from a macroeconomic perspective, we strongly believe that a profound restructuring of the sector is an absolute necessity to ensure its future viability. The Board is very much conscious that courageous decisions and innovative action need to be taken to address this challenge and to ensure the future viability of this sector. Emphasis must also be laid on the production of additional special sugars as well as diversification towards more remunerative markets such as countries forming part of the SADC and COMESA bloc. It is to be highlighted that the Government of Mauritius has enlisted the services of the World Bank to carry out a thorough study of the sugar cane sector and the outcome is expected to be finalised by the end of year 2020. Furthermore, a national biomass framework is also under discussion with the Authorities with the aim to provide incentives for the use of cane biomass for electricity generation.

As far as the hospitality segment is concerned, 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 currently 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 hotels' results and cash flows for future periods.

It is important to highlight that, in February 2020, USE has distributed all ordinary shares held in Southern Cross Tourist Company Limited (SCT) to its shareholders. This was done to unlock shareholder value and compel USE to find new and profitable avenues of growth. Furthermore, the results of SCT will not impact on USE Group's performance in year 2020.

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 also wish to point out that the objective of disposing of non-core assets is still high on our agenda. This will allow us to generate additional cash flows to compensate for the loss currently being sustained on the agro segment as well as providing funds for future investment and debt servicing.

I wish to express my sincere thanks to the shareholders for their continued trust and to the Group Chief Executive Officer, the management team and all the staff for their commitment and hard work.

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

Gérard GARRIOCH
Chairman

May 12, 2020

REPORT OF THE GROUP CHIEF EXECUTIVE OFFICER

Dear Shareholder,

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

FINANCIAL HIGHLIGHTS

	2019 Rs'm	2018 Rs'm	2017 Rs'm	2016 Rs'm	2015 Rs'm
Revenue	691.2	492.1	735.5	737.7	700.7
Operating profit/(loss)	44.5	(21.0)	(30.9)	28.6	(3.7)
(Loss)/profit before tax	(83.8)	(178.0)	(95.9)	8.1	(32.9)
(Loss)/earnings per share (Rs)	(2.89)	(6.66)	(5.38)	0.22	(1.69)
Share capital	18.9	18.9	18.9	18.9	18.9
Total equity	2,410.4	1,560.5	1,683.2	1,805.1	1,798.5
Shareholders' interests	2,294.6	1,542.0	1,657.6	1,778.8	1,774.8
Total assets	5,102.2	3,397.1	2,690.9	2,788.4	2,827.8
Net asset per share (Rs)	121.4	81.6	87.7	94.1	93.9

REVIEW BY BUSINESS UNITS

The Union Sugar Estates Company Limited

Revenue increased from Rs 129.1m in 2018 to Rs 133.2m in 2019 representing a gain of Rs 4.1m. This was mainly due to an increase in turnover of Rs 4.3m arising from other operating activities. Revenue from sugar activities was stable and amounted to Rs 84m for both years. Lower revenue from bagasse was mitigated by the higher compensation received from the Sugar Insurance Fund Board.

Revenue from sugar has increased marginally from Rs 55.9m in 2018 to Rs 57.9m in 2019 despite an increase in the price of sugar from Rs 8,700/tonne in 2018 to Rs 10,000/tonne this year (estimated) following the abandonment of 225 hectares of manual fields.

However, despite the decrease in area harvested, the tonnage of canes harvested in 2019 was slightly higher than in 2018 by 1.4% (78,284 tonnes v/s 77,219 tonnes). In 2019, cane yield was exceptional and stood at 103.6 tonnes/ha compared to 84.6 tonnes/ha in the previous year, but the resulting 22.5% increase in cane yield was adversely impacted by a drastic decrease in the extraction rate from 10.30% in 2018 to 9.48% in 2019. Nevertheless, the resulting sugar yield stood at a commendable 9.82 tonnes/ha compared to 8.71 tonnes/ha in 2018. Total sugar accruing stood at 5,786 tonnes; a decrease of 416 tonnes (6.7%) compared to last year.

Sugar Price Statistics for the last 5 years were as follows:

	2019 (est.)	2018	2017	2016	2015
Sugar price (Rs/Tonne)	10,000	8,700	10,717	15,572	13,166

Crop statistics for the last 5 years were as follows:

	2019	2018	2017	2016	2015
Area Harvested (Hectares)	756	912	965	990	967
Cane Tonnage (Tonnes)	78,284	77,219	84,568	92,590	87,553
Cane Yield (Tonnes/Ha)	103.6	84.6	87.6	93.5	90.5
Extraction rate (%Sugar/Cane)	9.48	10.30	9.55	10.21	9.34
Sugar accruing (Tonnes)	5,786	6,202	6,301	7,375	6,380
Sugar Yield (Tonnes/Ha)	9.82	8.71	8.37	9.55	8.46

Agricultural income for year 2019 amounted to Rs 44.9m and reflected an increase of Rs 4.7m compared the Rs 40.2m recorded in 2018.

In 2019, the cultivation of potatoes was carried out on 70.3 hectares and 1,647 tonnes were harvested. The favourable climatic conditions enabled us to maintain a relatively good performance. The decent yield combined with a higher price obtained on the market compared to year 2018 contributed to increase our turnover by some Rs 4.2m.

Harvest results of potatoes for the last 5 years were as follows:

	2019	2018	2017	2016	2015
Area harvested(Ha)	70.3	57.3	64.1	61.7	68.80
Area harvested mechanically (Ha)	46.4	22.0	23.51	22.39	21.14
Tonnage (Tonnes)	1,647	1,513	1,629	968	1,034
Average yield (Tonnes/Ha)	23.4	26.4	25.4	15.7	15.0

The revenue from ground nuts rose by Rs 1.4m over last year due to an increase in the area available for cultivation. Revenue derived from the sale of palm hearts was encouraging whereas sale of vegetables and ornamentals were subdued, and the overall revenue decreased by Rs 0.9m over last year.

Operating loss for the company decreased from Rs 54.3m in 2018 to Rs 6.9m in 2019 due to a favourable variance of Rs 19.4m arising from standing cane valuation and a reduction of Rs 12.2m in costs. It is to be noted that impairment of bearer plants curbed from Rs 16.5m in 2018 to Rs 4.7m in 2019.

SIE Act/2000 arpents scheme:
Following the agreement between the MSPA and the government in 2007, Union SE has already given 20.08 arpents to the government for residential projects out of the total area of 30.49 arpents pertaining to Union SE. As far as the remaining 10.41 arpents are concerned, the site has already been identified and agreed and the legal transfer procedures are underway.

Southern Cross Tourist Company Limited and its subsidiaries

The performance of Solana Beach Mauritius (Solana) has been satisfactory for year 2019. Following the termination of exclusivity in the UK and German markets since previous years, 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.

Southern Cross Tourist Company Limited and its subsidiaries (Cont'd)

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.

Union Corporate Limited

Union Corporate Limited, a fully owned subsidiary of The Union Sugar Estates Company Limited, acts as the corporate office of the group and of its related companies by offering finance and accounting, treasury management, human resources services, land surveying and property development services. The property department has the responsibility for the management of the land holdings and property assets of the group which include the identification, design and development of new property projects likely to generate additional future revenue for the group. In view of the future development strategy of the Group and various projects in the pipeline, the company has consolidated its team with additional recruitment in the sales department. The company secretarial services on the other hand are outsourced to Navitas Corporate Services Ltd since May 2009.

The company's turnover is made up of management fees which amounted to Rs 38.4m compared to Rs37.4m in 2018. Net profit before exceptional item amounted to Rs 24.5k compared to Rs 211.9k in 2018.

Les Lodges D'Union Ltée

Les Lodges d'Union, comprising of Andrea and L'Exil lodges, with 10 rooms each, operate in a very specific niche market consisting mainly of local residents who constitute a major part of the company's client base. Andrea lodge is a highly appraised venue for quad biking activities, which are operated by a third-party service provider. It is to be noted that the commission receivable on the quad biking activities has dropped in year 2019 due to a decline in tourists from China and loss of business due to high competition. The contract agreement was thus revised to maintain the sustainability of the quad biking business.

Regarding L'Exil lodge, it is to be noted that the property is rented to a third-party operator since February 2017.

Les Lodges D'Union registered a turnover of Rs 15m which was at par with year 2018 whilst gross profit increased from Rs 5.6m last year to Rs 6.4m in year 2019. Profit for the year amounted to Rs 1m in 2019 compared to Rs 3.7m in 2018.

OUTLOOK

The sugar industry of Mauritius remains under pressure due to low sugar prices on both European and world markets as well as increased costs of production. The Government of Mauritius has commissioned a study from the World Bank aiming at restructuring the sugar sector in Mauritius with a series of mitigating and support measures that are expected to be finalised before year end 2020. A biomass framework is under consideration by the Authorities and its application should contribute to the sustainability of the sugarcane industry.

Regarding the hospitality segment, it is worth mentioning that the performance of SCT Group 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.

However, the above will not impact on USE group's results in year 2020 as in February 2020, USE has distributed all the ordinary shares held in Southern Cross Tourist Company Limited to its shareholders.

ACKNOWLEDGEMENT

I wish to express my sincere thanks to the chairman Mr Gérard Garrioch for his continued trust and fruitful collaboration. My appreciation is also extended to the board members for their support and guidance throughout the year, to the management team and all employees for their hard work, dedication and contribution to the achievements of the Group.

Thierry MERVEN
Group Chief Executive Officer

May 12, 2020

The Board of Directors of The Union Sugar Estates Company Limited ('USE' or the 'Company') is pleased to present the Annual Report together with the audited consolidated financial statements of the Company and its subsidiaries, collectively referred to as the "Group" for the year ended December 31, 2019.

NATURE OF BUSINESS

The main activity of the Company is growing and cultivation of sugar canes.

The subsidiaries are mainly engaged in hotel keeping and catering.

DIRECTORS

The Directors of the Company for the year under review are:
Gérard GARRIOCH - *Chairman*
Thierry MERVEN - *Group Chief Executive Officer*
Patrice DOGER DE SPEVILLE
Jacques MARRIER D'UNIENVILLE
Jean-Marc ULCOQ
Jacques HAREL

The list of Directors of the subsidiaries is disclosed on page 30.

DIRECTORS' SERVICE CONTRACT

As at December 31, 2019, all Directors of the Company have no service contracts.

Save for Mr. Robert Doger de Speville who has a service contract with Southern Cross Tourist Company Limited with an expiry term, the other Directors 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 Directors				
Thierry Merven	**170**	170	**120**	130
Non-Executive Directors				
Gérard GARRIOCH	**180**	180	**120**	130
Patrice DOGER DE SPEVILLE	**200**	180	**120**	130
Jacques MARRIER D'UNIENVILLE	**190**	150	**110**	120
Jean-Marc ULCOQ	**210**	200	**120**	130
Jacques HAREL	**130**	52	**120**	52
Maurice BONIEUX	**N/A**	*108	**N/A**	*78
	1,080	1,040	**710**	770

** Mr. Maurice BONIEUX resigned on August 8, 2018*

	From Respective Subsidiaries	
<u>**Southern Cross Tourist Company Limited**</u>	**2019**	2018
	Rs'000	Rs'000
Executive Directors		
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 of consultancy fees.*
*** Mr. Maurice BONIEUX resigned on August 8, 2018.*

None of the Directors received any remuneration and benefits from the other 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	**19**	16	**7**	16

AUDITORS' FEES

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees	**1,729**	1,675	**830**	805
Other services:				
- Review for implementation of IFRS16	**75**	-	**-**	-
- Turnover certificate and certificate for transfer of fund	**60**	-	**-**	-
	135	-	**-**	-

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') **:** The Union Sugar Estates Company Limited ('the Company' or 'USE')

Reporting period **:** December 31, 2019

On behalf of the Board of Directors of USE, 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').

USE 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
  - Organisational Chart and 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

Date: May 12, 2020

COMPANY PROFILE

The Company, incorporated on July 4, 1913 in the Republic of Mauritius, is a Public Interest Entity as defined by the Financial Reporting Act 2004.

Initially set up as a sugar cane miller-planter, USE has paved its way into the hospitality sector over the years as part of its diversification strategy and is listed on the Development Enterprise Market ('DEM') of the Stock Exchange of Mauritius Ltd since August 4, 2006.

Upon recommendation of the Board of Directors, a Special Meeting of the shareholders was convened on 30th December 2019 at 10.00 hours for the purpose of considering and if deemed fit, to approve:

- THAT the existing 18,900,000 ordinary shares of Rs.1/- each of the Company be converted into 18,900,000 ordinary shares of no par value pursuant to Section 47(3) of the Companies Act 2001;

- THAT subsequently, the stated capital of the Company be reduced from Rs.18,900,000/- to Rs.1,890,000/- without affecting the number of ordinary shares in issue; and

- THAT the above-mentioned reduction of stated capital be settled by way of distribution to the shareholders of USE of the entire ordinary shares of Southern Cross Tourist Company Limited ("SCT") held by the Company in the proportion of 5.418531852 ordinary shares of SCT for each ordinary share held in the Company.

However, on 30th December 2019 at 09.00 hours, the Mauritius Meteorological Services has issued a cyclone warning class 3 for the Island and hence, the above mentioned Special Meeting of Shareholders could not be held and had been rescheduled for 24th January 2020 at 10.00 hours.

At the said Special Meeting of shareholders of the Company held on 24th January 2020, the shareholders have approved that the existing 18,900,000 ordinary shares of Rs.1/- each of the Company be converted into 18,900,000 ordinary shares of no par value and that subsequently, the stated capital of USE be reduced from Rs.18,900,000/- to Rs.1,890,000/- without affecting the number of ordinary shares in issue.

The shareholders of the Company have also approved that the said reduction in capital be settled by way of distribution of 102,410,252 ordinary shares of SCT held by the Company in the proportion of 5.418531852 ordinary shares of SCT for each ordinary share held in USE as at 12th February 2020. It has also been resolved that the number of shares would be rounded down to the nearest integer when fraction occurs and that the proceeds of the fractional shares be bundled together and added to the CSR contribution of USE.

Principle 1: Governance Structure

The Board and Management of USE 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:
- USE'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; and
- the DEM Rules of The Stock Exchange of Mauritius.

Principle 1: Governance Structure (Cont'd)

The Directors and Management of USE 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.

Besides, 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, even when there is no written job description/position statement, every person holding a senior governance position within the Company is fully aware of his/her key responsibilities.

CONSTITUTION

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

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

A copy of USE'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

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

The Board of USE consists of one (1) Executive, four (4) Non-Executives and one (1) Independent 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 USE 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

As at December 31, 2019, the Board of USE was composed as follows:

Name of Directors	Category
Gérard GARRIOCH *(Chairman & 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)*	Independent 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 an additional Executive Director 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 USE are of the same gender and are all ordinarily resident of Mauritius.

USE 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.

USE 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, USE 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 USE'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;
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 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 USE and in case of equality of votes, the Chairman has a casting vote.

For the year under review, the Board met three (3) 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 USE 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 USE 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*	Independent 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 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 USE'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 USE, 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 & Chairman of the Group Corporate Governance Committee)*	NECB	3 out of 3	N/A	1 out of 1
Thierry MERVEN *(Group Chief Executive Officer)*	ED	3 out of 3	4 out of 4*	1 out of 1
Patrice DOGER DE SPEVILLE	NED	3 out of 3	4 out of 4	N/A
Jacques MARRIER D'UNIENVILLE	NED	2 out of 3	4 out of 4	N/A
Jean-Marc ULCOQ *(Chairman of the Group Audit & Risk Committee)*	INED	3 out of 3	4 out of 4	N/A
Jacques HAREL (as from August 7, 2019)	NED	3 out of 3	N/A	N/A
In attendance				
Ashwin FOOGOOA	N/A	1 out of 1	N/A	N/A
Christel CHAN YAM FONG	N/A	3 out of 3	4 out of 4	N/A
Fabio MEO	N/A	2 out of 3	1 out of 1	N/A
Arnaud GUIBERT	N/A	2 out of 3	1 out of 1	N/A

** In attendance – not a member*

ED: Executive Director
INED: Independent Non-Executive Director
NECB: Non-Executive Chairman of the Board
NED: Non-Executive Director

Principle 3: Directors' 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
- Southern Cross Tourist Company Limited

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
- Southern Cross Tourist 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 institutions.

Other directorships in listed companies:
- Compagnie de Beau Vallon Limitée
- Southern Cross Tourist Company Limited

Jacques MARRIER D'UNIENVILLE, *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 April 1, 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
- Southern Cross Tourist Company Limited

DIRECTORS' PROFILES (CONT'D)

Jean-Marc ULCOQ, *Independent 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 Group Audit & Risk Committee of several companies in Mauritius.

Other directorships in listed companies:
- Compagnie des Villages De Vacances De L'Isle De France Limitée (COVIFRA)
- Southern Cross Tourist Company Limited

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.

Other directorship in listed companies:
- Compagnie de Beau Vallon Limitée
- Southern Cross Tourist Company Limited

PROFILES OF THE SENIOR MANAGEMENT TEAM

Thierry MERVEN, *Group Chief Executive Officer*

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

Ashwin FOOGOOA, *Group Chief Financial Officer (since 18th November 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.

PROFILES OF THE SENIOR MANAGEMENT TEAM (CONT'D)

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.

Christophe CURÉ, *Group Property Manager*
Mr. Curé holds a Bachelor of Civil Engineering from Georgia Institute of Technology in Atlanta. Mr. Curé has 21 years of working experience in the construction and property management fields, including 16 years at management level. He acted as Executive Director of IC Engineering, a subsidiary of Trimetys Ltd, from January 2007 to May 2016 and also acted as Technical & Development Director of Trimetys as from October 2017 to May 2016. Mr. Curé joined Compagnie de Beau Vallon Limitée as Group Property Manager since 2016 and is in charge of the Property cluster.

Pierre Yves MONGELARD, *Group Agricultural Manager*
Mr. Mongelard joined the sugar sector in 1976 and accounts for more than eighteen years' experience at managerial level. Mr. Mongelard holds a diploma of proficiency in Tropical Horticulture from the Rotary Farm School and a certificate in Supervisory Management Studies of the UK Institute for Supervision and Management. He is currently the Agricultural Manager and the Head of Garage and Transport of both Compagnie de Beau Vallon Limitée and The Union Sugar Estates Company Limited.

Arnaud GUIBERT, *Administrative Manager, The Union Sugar Estates Company Limited*
Mr. Guibert joined USE in 1990 as Assistant Accountant and was awarded a Diploma in Management from the University of Mauritius in 1996. He was promoted to the post of Accountant in 1998 and has been appointed Administrative Manager in October 2013.

GROUP 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 Group 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 USE.

DIRECTOR'S INDUCTION

USE 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 USE.

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 be 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.

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

SUCCESSION PLANNING

USE 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

The Directors of USE 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 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.

The Group 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 USE'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 38 of 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 and that sufficient resources be allocated 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 USE 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' IMDEMNITY 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 the 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 Independent Non-Executive Directors, the Non-Executive Directors, the Executive Director and the Management staff.

USE'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. However, USE has shared remuneration of the Group Chief Executive Officer which has been accounted as management fees in the Financial Statements.

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 9 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 USE

The Directors of USE 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 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 USE.

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 USE 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 hold shares in USE are disclosed in the table below:

	Direct Interest		Indirect Interest
Name of Directors	**No. of shares**	**%**	**%**
Gérard GARRIOCH *(Chairman)*	-	-	-
Thierry MERVEN *(Group Chief Executive Officer)*	-	-	-
Jacques MARRIER D'UNIENVILLE	-	-	-
Patrice DOGER DE SPEVILLE	-	-	-
Jean-Marc ULCOQ	-	-	-
Jacques HAREL	-	-	-

	Direct Interest		Indirect Interest
Name of Members of Senior Management	**No. of shares**	**%**	**%**
Ashwin FOOGOOA	-	-	-
Christel CHAN YAM FONG	-	-	-
Christina LEVALLOIS	-	-	-
Fabio MEO	-	-	-
Christophe CURE	-	-	-
Pierre Yves MONGELARD	-	-	-
Arnaud GUIBERT	-	-	-

Principle 5: Risk Governance and Internal Control

The Board of USE 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 the Group's risk management and control environment. Its objective is to provide reliable, valued and timely assurance to the Board, the Audit Committee, and Executive Management over the effectiveness of controls, mitigating current and evolving high risks and in so doing enhancing the controls culture and adding value within the Group's activities.

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

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

The audit assignments carried out by UHY Advisory Ltd for the year under review were:
- Union Sugar Estates - Internal Audit of financial close process and follow-up of procurement to payment processes;
- Andrea Lodges - Health Check of the finance and operational processes (Revenue and debtors, Procurement to payment, management of petty cash and store management);
- Preskil Island Resort - Walkthrough of stock management, food and beverage, front office and procurement to payment processes and follow-up of procurement to payment processes carried out in September 2019 following the revovation;
- 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 May 2019, August 2019 and November 2019. A number of recommendations have been made and agreed by management to strengthen existing controls.

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, USE 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 on pages 56 to 60 of the Financial Statements.

Operational risk - These risks are defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events.

The cane industry has been subject to various challenges over the past years and has witnessed an increased volatility in the sugar price, a reduction in the area available for cane cultivation as well as a scarcity of a skilled labour force associated with an increasing cost of operations. This has called for a change in the way our sugar activity is conducted in order to improve efficiency and ensure sustainability of operations.

The Mauritius Sugar Syndicate, which is the sole authorised body to market and sell sugar for the account of all producers in the industry, ensures that the best price is obtained on our behalf following negotiations effected for the sale of the bulk sugar production of the island. In order to mitigate the risks associated with the dismantling of the sugar quota regime in year 2017, consultations and discussions have started in order to bring more value creation through the production of additional special sugars as well as diversification towards more remunerative markets such as countries forming part of the SADC and COMESA bloc.

The Company has implemented a mechanisation program over the last decades which have now attained more than 80 percent of the total area under cane cultivation. This has contributed in mitigating the adverse effects associated with the non-availability of a skilled labour force as well as with a rising costs of operations. The company is committed to be at the forefront of mechanisation through investment in new technologically advanced machinery and equipment which will increase efficiency of operations and reduce costs.

Risk associated with sugar production - The risks associated with sugar production can be classified under risks related to abiotic factors (drought, cyclones, fires and floods) and risks related to biotic factors (pests and diseases). The risks associated with abiotic factors are covered by insurance. Good production-management systems mitigate the risks associated with biotic factors.

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

Strategic risks and Business risks – These risks arise due to inappropriate business decisions or inadequate future business strategies in relation to the operating environment. The risk is usually caused by inflexible cost structures, changes in the business environment, Government or international regulatory decisions.

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 USE 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 key stakeholders to assess the USE's position, performance and outlook.

Please refer to the Statement of Directors' Responsibilities found on page 33 of the Annual Report.

ENVIRONMENT, HEALTH AND SAFETY POLICY

USE abides by the Occupational Safety and Health Act 2005 general rules and regulations governing 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.

USE is currently looking into ways of reducing carbon emission in order to be in line with international standards (among which sugar cane burning has been reduced in line with the EU requirements).

SOCIAL ISSUES AND CORPORATE SOCIAL RESPONSIBILITY ("CSR")

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

For the year under review, the CSR contribution was made at Group level through USE's subsidiaries and amounted to Rs.41,791(2018: Rs.32,208).

CHARITABLE & POLITICAL CONTRIBUTIONS

Donations made by the Company were as follows: -

Category	2019 Rs	2018 Rs
Charitable	**7,000**	16,000
Non-Charitable*	**-**	-

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 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 Auditors. 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 meetings.

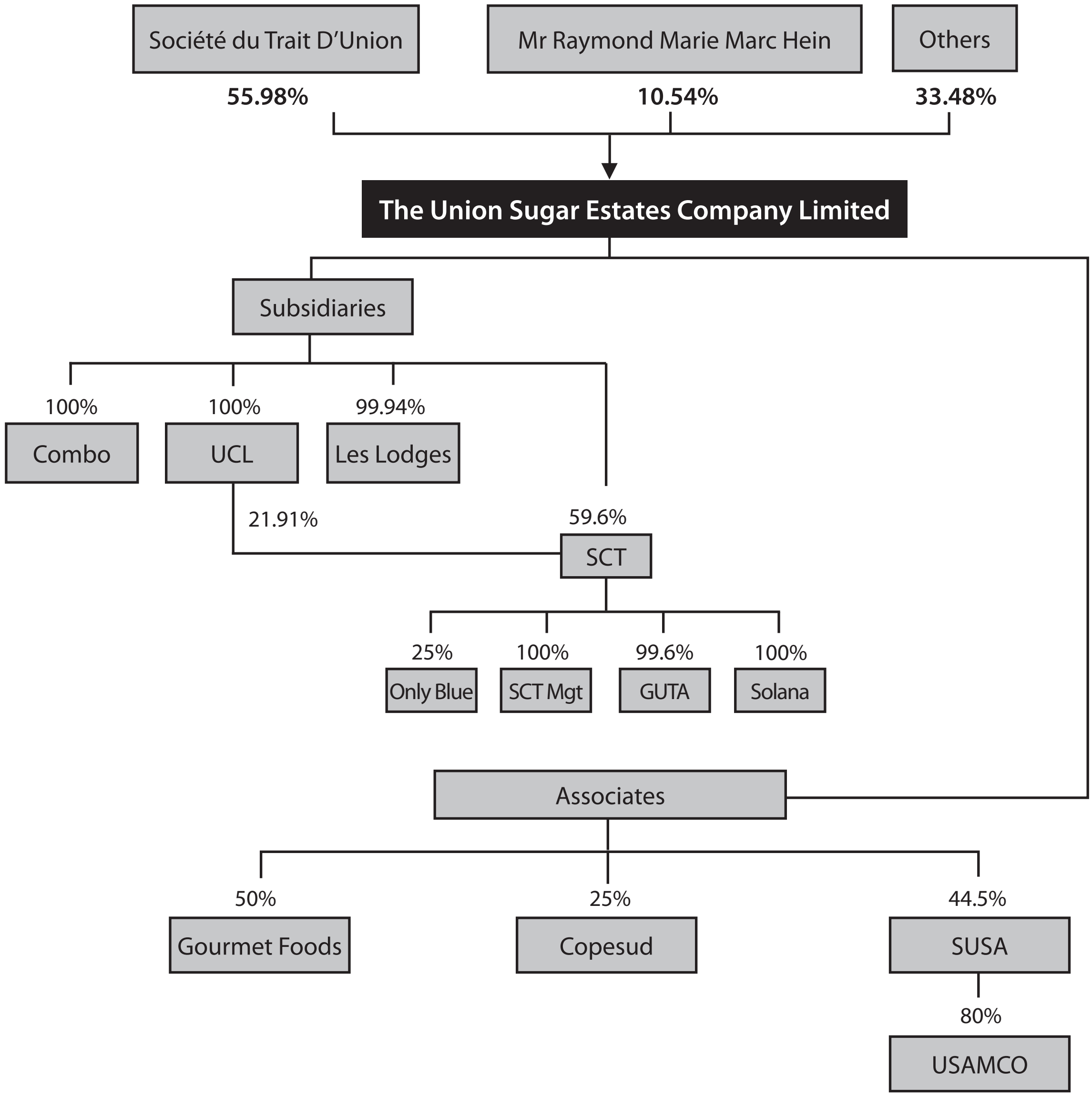
The Audit Committee has discussed the significant audit issues in relation to the financial statements and these have been disclosed as Key Audit Matters on page 34.

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

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

HOLDING STRUCTURE

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



Abbreviations

Combo	: Combo Property Company Limited
Copesud	: Copesud Ltée
Gourmet Foods	: Gourmet Foods Ltd
GUTA	: Groupe Union Training Academy Ltd
Les Lodges	: Les Lodges D'Union Ltée
Solana	: Solana Beach Company Limited
SCT	: Southern Cross Tourist Company Limited
SCT Mgt	: Southern Cross Management Co Ltd
SUSA	: Société Union St Aubin
Only Blue	: Only Blue Co Ltd
UCL	: Union Corporate Limited
USAMCO	: Union St. Aubin Milling Company Limited

DIRECTORS IN SUBSIDIARIES/COMMON DIRECTORS

The names of the Directors in subsidiaries /common Directors are as follows:

Name of Directors	Combo	UCL	GUTA	Les Lodges	SCT	SCT Mgt	Solana
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					√		

SUBSTANTIAL SHAREHOLDERS

The stated capital of the Company as at December 31, 2019 was Rs.18,900,000/- divided into 18,900,000 ordinary shares Re.1.00 each.

As at December 31, 2019, USE had 186 Shareholders on its share registry and the following Shareholders held more than 5% of its share capital, namely:

Name of shareholder	No. of ordinary shares	% Holding
Société du Trait D'Union	10,580,918	55.98%
Mr Raymond Marie Marc Hein	1,992,848	10.54%

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 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 of the Company.

DIVIDEND POLICY

The Board of Directors of USE has not adopted any formal dividend policy. Payment of dividends is subject to the profitability of USE 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, USE 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

USE's Share Registry and Transfer Office are administrated by MCB Registry & Securities Limited.

Shareholders 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 category of Shareholders at December 31, 2019 were as follows:

No. of shareholders	Size of shareholding	Number of shares Held	% Holding
104	1 – 500 shares	11,750	0.06
20	501 - 1,000 shares	15,902	0.08
22	1,001 - 5,000 shares	63,030	0.33
3	5,001 - 10,000 shares	18,175	0.10
12	10,001 - 50,000 shares	262,496	1.40
5	50,001 - 100,000 shares	289,247	1.53
11	100,001 - 250,000 shares	2,217,683	11.73
3	250,001 - 500,000 shares	1,124,720	5.95
3	500,001 - 1,000,000 shares	2,323,231	12.29
2	Over 1,000,000 shares	12,573,766	66.53
186		**18,900,000**	**100.00**

No. of shareholders	Category of shareholders	Number of shares Held	% Holding
154	Individuals	6,298,013	33.32
4	Investment and Trust Companies	78,711	0.42
28	Other Corporate Bodies	12,523,276	66.26
186		**18,900,000**	**100.00**

SHARES IN PUBLIC HANDS

In accordance with the DEM Rules of the Stock Exchange of Mauritius Ltd, at least 10% of the shareholding of USE is in the hands of the public.

EMPLOYEE SHARE OPTION PLAN

The Group has no Employee Share Option Plan.

THIRD PARTY MANAGEMENT AGREEMENT

The Shareholders' agreement entered between Inicia Ltée and USE in respect of Gourmet Foods Ltd dated August 19, 2011 is still valid.

SHARE PRICE INFORMATION

The market value per ordinary share was Rs.31.00 as at December 31, 2019 as compared to Rs.29.00 as at December 31, 2018.

WEBSITE

In order to be compliant with the requirements of the Code, USE will be using the website of its main shareholder, namely Compagnie de Beau Vallon Limitée (www.cbvl.mu), to communicate with its shareholders and stakeholders.

TIME TABLE OF IMPORTANT EVENTS

May 2020	Publication of Abridged Audited Financial Statements for the year ended December 31, 2019
June 2020	Annual Meeting of the Shareholders
July 2020	Publication of first 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

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 Group 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 The Union Sugar Estates Company Limited and its subsidiaries (the Group), and the Company's separate financial statements on pages 38 to 108 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 38 to 108 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.

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.

KEY AUDIT MATTER	AUDIT RESPONSE
Valuation Land and Buildings	
We focused on this area due to the size of land and buildings in the statements of financial position. As at December 31, 2019, the net book value of freehold and leasehold Land and Buildings, including Right-of-Use amounted to Rs.4,254 million and represented 83% of total assets of the Group. All Property, plant and equipment are measured initially at cost, with 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 last valuation was done on June 30, 2019 and directors confirmed that the fair value of land and buildings has not increased significantly since then.	We have reviewed the key inputs to the valuation of land by comparing the values used by the valuer to market reports on land 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 notes 5(e) of the consolidated financial statements.
Gearing for the Group	
The Group is highly geared (net debt at December 31, 2019: Rs.1,946.516 million, 2018: Rs.1,350.293 million), has regular debt repayments and restrictive covenants over its debts. Management and the Board prepare a cash flow forecast and undertake sensitivity analysis of the key assumptions to verify that the Group can generate sufficient cash flows to repay its debts.	-We reviewed the detailed cash flow forecasts prepared by management. -We have tested the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes; - We tested the appropriateness of the assumptions that had the most material impact. In assessing these assumptions, we took account of actual results, external data and market conditions; - We tested the arithmetic integrity of the calculations including those related to management's sensitivities. - We agreed the sources of liquidity and uses of funds to supporting documentation.

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 The Union Sugar Estates 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
Port-Louis, Mauritius.

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

May 12, 2020

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019

		THE GROUP		THE COMPANY	
	Notes	**2019**	2018	**2019**	2018
ASSETS		**Rs'000**	Rs'000	**Rs'000**	Rs'000
Non-current assets					
Property, plant and equipment	5	**3,581,516**	2,731,901	**1,793,718**	1,506,304
Right-of-use assets	5A(a)	**809,299**	-	**22,186**	-
Leasehold land payments	6	**144,988**	147,969	**-**	-
Investment property	7	**13,745**	5,779	**13,745**	5,779
Intangible assets	8	**71**	64	**-**	-
Investments in subsidiary companies	9	**-**	-	**67,041**	291,966
Investments in associates	10	**17,839**	16,959	**9,329**	6,857
Financial assets at fair value through other comprehensive income	11	**2,697**	2,642	**2,630**	2,580
Deferred tax assets	12	**115,605**	58,387	**4,549**	14,828
		4,685,760	2,963,701	**1,913,198**	1,828,314
Current assets					
Inventories	13	**19,388**	10,145	**2,745**	2,916
Consumable biological assets	14	**15,350**	-	**15,350**	-
Trade receivables	15	**202,548**	74,503	**38,921**	23,433
Other financial assets at amortised cost	15A	**37,553**	33,130	**23,241**	24,547
Other current assets	15B	**39,326**	76,348	**6,725**	10,632
Current tax assets	16(a)	**249**	101	**90**	101
Cash and cash equivalents	36(d)	**27,080**	156,890	**86**	86
		341,494	351,117	**87,158**	61,715
Non-current assets classified as held for sale	17	**75,014**	82,297	**75,014**	82,297
Non-current assets classified as held for distribution to owners	17A	**-**	-	**437,324**	-
Total assets		**5,102,268**	3,397,115	**2,512,694**	1,972,326
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	**18,900**	18,900	**18,900**	18,900
Revaluation and other reserves	19	**2,211,292**	1,424,226	**1,727,605**	1,434,111
Retained earnings		**64,417**	98,824	**287,268**	66,221
Owners' interest		**2,294,609**	1,541,950	**2,033,773**	1,519,232
Non-controlling interests		**115,832**	18,568	**-**	-
Total equity		**2,410,441**	1,560,518	**2,033,773**	1,519,232
LIABILITIES					
Non-current liabilities					
Borrowings	20	**1,586,420**	1,286,173	**96,339**	13,208
Lease liabilities	5A(b)	**214,916**	-	**7,094**	-
Deferred tax liabilities	12	**201,392**	30,230	**-**	-
Retirement benefit obligations	21	**158,445**	138,700	**99,111**	87,221
		2,161,173	1,455,103	**202,544**	100,429
Current liabilities					
Trade and other payables	22	**358,394**	160,264	**158,525**	159,106
Current tax liabilities	16(a)	**-**	220	**-**	-
Borrowings	20	**146,000**	221,010	**114,997**	193,559
Lease liabilities	5A(b)	**26,260**	-	**2,855**	-
		530,654	381,494	**276,377**	352,665
Total liabilities		**2,691,827**	1,836,597	**478,921**	453,094
Total equity and liabilities		**5,102,268**	3,397,115	**2,512,694**	1,972,326

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 43 to 108 form an integral part of these financial statements.
Auditors' report on pages 34 to 37.

			THE GROUP		THE COMPANY	
	Notes		2019	2018	2019	2018
			Rs'000	Rs'000	Rs'000	Rs'000
Revenue						
Sugar proceeds	23		70,119	76,459	70,119	76,459
SIFB compensation	24		13,979	7,802	13,979	7,802
Hotel turnover	25		538,068	343,392	-	-
Other operating income	26		69,082	64,476	49,076	44,793
			691,248	492,129	133,174	129,054
Gain/(loss) arising from changes in fair value of biological assets	14		15,350	(4,000)	15,350	(4,000)
			706,598	488,129	148,524	125,054
Employee benefit expense	27		197,092	170,909	54,252	62,700
Supplies and services	28		378,010	276,845	87,722	84,575
Depreciation and amortisation	29		80,327	42,818	6,791	13,504
SIFB premium			2,028	2,121	2,028	2,121
			657,457	492,693	150,793	162,900
Impairment of bearer plants	5		4,674	16,451	4,674	16,451
Operating profit/(loss)			44,467	(21,015)	(6,943)	(54,297)
Increase in fair value of investment property	7		7,963	-	7,963	-
Other income	30		9,325	15,672	3,709	7,038
			61,755	(5,343)	4,729	(47,259)
Finance costs	31		(100,474)	(29,876)	(19,407)	(15,040)
Loss from ordinary activities			(38,719)	(35,219)	(14,678)	(62,299)
Share of result of associates	10		(5,970)	(1,470)	-	-
Loss before exceptional items			(44,689)	(36,689)	(14,678)	(62,299)
Exceptional items	32		20,643	(49,322)	217,014	21,614
Closure costs	33		(59,775)	(92,024)	-	-
(Loss)/profit before taxation	34		(83,821)	(178,035)	202,336	(40,685)
Taxation	16(b)		17,338	33,631	(1,501)	1,185
(Loss)/profit for the year			(66,483)	(144,404)	200,835	(39,500)
Results attributable to:						
Owners of the parent			(54,619)	(125,822)	200,835	(39,500)
Non-controlling interests			(11,864)	(18,582)	-	-
			(66,483)	(144,404)	200,835	(39,500)
Loss per share	35	Rs.	(2.89)	(6.66)		

The notes on pages 43 to 108 form an integral part of these financial statements.
Auditors' report on pages 34 to 37.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019

	Notes	THE GROUP 2019 Rs'000	THE GROUP 2018 Rs'000	THE COMPANY 2019 Rs'000	THE COMPANY 2018 Rs'000
(Loss)/profit for the year		**(66,483)**	(144,404)	**200,835**	(39,500)
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Gains on revaluation of land and buildings	5	**496,428**	-	**321,435**	-
Gains on revaluation of right-of-use assets	5A	**564,830**	-	**9,440**	-
Changes in fair value of equity instruments at fair value through other comprehensive income	11(i)	**92**	(35)	**87**	(21)
Remeasurement of post employment benefit obligations	21 (vii)	**(13,584)**	14,432	**(8,478)**	4,454
Income tax relating to components of other comprehensive income	12(b)	**(131,360)**	(1,089)	**(8,778)**	278
Other comprehensive income for the year, net of tax		**916,406**	13,308	**313,706**	4,711
Total comprehensive income for the year		**849,923**	(131,096)	**514,541**	(34,789)
Total comprehensive income attributable to:					
Owners of the parent		**752,659**	(113,924)	**514,541**	(34,789)
Non-controlling interests		**97,264**	(17,172)	**-**	-
		849,923	(131,096)	**514,541**	(34,789)

The notes on pages 43 to 108 form an integral part of these financial statements.
Auditors' report on pages 34 to 37.

(a) THE GROUP

	Attributable to owners of the parent					
	Share capital	Revaluation and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2019	18,900	1,424,226	98,824	1,541,950	18,568	1,560,518
Loss for the year	-	-	(54,619)	(54,619)	(11,864)	(66,483)
Other comprehensive income for the year	-	807,278	-	807,278	109,128	916,406
Total comprehensive income for the year	-	807,278	(54,619)	752,659	97,264	849,923
Revaluation surplus released on disposal of land	-	(20,122)	20,122	-	-	-
Revaluation surplus released on disposal of financial assets through FVOCI	-	(90)	90	-	-	-
Balance at December 31, 2019	**18,900**	**2,211,292**	**64,417**	**2,294,609**	**115,832**	**2,410,441**
Balance at January 1, 2018	18,900	1,415,980	222,736	1,657,616	25,566	1,683,182
Loss for the year	-	-	(125,822)	(125,822)	(18,582)	(144,404)
Other comprehensive income for the year	-	11,898	-	11,898	1,410	13,308
Total comprehensive income for the year	-	11,898	(125,822)	(113,924)	(17,172)	(131,096)
Revaluation surplus released on disposal of land	-	(3,750)	3,750	-	-	-
Consolidation adjustment	-	98	(1,840)	(1,742)	1,742	-
Issue of shares	-	-	-	-	8,432	8,432
Balance at December 31, 2018	**18,900**	**1,424,226**	**98,824**	**1,541,950**	**18,568**	**1,560,518**

(b) THE COMPANY

	Share capital	Revaluation and other reserves	Retained earnings	Total
	Rs'000	Rs'000	Rs'000	Rs'000
Balance at January 1, 2019	18,900	1,434,111	66,221	1,519,232
Profit for the year	-	-	200,835	200,835
Other comprehensive income for the year	-	313,706	-	313,706
Total comprehensive income for the year	-	313,706	200,835	514,541
Revaluation surplus released on disposal of land	-	(20,122)	20,122	-
Revaluation surplus released on disposal of financial assets through FVOCI	-	(90)	90	-
Balance at December 31, 2019	**18,900**	**1,727,605**	**287,268**	**2,033,773**
Balance at January 1, 2018	18,900	1,433,150	101,971	1,554,021
Loss for the year	-	-	(39,500)	(39,500)
Other comprehensive income for the year	-	4,711	-	4,711
Total comprehensive income for the year	-	4,711	(39,500)	(34,789)
Revaluation surplus released on disposal of land	-	(3,750)	3,750	-
Balance at December 31, 2018	**18,900**	**1,434,111**	**66,221**	**1,519,232**

The notes on pages 43 to 108 form an integral part of these financial statements.
Auditors' report on pages 34 to 37.

STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

	Notes	THE GROUP 2019	THE GROUP 2018	THE COMPANY 2019	THE COMPANY 2018
		Rs'000	Rs'000	**Rs'000**	Rs'000
Cash flow from operating activities					
Cash generated from/(used in) operations	36(a)	**56,154**	4,452	**(22,312)**	45,324
Interest received		**1,288**	1,406	**1,288**	1,406
Interest paid		**(87,929)**	(63,423)	**(18,501)**	(15,040)
Tax refunded	16(a)	**88**	5,384	**88**	82
Tax paid	16(a)	**(534)**	(428)	**(77)**	(41)
Net cash (used in)/generated from operating activities		**(30,933)**	(52,609)	**(39,514)**	31,731
Cash flow from investing activities					
Purchase of property, plant and equipment	36(b)	**(349,208)**	(659,966)	**(4,751)**	(11,347)
Expenditure incurred on assets classified as held for sale		**(11,432)**	(65,765)	**(11,432)**	(65,765)
Purchase of intangible assets		**(60)**	(19)	**-**	-
Proceeds from sale of non-current assets classified as held for sale		**21,778**	20,320	**21,778**	20,320
Proceeds from sale of land under property, plant and equipment		**56,130**	21,500	**56,130**	21,500
Purchase of financial assets at FVOCI		**(100)**	-	**(100)**	-
Additions to investment in associates		**(2,400)**	(3,000)	**(2,400)**	(3,000)
Additions to investment in subsidiaries		**-**	-	**(30,000)**	(20,000)
Proceeds from sale of property, plant and equipment		**247**	5,021	**25**	3,308
Proceeds from sale of financial assets through FVOCI		**146**	-	**146**	-
Dividends from associates		**400**	-	**-**	-
Dividends received		**120**	96	**2,120**	2,096
Net cash (used in)/from investing activities		**(284,379)**	(681,813)	**31,516**	(52,888)
Cash flow from financing activities					
Proceeds from borrowings		**332,808**	-	**119,758**	-
Proceeds from loan notes		**-**	1,279,260	**-**	-
Payments on borrowings		**(121,868)**	(400,381)	**(121,868)**	(4,315)
Proceeds from issue of shares to non controlling interests		**-**	8,432	**-**	-
Principal paid on lease liabilities (2018: principal paid on finance leases)		**(9,259)**	(10,360)	**(2,575)**	(3,062)
Interest paid on lease liabilities		**(20,693)**	-	**(904)**	-
Net cash from/(used in) financing activities		**180,988**	876,951	**(5,589)**	(7,377)
(Decrease)/increase in cash and cash equivalents		**(134,324)**	142,529	**(13,587)**	(28,534)
Movement in cash and cash equivalents					
At January 1,		**65,082**	(77,447)	**(69,038)**	(40,504)
(Decrease)/increase		**(134,324)**	142,529	**(13,587)**	(28,534)
At December 31,	36(e)	**(69,242)**	65,082	**(82,625)**	(69,038)

The notes on pages 43 to 108 form an integral part of these financial statements.
Auditors' report on pages 34 to 37.

1. GENERAL INFORMATION

The Union Sugar Estates Company Limited is a public company incorporated and domiciled in Mauritius. The principal activity of the Company is growing and cultivation of sugar cane. The subsidiaries are mainly engaged in hotel keeping and catering. The address of its registered office is Union Ducray, Rivière des Anguilles, Mauritius.

The Board of Directors considers Société du Trait d'Union, domiciled in Mauritius, as the holding entity of The Union Sugar Estates Company Limited.

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 by the Group 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.

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

2.1 Basis of preparation

The financial statements of The Union Sugar Estates Company Limited and its subsidiaries comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) freehold land and buildings, buildings on leasehold land and leasehold land are carried at revalued amount;
(ii) investment properties are stated at fair value;
(iii) investments held for trading and relevant financial assets and financial liabilities are stated at their fair value;
(iv) relevant financial assets and financial liabilities are carried at amortised cost; and
(v) consumable biological assets are stated at fair value.

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

IFRS 16 Leases results in the recognition of almost all leases on statement of financial position. 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 statement of financial position on January 1, 2019. The new accounting policies are disclosed in note 2.10.

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

Land is stated at its fair value based on periodic valuations carried out by independent valuers. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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.

Increases in the carrying amount arising on revaluation of 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.

Depreciation is calculated on the straight-line method to write off their cost to their residual values over their estimated useful lives. It is applied at the following rates:

	Years
Freehold buildings	4 - 15
Buildings on leasehold land	5 - 45
Improvement to leasehold buildings	10
Motor vehicles	5 - 6
Agricultural equipment	5 - 50
Furniture, fixtures and fittings	5 - 10
Plant and equipment	3 - 15
Bearer plants	7
Others	5 - 10

Land is not depreciated.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Property, plant and equipment (cont'd)

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

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

2.3 Investment property

Investment property, held to earn rentals/or for capital appreciation or both, and not occupied by the Group is carried at fair value, representing open-market value determined periodically by independent valuers. Changes in fair values are included in profit or loss.

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 (3-4 years).

2.5 Investment in subsidiaries

Separate financial statements of the investor
In the separate financial statements of the investors, 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 structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns though its power over the entity.

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

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' 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 interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree (if any) over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss as a bargain purchase gain.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Investment in subsidiaries (cont'd)

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

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

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

2.6 Investments in associates

Separate financial statements of the investor
In the separate financial statements of the investors, investments in associates are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements
An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method except when classified as held for sale. Investment in associates are initially recognised at cost as adjusted by post acquisition charges in the 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, 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 payments on behalf of the associate.

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

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted in 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 are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 (eg 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial assets (cont'd)

(ii) **Fair value through other comprehensive income (cont'd)**
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

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.

- 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 Biological assets

Consumable biological assets are stated at their fair value.

Standing canes are measured at their fair value. The fair value of standing canes is the present value of expected net cash flows from the standing canes discounted at the relevant market determined pre-tax rate.

2.10 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 company is the lessee
Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Leases (cont'd)

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.

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 the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Leases (cont'd)

Identifying leases (cont'd)

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.

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 an 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.

2.11 Borrowings 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Current and deferred income tax

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

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

Deferred tax
Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affect 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 date and are expected to apply in the period when the related deferred 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 can be utilised.

For the purpose of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined under the weighted average cost method. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

2.14 Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than a continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

The directors are committed to a plan to sell land to generate cash flows. Accordingly, this is presented as assets held-for-sale. Efforts to sell land start as soon as it is classified as held for sale. The exact timing of the sale is uncertain but a sale occurs within one year from its classification as held for sale except for delay caused by events or circumstance beyond the entity's control.

2.15 Share capital

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 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 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.

2.17 Retirement benefit obligations

(a) 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 statements of financial position in respect of defined benefit pension plan 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 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.

(b) Unfunded plan

Artisans and labourers of sugar companies are entitled to a gratuity on death or retirement, based on years of service. This item is not funded. The benefits accruing under this item are calculated by an actuary and have been accounted for in the financial statements.

(c) 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. The obligations arising under this item are not funded.

2.18 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 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 entities operate ("functional currency"). The consolidated financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates 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.

2.20 Impairment of non-financial assets

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

2.21 Revenue recognition

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

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

Sugar, molasses, bagasse and distillers/bottlers proceeds are recognised based on the total production of the crop year. There is limited judgement needed in identifying the point control passes: once crop has been harvested and processed into sugar, molasses, bagasse and distillers/bottlers and delivered to the Mauritius, Sugar Syndicate, 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.

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 delivered, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue recognition (cont'd)

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

Allocating amounts to performance obligations
Sugar prices are based on the recommendations made to all sugar companies by the Mauritius Chamber of Agriculture after consultation with the Mauritius Sugar Syndicate. Any differences between the recommended prices and the final prices are reflected in profit or loss of the period in which they are established.

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 .

Practical Exemptions
The Group 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 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.
- Rental income from investment property is recognised in profit or loss on a straight line basis over the period of the agreement.

2.22 Dividend distribution

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

2.23 Segment reporting

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

2.24 Leasehold land payments

Expenditure incurred to acquire the lease rights is capitalised and amortised over the period of the lease.

2.25 Exceptional items

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 income or 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:
(a) market risk;
(b) credit risk;
(c) liquidity risk; and
(d) Cash flow and fair value interest rate risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the Group's financial performance.

Risk management is carried out by treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments and investment of excess liquidity.

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

(a) Market risk

(i) <u>Currency risk</u>

The subsidiary companies market their hotels internationally. The principal source of its guests is from Europe, South Africa and Reunion Island. The Group is therefore exposed to foreign exchange risk in currencies such as the Euro, Pounds Sterling and Rand. During the year ended December 31, 2019, approximately 45.64% (2018: 39.06%) of the Group's revenue was generated in Euro.

The Group managed its currency exposure primarily through borrowings in Euro. At December 31, 2019, 26% of the Group's borrowings were in Euro (2018 - 29%).

Management has set up a policy to require the Group to manage their foreign exchange risk exposure with treasury.

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

Currency profile

The tables below summarise the currency profiles of the Group's assets and liabilities:

THE GROUP	MRU Rs'000	EURO Rs'000	GBP Rs'000	AUD Rs'000	USD Rs'000	TOTAL Rs'000
As at December 31, 2019						
Trade receivables	**117,296**	**63,813**	**17,958**	**-**	**3,481**	**202,548**
Other financial assets at amortised cost	**37,553**	**-**	**-**	**-**	**-**	**37,553**
Other current assets	**39,326**	**-**	**-**	**-**	**-**	**39,326**
Cash in hand and at bank	**1,519**	**17,872**	**5,456**	**86**	**2,147**	**27,080**
Other assets	**4,795,761**	**-**	**-**	**-**	**-**	**4,795,761**
Total assets	**4,991,455**	**81,685**	**23,414**	**86**	**5,628**	**5,102,268**
Total liabilities	**2,237,709**	**454,118**	**-**	**-**	**-**	**2,691,827**
As at December 31, 2018						
Trade receivables	35,002	31,105	4,868	-	3,528	74,503
Other financial assets at amortised cost	33,130	-	-	-	-	33,130
Prepayments	76,348	-	-	-	-	76,348
Cash in hand and at bank	153,382	775	98	63	2,572	156,890
Other assets	3,056,244	-	-	-	-	3,056,244
Total assets	3,354,106	31,880	4,966	63	6,100	3,397,115
Total liabilities	1,399,796	436,801	-	-	-	1,836,597

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified in the statements of financial position as available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis

The table below summarises the impact of increases/decreases in the fair value of the investments on the Group's equity.

The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	Impact on equity			
	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
	+/-5%	+/-5%	**+/-5%**	+/-5%
Financial assets at fair value through other comprehensive income	**135**	132	**132**	129

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

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

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

	THE GROUP	
	2019	2018
	%	%
16 major counterparties	**33**	55
Others	**67**	45
	100	100

The Company has only one debtor which is in respect of sugar proceed receivable from the Mauritius Sugar Syndicate.

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

The 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 5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2019				
Borrowings	**146,000**	**896,886**	**689,534**	**1,732,420**
Lease liabilities	**26,260**	**90,206**	**124,710**	**241,176**
Trade and other payables	**358,394**	**-**	**-**	**358,394**
At December 31, 2018				
Borrowings	213,675	715,096	563,243	1,492,014
Finance lease liabilities	7,335	7,834	-	15,169
Trade and other payables	160,264	-	-	160,264

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(c) ***Liquidity risk (cont'd)***

THE COMPANY	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At December 31, 2019				
Borrowings	**114,997**	**96,339**	**-**	**211,336**
Lease liabilities	**2,855**	**3,972**	**3,122**	**9,949**
Trade and other payables	**158,525**	**-**	**-**	**158,525**
At December 31, 2018				
Borrowings	190,991	8,867	-	199,858
Finance lease liabilities	2,568	4,341	-	6,909
Trade and other payables	159,106	-	-	159,106

(d) ***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's operating cash flows are exposed to interest risk as it borrows at variable rates. At December 31, 2019, if interest rates on rupee denominated borrowings had been 50 basis points higher/lower with all variables held constant, post-tax loss for the year would have decreased/increased by Rs.3.696 million (2018: Rs.2.066 million) for the Group and Rs.1.289 million (2018: Rs.0.961 million) for the Company mainly as a result of higher/lower interest rate 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, the Group's post tax loss for the year would have been Rs.1.724 million (2018: Rs.0.852 million) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly 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 available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Fair value estimation (cont'd)

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.

3.3 Biological assets

The Group is exposed to fluctuations in the price of sugar and the incidence of exchange rate. This risk affects both the crop proceeds and the fair value of biological assets. The risk is not hedged.

3.4 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 the shareholders and benefit for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

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.

Consistent 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 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, non-controlling interests, retained earnings, and revaluation and other reserves) other than amounts recognised in equity relating to cash flow hedges, and includes some forms of subordinated debt.

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Total debt (note 20)	**1,732,420**	1,507,183	**211,336**	206,767
Lease liabilities (note 5A(b))	**241,176**	-	**9,949**	-
Total debt	**1,973,596**	1,507,183	**221,285**	206,767
Less: cash in hand and at bank (note 36 (d))	**(27,080)**	(156,890)	**(86)**	(86)
Net debt	**1,946,516**	1,350,293	**221,199**	206,681
Total equity	**2,410,441**	1,560,518	**2,033,773**	1,519,232
Debt-to-capital ratio	**81%**	87%	**11%**	14%

The net debt to equity ratio changed from 87% in 2018 to 81% in 2019 and from 14% in 2018 to 11% 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) 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.

(b) Biological assets

Consumable biological assets - Standing canes

The fair value of consumable biological assets has been arrived at by discounting the present value (PV) of expected net cash flows from standing canes at the relevant market determined pre-tax rate.

The expected cash flows have been computed by estimating the expected crop and the sugar extraction rate and the forecasts of sugar prices which will prevail in the coming year. The harvesting costs and other direct expenses are based on the yearly budgets.

(c) 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.

(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) 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 Government 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 obligation.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

4.1 Critical accounting estimates and assumptions (cont'd)

(f) Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group has engaged valuation specialists to determine fair value at June 30, 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.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long term vacancy rate.

(g) Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined by the Group using valuation techniques including third party transaction values, earnings, net asset value or discounted cash flows, whichever is considered to be appropriate. The Group would exercise judgement and estimates on the quantity and quality of pricing sources used. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(h) Impairment of assets

Goodwill is considered for impairment at least annually. Property, plant and equipment, and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit.

Cash flows which are utilised in these assessments are extracted from formal five-year business plans which are updated annually. The Group utilises the valuation model to determine asset and cash-generating unit values supplemented, where appropriate, by discounted cash flow and other valuation techniques.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP	Freehold land and buildings Rs'000	Improvement to leasehold building Rs'000	Buildings on leasehold land Rs'000	Motor vehicles Rs'000	Agricultural equipment Rs'000	Furniture, fixtures and fittings Rs'000	Plant and equipment Rs'000	Bearer plants Rs'000	Others Rs'000	Work-in-progress Rs'000	Total Rs'000
COST/VALUATION											
At January 1, 2019											
- cost	60,458	4,654	591,775	47,738	72,112	61,579	79,522	78,315	3,052	648,927	1,648,132
- valuation	1,475,078	-	-	-	-	-	-	-	-	-	1,475,078
	1,535,536	4,654	591,775	47,738	72,112	61,579	79,522	78,315	3,052	648,927	3,123,210
Adjustment for change in accounting policy (note 43)	(2,549)	-	-	(21,238)	(9,141)	(875)	(22,572)	-	-	-	(56,375)
At January 1, 2019 - restated	1,532,987	4,654	591,775	26,500	62,971	60,704	56,950	78,315	3,052	648,927	3,066,835
Additions	-	-	1,809	-	-	1,786	6,072	4,674	25	446,189	460,555
Assets scrapped	-	-	-	-	-	-	-	-	(86)	-	(86)
Disposals	(20,164)	-	-	(1,326)	-	-	-	-	(34)		(21,524)
Revaluation surplus	300,022	-	53,235	-	-	-	-	-	-	-	353,257
Transfer	-	-	885,113	-	-	169,752	19,411	-	20,840	(1,095,116)	-
Transfer to investment property (note 7)	(3)	-	-	-	-	-	-	-	-	-	(3)
Transfer from right-of-use assets (note 5A)	2,549	-	-	10,372	492	875	21,605	-	-	-	35,893
At December 31, 2019											
- cost	**-**	**4,654**	**-**	**35,546**	**63,463**	**233,117**	**104,038**	**82,989**	**23,797**	**-**	**547,604**
- valuation	**1,815,391**	**-**	**1,531,932**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,347,323**
	1,815,391	**4,654**	**1,531,932**	**35,546**	**63,463**	**233,117**	**104,038**	**82,989**	**23,797**	**-**	**3,894,927**
DEPRECIATION											
At January 1, 2019	30,431	233	106,385	38,341	57,214	30,451	47,655	78,315	2,284	-	391,309
Adjustment for change in accounting policy (note 43)	(537)	-	-	(13,581)	(2,241)	(372)	(15,022)	-	-	-	(31,753)
At January 1, 2019 - restated	29,894	233	106,385	24,760	54,973	30,079	32,633	78,315	2,284	-	359,556
Charge for the year	3,641	466	33,815	625	1,428	14,698	8,443	-	3,509	-	66,625
Impairment losses	-	-	-	-	-	-	-	4,674	-	-	4,674
Assets scrapped	-	-	-	-	-	-	-	-	(86)	-	(86)
Disposal adjustment	-	-	-	(957)	-	-	-	-	(25)	-	(982)
Revaluation adjustment	(31,340)	-	(111,831)	-	-	-	-	-	-	-	(143,171)
Transfer	-	-	-	-	-	(2,383)	2,383	-	-	-	-
Transfer from right-of-use assets (note 5A)	660	-	-	10,005	271	461	15,398	-	-	-	26,795
At December 31, 2019	**2,855**	**699**	**28,369**	**34,433**	**56,672**	**42,855**	**58,857**	**82,989**	**5,682**	**-**	**313,411**
NET BOOK VALUE											
At December 31, 2019	**1,812,536**	**3,955**	**1,503,563**	**1,113**	**6,791**	**190,262**	**45,181**	**-**	**18,115**	**-**	**3,581,516**

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

(b) THE GROUP	Freehold land and buildings Rs'000	Improvement to leasehold building Rs'000	Buildings on leasehold land Rs'000	Motor vehicles Rs'000	Agricultural equipment Rs'000	Furniture, fixtures and fittings Rs'000	Plant and equipment Rs'000	Bearer plants Rs'000	Others Rs'000	Work-in-progress Rs'000	Total Rs'000
COST/VALUATION											
At January 1, 2018											
- cost	60,028	-	775,250	49,021	72,495	115,279	156,848	70,188	2,988	13,386	1,315,483
- valuation	1,478,970	-	-	-	-	-	-	-	-	-	1,478,970
	1,538,998	-	775,250	49,021	72,495	115,279	156,848	70,188	2,988	13,386	2,794,453
Additions	430	4,654	3,053	2,058	2,087	3,328	2,640	8,127	64	635,541	661,982
Assets scrapped (note 5 (k))	-	-	(186,528)	(2,123)	(2,470)	(57,014)	(79,966)	-	-	-	(328,101)
Disposals	(3,892)	-	-	(1,218)	-	(14)	-	-	-	-	(5,124)
At December 31, 2018											
- cost	**60,458**	**4,654**	**591,775**	**47,738**	**72,112**	**61,579**	**79,522**	**78,315**	**3,052**	**648,927**	**1,648,132**
- valuation	**1,475,078**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,475,078**
	1,535,536	**4,654**	**591,775**	**47,738**	**72,112**	**61,579**	**79,522**	**78,315**	**3,052**	**648,927**	**3,123,210**
DEPRECIATION											
At January 1, 2018	28,369	-	214,771	37,731	57,260	74,565	115,505	53,680	2,130	-	584,011
Charge for the year	2,062	233	11,975	3,743	2,424	6,871	10,390	8,184	154	-	46,036
Impairment losses	-	-	-	-	-	-	-	16,451	-	-	16,451
Assets scrapped (note 5 (k))	-	-	(120,361)	(2,123)	(2,470)	(50,971)	(78,240)	-	-	-	(254,165)
Disposal adjustment	-	-	-	(1,010)	-	(14)	-	-	-	-	(1,024)
At December 31, 2018	**30,431**	**233**	**106,385**	**38,341**	**57,214**	**30,451**	**47,655**	**78,315**	**2,284**	**-**	**391,309**
NET BOOK VALUE											
At December 31, 2018	**1,505,105**	**4,421**	**485,390**	**9,397**	**14,898**	**31,128**	**31,867**	**-**	**768**	**648,927**	**2,731,901**

5. PROPERTY, PLANT AND EQUIPMENT

(c) THE COMPANY	Freehold land and buildings Rs'000	Motor vehicles Rs'000	Agricultural equipment Rs'000	Furniture, fixtures and fittings Rs'000	Bearer plants Rs'000	Others Rs'000	Total Rs'000
COST/VALUATION							
At January 1, 2019							
- cost	30,751	31,692	72,113	2,619	78,315	3,051	218,541
- valuation	1,475,078	-	-	-	-	-	1,475,078
	1,505,829	31,692	72,113	2,619	78,315	3,051	1,693,619
Adjustment for change in accounting policy (note 43)	-	(7,777)	(9,141)	-	-	-	(16,918)
At January 1, 2019 - restated	1,505,829	23,915	62,972	2,619	78,315	3,051	1,676,701
Additions	-	-	-	52	4,674	25	4,751
Assets scrapped	-	-	-	-	-	(86)	(86)
Disposals	(20,164)	-	-	-	-	(34)	(20,198)
Transfer to investment property (note 7)	(3)	-	-	-	-	-	(3)
Transfer from right-of-use assets (note 5A)	-	4,224	492	-	-	-	4,716
Revaluation surplus	301,908	-	-	-	-	-	301,908
At December 31, 2019							
- cost	**-**	**28,139**	**63,464**	**2,671**	**82,989**	**2,956**	**180,219**
- valuation	**1,787,570**	**-**	**-**	**-**	**-**	**-**	**1,787,570**
	1,787,570	**28,139**	**63,464**	**2,671**	**82,989**	**2,956**	**1,967,789**
DEPRECIATION							
At January 1, 2019	19,058	28,136	57,215	2,307	78,315	2,284	187,315
Adjustment for change in accounting policy (note 43)	-	(5,357)	(2,241)	-	-	-	(7,598)
At January 1, 2019 - restated	19,058	22,779	54,974	2,307	78,315	2,284	179,717
Charge for the year	2,818	305	1,434	118	-	148	4,823
Impairment losses	-	-	-	-	4,674	-	4,674
Assets scrapped	-	-	-	-	-	(86)	(86)
Disposal adjustment	-	-	-	-	-	(25)	(25)
Revaluation adjustment	(19,527)	-	-	-	-	-	(19,527)
Transfer from right-of-use assets (note 5A)	-	4,224	271	-	-	-	4,495
At December 31, 2019	**2,349**	**27,308**	**56,679**	**2,425**	**82,989**	**2,321**	**174,071**
NET BOOK VALUE							
At December 31, 2019	**1,785,221**	**831**	**6,785**	**246**	**-**	**635**	**1,793,718**

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

(d) THE COMPANY	Freehold land and buildings	Motor vehicles	Agricultural equipment	Furniture, fixtures and fittings	Bearer plants	Others	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST/VALUATION							
At January 1, 2018							
- cost	30,751	33,258	72,496	2,863	70,188	2,987	212,543
- valuation	1,478,970	-	-	-	-	-	1,478,970
	1,509,721	33,258	72,496	2,863	70,188	2,987	1,691,513
Additions	-	1,009	2,087	60	8,127	64	11,347
Assets scrapped	-	(2,123)	(2,470)	(290)	-	-	(4,883)
Disposals	(3,892)	(452)	-	(14)	-	-	(4,358)
At December 31, 2018							
- cost	**30,751**	**31,692**	**72,113**	**2,619**	**78,315**	**3,051**	**218,541**
- valuation	**1,475,078**	**-**	**-**	**-**	**-**	**-**	**1,475,078**
	1,505,829	**31,692**	**72,113**	**2,619**	**78,315**	**3,051**	**1,693,619**
DEPRECIATION							
At January 1, 2018	18,118	29,046	57,261	2,474	53,680	2,130	162,709
Charge for the year	940	1,665	2,424	137	8,184	154	13,504
Impairment losses	-	-	-	-	16,451	-	16,451
Assets scrapped	-	(2,123)	(2,470)	(290)	-	-	(4,883)
Disposal adjustment	-	(452)	-	(14)	-	-	(466)
At December 31, 2018	**19,058**	**28,136**	**57,215**	**2,307**	**78,315**	**2,284**	**187,315**
NET BOOK VALUE							
At December 31, 2018	**1,486,771**	**3,556**	**14,898**	**312**	**-**	**767**	**1,506,304**

(e) Land and building has been revalued on June 30, 2019 by Noor Dilmohamed & Associates, an Independent Certified Practising Valuer. Valuations were made on the basis of its open market value. The book value of land has been adjusted to the revalued amount and the resultant surplus amounting to Rs.496.428 million for the Group and Rs.321.435 million for the Company, have been credited to revaluation surplus in shareholders' equity.

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

	THE GROUP	THE COMPANY
	Level 2	Level 2
	Rs'000	Rs'000
December 31, 2019		
Freehold land and building - Level 2	**1,812,536**	**1,785,221**
Buildings on leasehold land - Level 3	**1,503,563**	**-**
December 31, 2018		
Freehold land and building - Level 2	1,505,105	1,486,771

There were no transfers between levels during the year.

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

(i) *Freehold land*

The fair value of the freehold 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:	THE GROUP	THE COMPANY
	Rs'000	Rs'000
At December 31, 2019		
Price per arpent	**522**	**522**
At December 31, 2018		
Price per arpent	440	440

The reconciliation of revalued amounts of land using significant unobservable inputs are as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**1,475,078**	1,478,970	**1,475,078**	1,478,970
Disposals	**(20,164)**	(3,892)	**(20,164)**	(3,892)
Transfer to investment property (note 7)	**(3)**	-	**(3)**	-
Revaluation adjustment	**273,950**	-	**273,950**	-
At December 31,	**1,728,861**	1,475,078	**1,728,861**	1,475,078

(ii) *Buildings on leasehold land*

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.

Significant unobservable valuation input:	THE GROUP
	Rs'000
At December 31, 2019	
Price per square metre	**38 - 55**

The fair value measurements of buildings using significant unobservable inputs are as follows:	THE GROUP
	2019
	Rs'000
At January 1,	**-**
Revaluation adjustment	**1,503,563**
At December 31,	**1,503,563**

(f) If land was 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	**5,315**	5,360	**5,315**	5,360

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

(g) Additions include Rs.2.016 million of assets leased under finance leases for the Group in 2018.

(h) Leased assets comprise of the following:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
Buildings	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Cost - capitalised finance leases	-	2,549	-	-
Accumulated depreciation	-	(537)	-	-
Net book value	-	2,012	-	-
Motor vehicles				
Cost - capitalised finance leases	-	21,238	-	7,777
Accumulated depreciation	-	(13,581)	-	(5,357)
Net book value	-	7,657	-	2,420
Agricultural equipment				
Cost - capitalised finance leases	-	9,141	-	9,141
Accumulated depreciation	-	(2,241)	-	(2,241)
Net book value	-	6,900	-	6,900
Furniture, fixtures and fittings				
Cost - capitalised finance leases	-	875	-	-
Accumulated depreciation	-	(372)	-	-
Net book value	-	503	-	-
Plant and equipment				
Cost - capitalised finance leases	-	22,572	-	-
Accumulated depreciation	-	(15,022)	-	-
Net book value	-	7,550	-	-
Total	-	24,622	-	9,320

From 2019, leased assets are presented as a separate line item in the statement of financial position.

(i) Borrowings are secured on the assets of the Group including property, plant and equipment.

Borrowing costs of Rs.22.257 million (2018: Rs.26.935 million) (Note 31) arising on financing of the construction of buildings on leasehold land were capitalised during the year and were included in 'Additions'. Capitalisation rates between 4.00% p.a and 6.44% p.a (2018: 4.00% p.a and 6.50% p.a) were used, representing the borrowing costs of the loans used to finance the project.

(j) Depreciation charge for the year can be analysed as follows :

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Depreciation and amortisation (note 29)	**62,860**	39,799	**4,823**	13,504
Closure costs (note 33)	**3,765**	6,237	**-**	-
	66,625	46,036	**4,823**	13,504

(k) In 2018, assets having a net book value of Rs.73.936 million was scrapped on renovation of Preskil Island Resort.

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

(l) Impairment of bearer plants

The recoverable amount of the bearer plants which is based on value in use, is most sensitive to the following assumptions::

- *Sugar prices*
  The sugar sector is yet to get out of troubled waters with the price of sugar going down in the world market. With the continuous decrease in price of crude oil in the world market, it has become less attractive for cane producers to produce ethanol. This has led to an excess supply of sugar in the world market and it is assumed that this trend will continue in the foreseeable future. Considering the market trend, price of sugar used in the projections has been estimated to be Rs.11,000 per ton going onwards.

- *Discount rates*
  Discount rates represent the current market assessment of the risks specific to sugar sector, taking into consideration the time value of money and individual risks of the bearer biological asset that have not been incorporated in the cash flows estimates. The discount rate (9%) calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

- *Employee benefits expenses, supplies and services*
  The above costs have been estimated based on available market data and published indices. Further past actual price movements have been used as indication of future price movements.

<u>Sensitivity to changes in assumptions</u>

The Directors have used prudent assumptions in preparing the financial forecast but recognise that downward pressure on sales of sugar prices can have a significant impact on the recoverable value of the bearer plants.

- *Price of sugar*
  Given that bearer plants have been fully impaired, a rise/fall of 2 % in the price of sugar will not have any financial impact.

- *Employee benefits liabilities, supplies and services*
  Management has considered the possibility of greater than forecast increase in costs due to higher price inflation. This will not have any impact since bearer plants have been fully impaired.

- *Discount rate*
  Given that bearer plants have been fully impaired, a rise in pre- tax discount rate to 11% would not have any financial impact.

5A. RIGHT-OF-USE ASSETS

(a)
(i) THE GROUP

	Leasehold land	Buildings	Agricultural equipment	Plant and equipment	Furniture, fixtures and fittings	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST/VALUATION							
At January 1, 2019	-	-	-	-	-	-	-
- effect of adopting IFRS 16 (note 43)	224,506	2,549	9,141	22,572	875	21,238	280,881
- as restated	224,506	2,549	9,141	22,572	875	21,238	280,881
Transfer from prepayments	9,700	-	-	-	-	-	9,700
Additions	-	-	-	7,951	-	2,792	10,743
Revaluation surplus	562,465	-	-	-	-	-	562,465
Transfer to property, plant and equipment (note 5)	-	(2,549)	(492)	(21,605)	(875)	(10,372)	(35,893)
At December 31, 2019	**796,671**	**-**	**8,649**	**8,918**	**-**	**13,658**	**827,896**
AMORTISATION							
At January 1, 2019	-	-	-	-	-	-	-
- effect of adopting IFRS 16 (note 43)	-	537	2,241	15,022	372	13,581	31,753
- as restated	-	537	2,241	15,022	372	13,581	31,753
Amortisation	10,490	123	916	1,834	89	2,552	16,004
Revaluation surplus	(2,365)	-	-	-	-	-	(2,365)
Transfer to property, plant and equipment (note 5)	-	(660)	(271)	(15,398)	(461)	(10,005)	(26,795)
At December 31, 2019	**8,125**	**-**	**2,886**	**1,458**	**-**	**6,128**	**18,597**
NET BOOK VALUE							
At December 31, 2019	**788,546**	**-**	**5,763**	**7,460**	**-**	**7,530**	**809,299**

(ii) THE COMPANY

	Leasehold land	Agricultural equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000
COST/VALUATION				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16 (note 43)	5,615	9,141	7,777	22,533
- as restated	5,615	9,141	7,777	22,533
Revaluation surplus	9,384	-	-	9,384
Transfer to property, plant and equipment (note 5)	-	(492)	(4,224)	(4,716)
At December 31, 2019	**14,999**	**8,649**	**3,553**	**27,201**
AMORTISATION				
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16 (note 43)	-	2,241	5,357	7,598
- as restated	-	2,241	5,357	7,598
Amortisation	204	915	849	1,968
Revaluation surplus	(56)	-	-	(56)
Transfer to property, plant and equipment (note 5)	-	(271)	(4,224)	(4,495)
At December 31, 2019	**148**	**2,885**	**1,982**	**5,015**
NET BOOK VALUE				
At December 31, 2019	**14,851**	**5,764**	**1,571**	**22,186**

(b) LEASE LIABILITIES

(i) THE GROUP

	Leasehold land	Agricultural equipment	Plant and equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2019	-	-	-	-	-
- effect of adopting IFRS 16 (note 43)	224,506	4,636	3,834	6,699	239,675
- as restated	224,506	4,636	3,834	6,699	239,675
Additions	-	-	7,951	2,792	10,743
Interest expense	19,582	278	533	300	20,693
Foreign exchange movement	-	-	17	-	17
Lease payments	(19,897)	(2,028)	(4,994)	(3,033)	(29,952)
At December 31, 2019	**224,191**	**2,886**	**7,341**	**6,758**	**241,176**
Current					26,260
Non current					214,916
					241,176

(ii) THE COMPANY

	Leasehold land	Agricultural equipment	Motor vehicles	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2019	-	-	-	-
- effect of adopting IFRS 16 (note 43)	5,615	4,636	2,273	12,524
- as restated	5,615	4,636	2,273	12,524
Interest expense	490	278	136	904
Lease payments	(497)	(2,027)	(955)	(3,479)
At December 31, 2019	**5,608**	**2,887**	**1,454**	**9,949**
Current				2,855
Non current				7,094
				9,949

(c) Leasehold land has been revalued on June 30, 2019 by Noor Dilmohamed & Associates, an Independent Certified Practising Valuer. Valuations were made on the basis of its open market value. The book value of land has been adjusted to the revalued amount and the resultant surplus amounting to Rs.564.830 million for the Group and Rs.9.440 million for the Company have been credited to revaluation surplus in shareholders' equity.

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

	THE GROUP	THE COMPANY
December 31, 2019	**Level 2**	**Level 2**
	Rs'000	**Rs'000**
Leasehold land	**788,546**	**14,851**

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:

	THE GROUP	THE COMPANY
At December 31, 2019	**Rs'000**	**Rs'000**
Price per arpent	**12,664 - 32,000**	**12,664**

5A. RIGHT-OF-USE ASSETS (CONT'D)

(b) LEASE LIABILITIES (CONT'D)

(c) The reconciliation of revalued amounts of land using significant unobservable inputs are as follows:

	THE GROUP 2019 Rs'000	THE COMPANY 2019 Rs'000
At January 1,	-	-
Effect of adoption of IFRS 16 (note 43)	224,506	5,615
At January 1, (Restated)	224,506	5,615
Transfer from prepayments	9,700	-
Amortisation	(10,490)	(204)
Revaluation surplus	564,830	9,440
At December 31,	**788,546**	**14,851**

(d) **Nature of leasing activities (in the capacity as lessee)**
The Group leases a number of properties for which 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.

<u>December 31, 2019</u> THE GROUP	Lease contracts number	Fixed payments %	Variable payments %	Sensitivity Rs'000
Property leases with payments linked to inflation	3	-	100%	11,209
	3	-	100%	11,209
THE COMPANY				
Property leases with payments linked to inflation	1	-	100%	280
	1	-	100%	280

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

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

(h) Interest expense

	THE GROUP 2019 Rs'000	THE COMPANY 2019 Rs'000
Interest expense (included in finance cost)	**20,693**	**904**

The total cash outflows for leases in 2019 was Rs.29.952 million and Rs.3.479 million for the Group and the Company respectively.

5A. RIGHT-OF-USE ASSETS (CONT'D)

(i) Amortisation charge for the year can be analysed as follows:

	THE GROUP	THE COMPANY
	2019	2019
	Rs'000	Rs'000
Depreciation and amortisation (note 29)	**14,433**	**1,968**
Closure costs (note 33)	**1,571**	**-**
	16,004	**1,968**

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

6. LEASEHOLD LAND PAYMENTS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) **COST**				
At January 1, and December 31,	**162,000**	162,000	**-**	-
AMORTISATION				
At January 1,	**14,031**	11,050	**-**	-
Charge for the year	**2,981**	2,981	**-**	-
At December 31,	**17,012**	14,031	**-**	-
NET BOOK VALUE				
At December 31,	**144,988**	147,969	**-**	-

(b) Amortisation charge of Rs.2.981 million (2018: Rs.2.981million) for the Group has been included in depreciation and amortisation (note 29).

(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.

7. INVESTMENT PROPERTY

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Fair value				
At January 1	**5,779**	5,779	**5,779**	5,779
Transfer from property, plant and equipment (note 5)	**3**	-	**3**	-
Increase in fair value (note 34)	**7,963**	-	**7,963**	-
At December 31,	**13,745**	5,779	**13,745**	5,779

7. INVESTMENT PROPERTY (CONT'D)

(a) The investment property was valued by Noor Dilmohamed & Associates, an Independent Certified Practising Valuer on June 30, 2019 on the basis of its open market value.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Level 2
	Rs'000
December 31, 2019	
Land and building	**13,745**
December 31, 2018	
Land and building	5,779

There were no transfers between levels during the year.

(b) The Group has pledged all its investment property to secure general banking facilities granted to the Group.

(c) The following amounts have been recognised in profit or loss:

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs'000	Rs'000
Rental income	**838**	823

(d) Leasing arrangements - Lessor
The investment properties are leased to tenants under leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs'000	Rs'000
Within 1 year	**846**	838

8. INTANGIBLE ASSETS

	THE GROUP		THE COMPANY	
Computer software	**2019**	2018	**2019**	2018
(a) COST	**Rs'000**	Rs'000	**Rs'000**	Rs'000
At January 1,	**1,481**	1,462	**-**	-
Additions	**60**	19	**-**	-
At December 31,	**1,541**	1,481	**-**	-
AMORTISATION				
At January 1,	**1,417**	1,379	**-**	-
Charge for the year	**53**	38	**-**	-
At December 31,	**1,470**	1,417	**-**	-
NET BOOK VALUE				
At December 31,	**71**	64	**-**	-

8. INTANGIBLE ASSETS (CONT'D)

(b) Amortisation charge of Rs.0.053 million (2018: Rs.0.038 million) for the Group has been included in depreciation and amortisation (note 29).

9. INVESTMENTS IN SUBSIDIARY COMPANIES

		2019			2018		
		DEM Quoted	**Unquoted**	**Total**	DEM Quoted	Unquoted	Total
	Cost	**Rs'000**	**Rs'000**	**Rs'000**	Rs'000	Rs'000	Rs'000
(a)	At January 1,	**265,475**	**26,491**	**291,966**	245,475	46,589	292,064
	Surbordinated loan (note 9 (c))	**30,000**	**-**	**30,000**	20,000	-	20,000
	Disposals	**-**	**-**	**-**	-	(20,108)	(20,108)
	Reversal of impairment	**-**	**-**	**-**	-	10	10
	Capital reduction in subsidiary	**-**	**(9,450)**	**(9,450)**	-	-	-
	Transfer to non-current assets classified as held for distribution to owners (Note 17A)	**(245,475)**	**-**	**(245,475)**	-	-	-
	At December 31,	**50,000**	**17,041**	**67,041**	265,475	26,491	291,966

(b) The subsidiaries of The Union Sugar Estates Company Limited are as follows:

Name	Class of shares held	Year end	Stated capital	Proportion of direct ownership interest 2019	Proportion of direct ownership interest 2018	Proportion of indirect ownership interest 2019	Proportion of indirect ownership interest 2018	Country of incorporation and operation	Main business
			Rs'000	**% Holding**	% Holding	**% Holding**	% Holding		
Combo Property Company Ltd	Ordinary shares	December 31,	1	**100**	100	**-**	-	Mauritius	Investment company
Société Alef	Share of interest	December 31,	150	**100**	100	**-**	-	Mauritius	Dormant company
Union Corporate Limited	Ordinary shares	December 31,	1,050	**100**	100	**-**	-	Mauritius	Management company
Les Lodges D'Union Ltée	Ordinary shares	December 31,	16,000	**99.94**	99.94	**0.06**	0.06	Mauritius	Hotel catering
Southern Cross Tourist Company Limited*	Ordinary shares	December 31,	253,186	**59.60**	59.60	**21.91**	21.91	Mauritius	Hotel catering
Groupe Union Training Academy Ltd	Ordinary shares	December 31,	25	**-**	-	**82.93**	82.93	Mauritius	Training institution
Solana Beach Company Limited	Ordinary shares	December 31,	512,000	**-**	-	**82.86**	82.86	Mauritius	Hotel catering
Southern Cross Management Co Ltd	Ordinary shares	December 31,	10	**-**	-	**82.86**	82.86	Mauritius	Management company

* The non-controlling interest in Southern Cross Tourist Company Limited is not material to the entity.

(c) An amount of Rs.30 million (2018: Rs.20 million) has been injected in subsidiary company, Southern Cross Tourist

10. INVESTMENTS IN ASSOCIATES

(a) THE GROUP - UNQUOTED

	2019	2018
	Rs'000	Rs'000
Group's share of net assets		
At January 1,	**16,959**	15,429
Additions	**7,250**	3,000
Share of result after tax	**(5,970)**	(1,470)
Dividend received	**(400)**	-
At December 31,	**17,839**	16,959

(b) THE COMPANY

	2019	2018
	Rs'000	Rs'000
Unquoted - cost		
At January 1,	**6,857**	6,857
Additions	**7,250**	3,000
Impairments losses (note 32)	**(7,250)**	(3,000)
Reversal of impairment (note 32)	**2,472**	-
At December 31,	**9,329**	6,857

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

Name	Year end	Nature of business	Country of incorporation and operation	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Proportion of ownership interest Direct	Indirect
				Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	%	%
2019											
Société Union Saint Aubin	**December 31,**	**Dormant**	**Mauritius**	**17,299**	**1,416**	**715**	**-**	**737**	**637**	**44.5**	**-**
Union St Aubin Milling Co. Ltd	**December 31,**	**Dormant**	**Mauritius**	**25**	**-**	**326**	**-**	**-**	**(96)**	**-**	**35.6**
Only Blue Ltd	**December 31,**	**Catamaran trips**	**Mauritius**	**7,290**	**4,429**	**2,351**	**770**	**8,892**	**56**	**-**	**20.7**
Copesud Ltée	**December 31,**	**Sales of potatoes**	**Mauritius**	**38,235**	**20,992**	**22,445**	**7,890**	**68,048**	**2,328**	**25**	**-**
Gourmet Foods Ltd	**June 30,***	**Production of foie-gras**	**Mauritius**	**29,309**	**20,333**	**21,756**	**30,287**	**38,749**	**46**	**50**	**-**
				92,158	**47,170**	**47,593**	**38,947**	**116,426**	**2,971**		
2018											
Société Union Saint Aubin	December 31,	Dormant	Mauritius	17,454	1,452	1,407	-	717	(455)	44.5	-
Union St Aubin Milling Co. Ltd	December 31,	Dormant	Mauritius	42	-	224	-	-	(62)	-	35.6
Only Blue Ltd	December 31,	Catamaran trips	Mauritius	4,914	5,663	773	1,261	7,501	777	-	20.7
Copesud Ltée	December 31,	Sales of potatoes	Mauritius	27,229	19,541	20,291	-	67,341	6,156	25	-
Gourmet Foods Ltd	June 30,*	Production of foie-gras	Mauritius	22,155	13,360	16,201	36,232	28,374	3,068	50	-
				71,794	40,016	38,896	37,493	103,933	9,484		

* For the purposes of applying the equity method of accounting, the management accounts of Gourmet Foods Ltd for the year ended December 31 have been used.

10. INVESTMENTS IN ASSOCIATES (CONT'D)

(d) All of the above associates are accounted for using the equity method.

(e) Results for the year and accumulated losses not recognised were as follows:

	Results of the year		Accumulated losses	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Gourmet Foods Ltd	**23**	1,534	**11,561**	11,584
Union St Aubin Milling Co. Ltd	**(34)**	(22)	**108,302**	108,268
	(11)	1,512	**119,863**	119,852

(f) Reconciliation of summarised financial position

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

	Société Union Saint Aubin	Union St-Aubin Milling Co Ltd	Only Blue Ltd	Copesud Ltée	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2019					
Operating net assets/(liabilities)	**18,090**	**(275)**	**8,543**	**26,783**	**53,141**
Profit for the year	**637**	**-**	**56**	**2,328**	**3,021**
Closing net assets/(liabilities)	**18,727**	**(275)**	**8,599**	**29,111**	**56,162**
Ownership interest (%)	**44.50**	**35.60**	**25.00**	**25.00**	**-**
	8,334	**(98)**	**2,150**	**7,278**	**17,664**
Goodwill	**-**	**-**	**175**	**-**	**175**
Carrying value	**8,334**	**(98)**	**2,325**	**7,278**	**17,839**
2018					
Operating net assets/(liabilities)	18,545	(275)	7,766	20,627	46,663
(Loss)/profit for the year	(455)	-	777	6,156	6,478
Closing net assets/(liabilities)	18,090	(275)	8,543	26,783	53,141
Ownership interest (%)	44.50	35.60	25.00	25.00	-
	8,050	(98)	2,136	6,696	16,784
Goodwill	-	-	175	-	175
Carrying value	8,050	(98)	2,311	6,696	16,959

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**2,642**	2,677	**2,580**	2,601
Additions	**100**	-	**100**	-
Disposals	**(137)**	-	**(137)**	-
Change in fair value recognised in other comprehensive income	**92**	(35)	**87**	(21)
At December 31,	**2,697**	2,642	**2,630**	2,580

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D)

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Quoted:				
Promotion and Development Ltd	**3.1**	1.7	**3.1**	1.7
Lux Island Resorts Ltd	**7.8**	11.4	**7.8**	11.4
Alteo Limited	**1.0**	1.0	**1.0**	1.0
BlueLife Limited	**8.0**	10.2	**8.0**	10.2
CIEL Limited	**62.9**	-	**62.9**	-
IBL Ltd	**7.4**	6.9	**7.4**	6.9
Innodis Ltd	**3.6**	-	**3.6**	-
ENL Land Limited	**3.2**	5.1	**3.2**	5.1
The United Basalts Products Ltd	**16.1**	12.3	**16.1**	12.3
CIEL Textiles Ltd	**-**	151.8	**-**	151.8
The Bee Equity Partners Ltd	**8.8**	10.5	**8.8**	10.5
MCB Group Limited	**16.3**	-	**16.3**	-
MFD Group Ltd	**0.1**	-	**0.1**	-
Medine Ltd	**2.8**	2.6	**2.8**	2.6
Livestock Feed Limited (Ordinary)	**1.6**	-	**1.6**	-
New Mauritius Hotels Limited (Ordinary)	**1.8**	-	**1.8**	-
New Mauritius Hotels Limited (Preference)	**0.5**	-	**0.5**	-
Tropical Paradise Co Ltd (Ordinary)	**0.1**	0.1	**0.1**	0.1
Tropical Paradise Co Ltd (Preference)	**1,725.0**	1,590.0	**1,725.0**	1,590.0
United Investments Ltd	**591.5**	555.3	**591.5**	555.3
Hotelest Limited	**89.4**	118.9	**89.4**	118.9
Excelsior United Development Companies Limited	**71.7**	94.9	**71.7**	94.9
Compagnie Des Villages De Vacances De L'Isle De France Limitee	**0.1**	0.1	**0.1**	0.1
SBM Holdings Ltd	**65.0**	60.0	**-**	-
Unquoted:				
Ecocentre Limitee (Ordinary)	**0.3**	0.3	**0.3**	0.3
Ecocentre Limitee (Preference)	**0.8**	0.8	**0.8**	0.8
The Raphael Fishing Company Limited	**4.9**	4.9	**4.9**	4.9
Les Lycees Associes Ltee (Ordinary)	**0.1**	0.1	**0.1**	0.1
Les Lycees Associes Ltee (Preference)	**0.9**	0.9	**0.9**	0.9
Afrasia Bank Ltd	**0.2**	0.2	**0.2**	0.2
Ecole du centre	**2.0**	2.0	**-**	-
	2,697	2,642	**2,630**	2,580

(iii) 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.

(iv) 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 (Level 3).

(v) Financial assets at fair value through other comprehensive income are denominated in Mauritian Rupees.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONT'D)

(vi) **Disposal of equity investments**

During the year, the Group sold its shares in Ciel Textiles Ltd for Rs.0.146 million for cash. The shares sold had a fair value of Rs.0.137 million and the Group realised a gain of Rs.0.009 million which had already been included in OCI and subsequently transferred to retained earnings.

12. DEFERRED INCOME TAX

Deferred income taxes are 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 taxes 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	**115,605**	58,387	**4,549**	14,828
Deferred tax liabilities	**(201,392)**	(30,230)	**-**	-
	(85,787)	28,157	**4,549**	14,828

(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,	**28,157**	1,992	**14,828**	13,365
Effect of adopting IFRS 16	**-**	-	**-**	-
At January 1, (Restated)	**28,157**	1,992	**14,828**	13,365
Credited/(charged) to profit or loss (note 16(b))	**17,416**	27,254	**(1,501)**	1,185
(Charged)/credited to other comprehensive income	**(131,360)**	(1,089)	**(8,778)**	278
At December 31,	**(85,787)**	28,157	**4,549**	14,828

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

(i) Deferred tax liabilities

	THE GROUP			
	Accelerated tax depreciation	Revaluation of assets	Right-of-use assets	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2018	38,743	-	-	38,743
Credited to profit or loss	(8,513)	-	-	(8,513)
At December 31, 2018	**30,230**	**-**	**-**	**30,230**
Effect of adopting IFRS 16 (Note 43)	-	-	38,366	38,366
At January 1, (Restated)	**30,230**	**-**	**38,366**	**68,596**
(Credited)/charged to profit or loss	(5,241)	-	3,646	(1,595)
Charged to other comprehensive income	-	134,391	-	134,391
At December 31, 2019	**24,989**	**134,391**	**42,012**	**201,392**

12. DEFERRED INCOME TAX (CONT'D)

(ii) Deferred tax assets

	THE GROUP					
	Accelerated tax depreciation	Tax losses	Retirement benefit obligations	Provision for bad debts	Lease liabilities	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2018	7,515	12,776	20,444	-	-	40,735
Credited to profit or loss	3,411	12,075	2,842	413	-	18,741
Charged to other comprehensive income	-	-	(1,089)	-	-	(1,089)
At December 31, 2018	**10,926**	**24,851**	**22,197**	**413**	**-**	**58,387**
Effect of adopting IFRS 16 (Note 43)	-	-	-	-	38,366	38,366
At January 1, (Restated)	**10,926**	**24,851**	**22,197**	**413**	**38,366**	**96,753**
Credited to profit or loss	2,547	9,796	968	875	1,635	15,821
Credited to other comprehensive income	-	-	3,031	-	-	3,031
At December 31, 2019	**13,473**	**34,647**	**26,196**	**1,288**	**40,001**	**115,605**

(iii) Deferred tax liabilities

	THE COMPANY		
	Right-of-use assets	Revaluation of assets	Total
	Rs'000	Rs'000	Rs'000
At December 31, 2018	-	-	-
Effect of adopting IFRS 16 (Note 43)	955	-	955
At January 1, (Restated)	**955**	**-**	**955**
Charged to profit or loss	2,818	-	2,818
Charged to other comprehensive income	-	10,219	10,219
At December 31, 2019	**3,773**	**10,219**	**13,992**

(iv) Deferred tax assets

	THE COMPANY		
	Retirement benefit obligations	Lease liabilities	Total
	Rs'000	Rs'000	Rs'000
At January 1, 2018	13,365	-	13,365
Credited to profit or loss	1,185	-	1,185
Credited to other comprehensive income	278	-	278
At December 31, 2018	**14,828**	**-**	**14,828**
Effect of adopting IFRS 16 (Note 43)	-	955	955
At January 1, (Restated)	**14,828**	**955**	**15,783**
Credited to profit or loss	580	737	1,317
Credited to other comprehensive income	1,441	-	1,441
At December 31, 2019	**16,849**	**1,692**	**18,541**

(d) A deferred tax asset has been recognised in respect of tax losses of Rs.203.808 million (2018: Rs.146.186 million) arising in a subsidiary.

12. DEFERRED INCOME TAX (CONT'D)

(e) Unused tax losses at the end of the reporting date that were available for offset against future profits were as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Unused tax losses	**344,469**	368,223	**190,888**	205,426

No deferred tax asset has been recognised in respect of the above tax losses due to unpredictability of future profit streams. The tax losses expire on a rolling basis over 5 years.

13. INVENTORIES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Spare parts and fuel	**589**	410	**589**	410
Maintenance and consumables	**10,785**	4,991	**2,156**	2,506
Food and beverages	**8,014**	4,744	**-**	-
	19,388	10,145	**2,745**	2,916

(b) The cost of inventories recognised as expense and included in supplies and services amounted to Rs.76.126 million (2018: Rs.51.965 million) for the Group and Rs.13.521 million (2018: Rs.13.199 million) for the Company.

(c) Loans and bank overdrafts are secured on the assets of the Group including inventories, amounting to Rs.19.388 million (2018: Rs.10.145 million) for the Group and Rs.2.745 million (2018: Rs.2.916 million) for the Company.

14. CONSUMABLE BIOLOGICAL ASSETS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
Standing cane at fair value	**Rs'000**	Rs'000	**Rs'000**	Rs'000
At January 1,	**-**	4,000	**-**	4,000
Gain/(loss) arising from changes in fair value	**15,350**	(4,000)	**15,350**	(4,000)
At December 31,	**15,350**	-	**15,350**	-
Number of hectares under plantation at December 31,				
Standing cane	**868**	868	**868**	868

The fair value measurements for standing canes have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

15. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade receivables	**211,578**	78,248	**38,921**	23,433
Provision for doubtful debts	**(9,030)**	(3,745)	**-**	-
Trade receivables - net	**202,548**	74,503	**38,921**	23,433

15. TRADE AND OTHER RECEIVABLES (CONT'D)

(i) *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 payment profiles of sales over a period of four years before December 31, 2019 or January 1, 2019 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 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 January 1, 2019 was determined as follows for trade receivables:

THE GROUP

	2015	2016	2017	2018	Average
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
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	4,853	845	380	1,950	-

THE COMPANY

There were no records of amounts written off during the past four years. The historical loss rates are adjusted to reflect current and forward looking information on macro economic factors affecting the ability of the customers to settle the receivables. We have therefore considered the increase in CPI index for January 2020 and February 2020 (2.6%), as provided by Statistics Mauritius, as basis for setting the probability of default.

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loss allowance as at January 1,	**3,745**	785	**-**	-
Loss allowance recognised in profit or loss during the year	**7,688**	3,873	**-**	-
Receivables written off during the year as uncollectible	**(2,403)**	(913)	**-**	-
At December 31,	**9,030**	3,745	**-**	-

(ii) Trade receivables are denominated in various currencies as shown in note 3.1(a).

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

15A. OTHER 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 38)	**37,553**	33,130	**23,241**	24,547

(a) *Fair values of financial assets at amortised cost*
Due to the short-term nature of the current receivables, their carrying amount is 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.

15B. OTHER CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
VAT receivable	**15,266**	49,415	**1,587**	2,426
Other receivables (see note (a) below)	**21,071**	12,700	**5,138**	8,206
Prepayments	**2,989**	14,233	**-**	-
	39,326	76,348	**6,725**	10,632

(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 is considered to be the same as their fair value.

16. TAXATION

(a) **Amounts recognised in the statements of financial position:**

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**(119)**	(1,540)	**101**	142
Current tax on the adjusted profit for the year at 15% (2018: 15%)	**(78)**	(425)	**-**	-
Tax refunded during the year	**(88)**	(5,384)	**(88)**	(82)
Tax paid during the year	**534**	428	**77**	41
Under provision in previous years	**-**	6,802	**-**	-
At December 31,	**249**	(119)	**90**	101
<u>Analysed as follows:</u>				
- Current tax assets	**249**	101	**90**	101
- Current tax liabilities	**-**	(220)	**-**	-
	249	(119)	**90**	101

16. TAXATION (CONT'D)

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Current tax on the adjusted profit for the year at 15% (2018: 15%)	**78**	425	**-**	-
Under provision in previous years	**-**	(6,802)	**-**	-
Deferred income taxes (note 12(b))	**(17,416)**	(27,254)	**1,501**	(1,185)
(Credited)/charged for the year	**(17,338)**	(33,631)	**1,501**	(1,185)

(c) **Tax reconciliation**

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(Loss)/profit before taxation	**(83,821)**	(178,035)	**202,336**	(40,685)
Tax calculated at a rate of 15% (2018: 15%)	**(12,573)**	(26,705)	**30,350**	(6,103)
Income not subject to tax	**(54,321)**	(13,409)	**(33,905)**	(6,882)
Expenses not deductible for tax purposes	**53,386**	24,003	**3,555**	7,369
Tax losses on which no deferred tax were recognised	**13,586**	16,536	**-**	5,616
Under provision in previous years	**-**	(6,802)	**-**	-
Deferred tax	**(17,416)**	(27,254)	**1,501**	(1,185)
Tax (credit)/charge	**(17,338)**	(33,631)	**1,501**	(1,185)

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	THE GROUP AND THE COMPANY	
	2019	2018
<u>Land infrastructural development costs</u>	**Rs'000**	Rs'000
At January 1,	**82,297**	32,630
Expenditure incurred during the year	**11,432**	65,765
Disposals	**(18,715)**	(16,098)
At December 31,	**75,014**	82,297

17A. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION TO OWNERS

	THE COMPANY
	2019
	Rs'000
Shares received in lieu of dividend (note (a))	191,849
Transfer from investment in subsidiary companies (Note 9)	245,475
	437,324

(a) On November 19, 2019, by way of a Written Resolution, the Directors of Union Corporate Limited (UCL) have recommended:
- that the existing 10,500,000 ordinary shares of Re. 1 each of the company be converted into 10,500,000 ordinary shares of no par value pursuant to Section 47(3) of the Companies Act 2001;
- that subsequently, the stated capital be reduced from Rs. 10,500,000 to Rs. 1,050,000;
- that the above-mentioned reduction of stated capital shall not affect the number of ordinary shares in issue; and
- that the above-mentioned reduction of stated capital be settled by way of 27,524,944 ordinary shares of Southern Cross Tourist Company Limited ("SCT") held by the Company.

In light of the above, The Union Sugar Estates Company Limited has received shares in SCT valued at Rs. 191.849 million.

17A. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR DISTRIBUTION TO OWNERS (CONT'D)

(b) A Special Meeting of Shareholders held on January 24, 2020 approved the reduction of share capital of The Union Sugar Estates Company Limited from Rs.18,900,000 to Rs.1,890,000 at no par value, without affecting the number of shares in issue.

The reduction in capital is to be settled by way of distribution of 102,410,252 shares of Southern Cross Tourist Company Limited held by the Company as at February 12, 2020 amounting to Rs. 437.324 million.

18. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2019 & 2018	
	Number of ordinary shares	**Amount**
		Rs'000
At January 1, 2019 and December 31, 2019	**18,900,000**	**18,900**

(a) The total authorised number of ordinary share is 25,000,000 (2018: 25,000,000 shares) with a par value of Re.1.00 per share (2018: Re.1.00 per share). All issued shares are fully paid. The Company has one class of shares and each share carries a right to vote and a right to dividend.

(b) On January 24, 2020, the Board of Directors approved the reduction of the share capital of the Company from Rs.18,900,000 to Rs.1,890,000 at no par value, without affecting the number of shares in issue.

19. OTHER RESERVES

(a) THE GROUP

	Revaluation surplus on property, plant and equipment	Revaluation surplus on right-of-use assets	Financial assets at FVOCI reserve	Actuarial gains/ (losses)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2019	1,469,718	-	(378)	(45,114)	1,424,226
Total comprehensive income for the year	432,725	383,575	91	(9,113)	807,278
Revaluation surplus released on disposal of land	(20,122)	-	-	-	(20,122)
Revaluation surplus released on disposal of financial assets through FVOCI	-	-	(90)	-	(90)
At December 31, 2019	**1,882,321**	**383,575**	**(377)**	**(54,227)**	**2,211,292**
Analysed as follows:					
- The holding company	1,762,416	7,835	(511)	(42,135)	1,727,605
- Subsidiary companies	119,905	375,740	134	(12,092)	483,687
	1,882,321	**383,575**	**(377)**	**(54,227)**	**2,211,292**

19. OTHER RESERVES (CONT'D)

(a) THE GROUP (CONT'D)

	Revaluation surplus	Fair value reserve	Financial assets at FVOCI reserve	Actuarial gains/ (losses)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2018					
- as previously reported	1,473,468	(441)	-	(57,047)	1,415,980
- effect of changes in accounting policies	-	441	(441)	-	-
- as restated	1,473,468	-	(441)	(57,047)	1,415,980
Total comprehensive income for the year	-	-	(35)	11,933	11,898
Consolidation adjustment	-	-	98	-	98
Revaluation surplus released on disposal of land	(3,750)	-	-	-	(3,750)
At December 31, 2018	**1,469,718**	**-**	**(378)**	**(45,114)**	**1,424,226**
Analysed as follows:					
- The holding company	1,469,718	-	(508)	(35,099)	1,434,111
- Subsidiary companies	-	-	130	(10,015)	(9,885)
	1,469,718	**-**	**(378)**	**(45,114)**	**1,424,226**

(b) THE COMPANY

	Revaluation surplus on property, plant and equipment	Revaluation surplus on right-of-use assets	Financial assets at FVOCI reserve	Actuarial gains/ (losses)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2019	1,469,718	-	(508)	(35,099)	1,434,111
Total comprehensive income for the year	312,820	7,835	87	(7,036)	313,706
Revaluation surplus released on disposal of land	(20,122)	-	-	-	(20,122)
Revaluation surplus released on disposal of financial assets through FVOCI	-	-	(90)	-	(90)
At December 31, 2019	**1,762,416**	**7,835**	**(511)**	**(42,135)**	**1,727,605**

THE COMPANY

	Revaluation surplus	Fair value reserve	Financial assets at FVOCI reserve	Actuarial gains/ (losses)	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At January 1, 2018					
- as previously reported	1,473,468	(487)	-	(39,831)	1,433,150
- effect of changes in accounting policies	-	487	(487)	-	-
- as restated	1,473,468	-	(487)	(39,831)	1,433,150
Total comprehensive income for the year	-	-	(21)	4,732	4,711
Revaluation surplus released on disposal of land	(3,750)	-	-	-	(3,750)
At December 31, 2018	**1,469,718**	**-**	**(508)**	**(35,099)**	**1,434,111**

Revaluation surplus
The revaluation surplus relates to the revaluation of property, plant and equipment and of right-of-use assets.

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

Actuarial gains/(losses)
The actuarial gains/(losses) reserve represents the cumulative remeasurement of defined benefit obligations recognised.

20. BORROWINGS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Non-current				
Bank loans	**163,365**	-	**89,758**	-
Secured fixed and floating rate notes	**1,292,934**	1,269,472	**-**	-
Other loans	**130,121**	8,867	**6,581**	8,867
Lease liabilities	**-**	7,834	**-**	4,341
	1,586,420	1,286,173	**96,339**	13,208
Current				
Bank overdrafts	**96,322**	91,808	**82,711**	69,124
Bank loans	**47,392**	119,757	**30,000**	119,757
Other loans	**2,286**	2,110	**2,286**	2,110
Lease liabilities	**-**	7,335	**-**	2,568
	146,000	221,010	**114,997**	193,559
Total borrowings	**1,732,420**	1,507,183	**211,336**	206,767

(a) The bank borrowings are secured by floating charges on the assets of the Group including property, plant and equipment, investment property and inventories (notes 5, 7 and 13). The rates of interest on these bank borrowings vary between 6.75% and 8.10%. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

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

	Interest	Maturity	THE GROUP	
			2019	2018
			Rs'000	Rs'000
4-year notes (Euro)	EURIBOR (floored 0%) +4.00%	14-June -2022	**293,527**	281,185
5-year notes (Euro)	EURIBOR (floored 0%) +4.25%	14-June -2023	**160,591**	153,996
5-year notes (Rs.)	5.75%	14-June -2023	**272,821**	271,048
7-year notes (Rs.)	Repo + 2.25%	14-June -2025	**262,442**	261,078
10-year notes (Rs.)	Repo + 3%	14-June -2025	**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 Southern Cross Tourist Company Limited, 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.

20. BORROWINGS (CONT'D)

(c) 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 Rs'000	6 - 12 months Rs'000	1 - 5 years Rs'000	Over 5 years Rs'000	Total Rs'000
At December 31, 2019					
Total borrowings	**1,608,881**	**-**	**-**	**123,539**	**1,732,420**
At December 31, 2018					
Total borrowings	1,225,197	3,104	278,882	-	1,507,183

(ii) THE COMPANY	6 months or less Rs'000	6 - 12 months Rs'000	1 - 5 years Rs'000	Over 5 years Rs'000	Total Rs'000
At December 31, 2019					
Total borrowings	**211,336**	**-**	**-**	**-**	**211,336**
At December 31, 2018					
Total borrowings	201,232	1,194	4,341	-	206,767

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
After one year and before five years	**896,886**	722,930	**96,339**	13,208
After five years	**689,534**	563,243	**-**	-
	1,586,420	1,286,173	**96,339**	13,208

(ii) 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 five years				
- Bank loans	**163,365**	-	**89,758**	-
- Secured fixed and floating rate notes	**726,940**	706,229	**-**	-
- Other loans	**6,581**	8,867	**6,581**	8,867
- Finance lease	**-**	7,834	**-**	4,341
	896,886	722,930	**96,339**	13,208
- Other loans	**123,539**	-	**-**	-
- Secured fixed and floating rate notes	**565,995**	563,243	**-**	-
	689,534	563,243	**-**	-

20. BORROWINGS (CONT'D)

(e) Finance lease liabilities - minimum lease payments

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Within 1 year	-	8,105	-	2,972
After 1 year and before 5 years	-	8,477	-	4,654
	-	16,582	-	7,626
Future finance charges on finance leases	-	(1,413)	-	(717)
Present value of finance lease liabilities	-	15,169	-	6,909
The present value of finance lease liabilities may be analysed as follows:				
Within 1 year	-	7,335	-	2,568
After 1 year and before 5 years	-	7,834	-	4,341
	-	15,169	-	6,909

(f) The carrying amounts of non-current borrowings are not materially different from their fair values.

(g) The carrying amounts of short term borrowings approximate their fair values.

(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 rupee	**1,278,302**	1,070,382	**211,336**	206,767
Euro	**454,118**	436,801	-	-
	1,732,420	1,507,183	**211,336**	206,767

21. RETIREMENT BENEFIT OBLIGATIONS

Amount recognised in the statements of financial position as non-current liabilities:	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Defined pension benefits (note 21(ii))	**158,445**	138,700	**99,111**	87,221

Amount charged to profit or loss:	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Defined pension benefits (note 21(vi))	**15,985**	18,694	**6,989**	6,858

Amount charged/(credited) to other comprehensive income:	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Defined pension benefits (note 21(vii))	**13,584**	(14,432)	**8,478**	(4,454)

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Defined pension benefits

(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 the Sugar Industry Pension Fund and a superannuation fund.

The most recent actuarial valuations of the 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 defined benefit obligations	**383,743**	374,244	**181,683**	174,176
Fair value of plan assets	**(225,298)**	(235,544)	**(82,572)**	(86,955)
Liability in the statements of financial position	**158,445**	138,700	**99,111**	87,221

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At January 1,	**138,700**	145,286	**87,221**	89,095
Charged to profit or loss	**15,985**	18,694	**6,989**	6,858
Charged/(credited) to other comprehensive income	**13,584**	(14,432)	**8,478**	(4,454)
Employer contributions	**(9,824)**	(10,848)	**(3,577)**	(4,278)
At December 31,	**158,445**	138,700	**99,111**	87,221

(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,	**374,244**	373,899	**174,176**	176,189
Interest expense	**20,462**	19,973	**9,471**	9,381
Current service cost	**10,503**	11,125	**2,208**	2,078
Past service cost	**(1,705)**	(3)	**-**	-
Employee contributions	**810**	904	**176**	151
Benefits paid	**(25,982)**	(18,100)	**(10,249)**	(11,403)
Liability experience gain	**(12,472)**	(5,852)	**(1,315)**	(5,483)
Liability loss/(gain) due to change in financial assumptions	**17,883**	(7,702)	**7,216**	3,263
At December 31,	**383,743**	374,244	**181,683**	174,176

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Defined pension benefits (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,	**235,544**	228,613	**86,955**	87,094
Interest income	**13,275**	12,401	**4,690**	4,601
Employer contributions	**9,824**	10,848	**3,577**	4,278
Employee contributions	**810**	904	**176**	151
Benefits paid	**(25,982)**	(18,100)	**(10,249)**	(11,403)
Return on plan assets excluding interest income	**(8,173)**	878	**(2,577)**	2,234
At December 31,	**225,298**	235,544	**82,572**	86,955

(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	**10,503**	11,125	**2,208**	2,078
Past service cost	**(1,705)**	(3)	**-**	-
Net interest on net defined benefit liability	**7,187**	7,572	**4,781**	4,780
Total included in "employee benefit expense" (note 27)	**15,985**	18,694	**6,989**	6,858
Actual return on plan assets	**5,102**	13,279	**2,113**	6,835

(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 above interest income	**8,173**	(878)	**2,577**	(2,234)
Liability experience gain	**(12,472)**	(5,852)	**(1,315)**	(5,483)
Liability loss/(gain) due to change in financial assumptions	**17,883**	(7,702)	**7,216**	3,263
Total included in other comprehensive income	**13,584**	(14,432)	**8,478**	(4,454)

(viii) The allocation of plan assets at the end of the reporting period for each category, is as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Equity - overseas quoted	**18,505**	27,404	**12,386**	18,261
Equity - overseas unquoted	**6,314**	5,307	**4,129**	3,478
Equity - local quoted	**57,042**	67,712	**19,817**	23,478
Equity - local unquoted	**3,788**	2,653	**2,477**	1,739
Debt - overseas quoted	**6,314**	12,810	**4,129**	8,696
Debt - local quoted	**12,628**	6,634	**8,257**	4,348
Debt - local unquoted	**21,984**	22,957	**6,606**	6,956
Property - local	**23,556**	24,751	**15,689**	16,521
Investment funds	**48,404**	47,664	**-**	-
Cash and other	**26,763**	17,652	**9,082**	3,478
Total	**225,298**	235,544	**82,572**	86,955

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Defined pension benefits (cont'd)

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
Discount rate	**4.2% - 5.6%**	5.6% - 6.1%	**4.2%**	5.6%
Future salary increases (staff/workers)	**3.6%**	4.50%	**3.6%**	4.5%
Future pension increases	**0.0%**	0%/1.0%	**0.0%**	1.0%
Average retirement age	**60**	60	**60**	60

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

	THE GROUP		THE COMPANY	
	Increase	**Decrease**	**Increase**	**Decrease**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
December 31, 2019				
Discount rate (1% movement)	**56,627**	**45,166**	**18,239**	**15,205**
December 31, 2018				
Discount rate (1% movement)	51,588	41,358	14,437	11,640

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.

(xi) 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.

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

(xiii) Expected contributions to post-employment benefit plans for the year ending December 31, 2020 are Rs.10.283 million for the Group and Rs.3.706 million for the Company.

(xiv) The weighted average duration of the defined benefit obligation is between 9 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	**93,718**	44,569	**22,439**	19,288
SIFB premium	**1,870**	1,991	**1,870**	1,991
Amounts due to related parties (note 38)	**47,929**	21,985	**62,772**	77,756
Deposits from clients	**69,483**	56,059	**51,064**	51,223
Accrued expenses	**36,250**	23,408	**20,380**	8,848
Capital expenditure on hotel renovation	**92,816**	3,726	**-**	-
Other payables	**16,328**	8,526	**-**	-
	358,394	160,264	**158,525**	159,106

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

23. SUGAR PROCEEDS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Sugar:				
- Current year crop	**57,860**	55,851	**57,860**	55,851
- Previous year crop	**(1,895)**	(1,785)	**(1,895)**	(1,785)
Molasses:				
- Current year crop	**9,717**	9,420	**9,717**	9,420
- Previous year crop	**1,645**	988	**1,645**	988
Bagasse:				
- Current year crop	**2,819**	10,689	**2,819**	10,689
- Previous year crop	**(27)**	108	**(27)**	108
Distillers/Bottlers:				
- Previous year crop	**-**	1,188	**-**	1,188
	70,119	76,459	**70,119**	76,459

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Timing of revenue recognition:				
At a point in time	**70,119**	76,459	**70,119**	76,459
	70,119	76,459	**70,119**	76,459

24. SIFB COMPENSATION

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Compensation from the SIFB	**13,979**	7,802	**13,979**	7,802

25. HOTEL REVENUE

	THE GROUP	
	2019	2018
	Rs'000	Rs'000
Sales of goods	**134,408**	132,420
Rendering of services	**403,660**	210,972
	538,068	343,392
Timing of revenue recognition:		
At a point in time	**209,620**	142,911
Over time	**328,448**	200,481
	538,068	343,392

26. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Agricultural income	**44,942**	40,244	**44,942**	40,244
Management fees	**17,423**	16,875	**-**	-
Rental income	**3,421**	3,630	**838**	823
Other operating income	**3,296**	3,727	**3,296**	3,726
	69,082	64,476	**49,076**	44,793

27. EMPLOYEE BENEFIT EXPENSE

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
- The Union Sugar Estates Company Limited	**54,252**	62,700	**54,252**	62,700
- Other subsidiary companies	**142,840**	108,209	**-**	-
	197,092	170,909	**54,252**	62,700
Employee benefit expense can be analysed as follows:				
Wages and salaries	**214,764**	199,732	**44,218**	52,783
Social security costs	**11,021**	10,302	**3,045**	3,059
Retirement benefit obligations (note 21(a)(vi))	**15,985**	18,694	**6,989**	6,858
	241,770	228,728	**54,252**	62,700
Transfer to closure costs (note 33)	**(44,678)**	(57,819)	**-**	-
	197,092	170,909	**54,252**	62,700

28. SUPPLIES AND SERVICES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Raw materials and other consumables used	**76,126**	51,965	**13,521**	13,199
Cultivation expenses	**42,475**	39,947	**42,475**	39,947
Structure costs	**29,015**	7,243	**-**	-
Electricity and water	**25,505**	21,952	**610**	910
Sales and marketing expenses	**40,910**	33,156	**-**	-
Overbooking expenses	**20,641**	-	**-**	-
Repairs and maintenance expenses	**19,456**	14,545	**1,575**	2,969
Transport expenses	**15,791**	14,436	**8,800**	7,830
Lease rental - property	**-**	11,338	**-**	-
Diesel and gas consumption	**7,717**	5,921	**-**	-
Subcontractor cost	**10,392**	7,735	**-**	-
Replacement cost	**6,641**	2,389	**-**	-
Provision for bad debts	**7,688**	3,873	**-**	-
Security fees	**7,662**	5,652	**-**	-
Management fees	**8,415**	8,091	**11,321**	11,152
Entertainment	**6,960**	4,740	**69**	75
Printing and stationary	**2,513**	2,139	**230**	255
Telephone and postage	**2,226**	2,172	**208**	234
Laundry	**8,893**	3,832	**-**	-
Bank charges	**3,879**	2,630	**21**	20
Motor vehicle running expenses	**1,895**	5,763	**1,895**	2,065
Professional fees	**2,757**	2,752	**1,555**	1,733
Others	**30,453**	24,574	**5,442**	4,186
	378,010	276,845	**87,722**	84,575

29. DEPRECIATION AND AMORTISATION

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Depreciation on property, plant and equipment (note 5 (j))	**62,860**	39,799	**4,823**	13,504
Amortisation of right-of-use assets (note 5A(i))	**14,433**	-	**1,968**	-
Amortisation of leasehold land payments (note 6)	**2,981**	2,981	**-**	-
Amortisation of intangible assets (note 8)	**53**	38	**-**	-
	80,327	42,818	**6,791**	13,504

30. OTHER INCOME

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Income from leisure activities	**7,289**	8,423	**-**	-
Interest income (note (a))	**1,288**	1,406	**1,288**	1,406
Share of profit in enterprises with controlling interest	**-**	-	**284**	228
Dividend income - Quoted	**120**	96	**120**	96
- Unquoted	**-**	-	**2,000**	2,000
(Loss)/profit on disposal of property, plant and equipment	**(131)**	4,813	**17**	3,308
Others	**759**	934	**-**	-
	9,325	15,672	**3,709**	7,038

(a) Total interest income on financial assets that are measured at amortised cost for the year was Rs.1.288 million (2018: Rs.1.406 million) for the Group and for the Company.

31. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Interest expense:				
- bank and other loans repayable by instalments	**10,810**	21,507	**10,608**	10,681
- Secured fixed and floating rate notes	**73,073**	40,659	**-**	-
- bank overdrafts	**6,296**	3,017	**4,446**	1,997
- leases	**20,693**	1,290	**904**	612
- current accounts	**968**	667	**3,343**	1,617
- others	**1,596**	133	**106**	133
	113,436	67,273	**19,407**	15,040
Less amounts included in the cost of qualifying assets	**(22,257)**	(26,935)	**-**	-
	91,179	40,338	**19,407**	15,040
- Net foreign exchange losses/(gains)	**9,295**	(10,462)	**-**	-
Net finance costs	**100,474**	29,876	**19,407**	15,040

32. EXCEPTIONAL ITEMS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit on disposal of :				
- Morcellement land	**3,063**	3,898	**3,063**	3,898
- land under property, plant and equipment	**35,966**	17,932	**35,966**	17,932
Impairments losses:				
- Investments in associates	**-**	-	**(7,250)**	(3,000)
Reversal of provision for impairment of :				
- receivables from related companies	**-**	183	**-**	183
- investment in subsidiaries	**-**	-	**2,472**	-
Payables to related parties written back	**-**	1,640	**-**	1,640
Gain on disposal of financial assets through FVOCI	**9**	-	**9**	-
Corporate tax payable to MRA	**(18,750)**	-	**-**	-
Surplus on shares received on capital reduction in subsidiary	**-**	-	**182,399**	-
Loss on assets scrapped	**-**	(73,936)	**-**	-
Others	**355**	961	**355**	961
	20,643	(49,322)	**217,014**	21,614

33. CLOSURE COSTS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Employee transportation	**680**	973	**-**	-
Telephone and postage	**339**	987	**-**	-
Employee benefit expense (note 27)	**44,678**	57,819	**-**	-
Security fees	**2,541**	2,863	**-**	-
Structure costs	**3,792**	8,135	**-**	-
Lease rental - property	**-**	8,800	**-**	-
Depreciation on property, plant and equipment (note 5 (j))	**3,765**	6,237	**-**	-
Amortisation on right-of-use assets (note 5A(i))	**1,571**	-	**-**	-
Repairs and maintenance expenses	**1,504**	890	**-**	-
Others	**905**	5,320	**-**	-
	59,775	92,024	**-**	-

Closure costs includes employee benefit expense and other expenses incurred since the closure of Preskil Island Resort between May 2018 and May 2019. Other expenses consist of expenses incurred in the day to day operation of the Group.

34. (LOSS)/PROFIT BEFORE TAXATION

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
(Loss)/profit before taxation is arrived at after				
crediting:				
Profit on disposal of property, plant and equipment	-	4,813	17	3,308
Dividends from equity investments held at FVOCI				
- Related to investments held at the end of the reporting period	120	96	120	96
	7,963	-	7,963	-
and charging:				
Loss on disposal of property, plant and equipment	131	-	-	-
Depreciation on property, plant and equipment				
- owned assets	62,860	33,267	4,823	11,353
- leased assets under finance leases	-	6,532	-	2,151
Amortisation of right-of-use assets	14,433	-	1,968	-
Amortisation of leasehold land payments	2,981	2,981	-	-
Amortisation of intangible assets	53	38	-	-
Impairments losses:				
- Investments in associates	-	-	7,250	3,000
- Bearer plants	4,674	16,451	4,674	16,451
Lease rental - property	-	11,338	-	-
Employee benefit expense	197,092	170,909	54,252	62,700

35. LOSS PER SHARE

		THE GROUP	
		2019	2018
Loss attributable to equity holders of the Company	Rs'000	(54,619)	(125,822)
Number of ordinary shares in issue		18,900,000	18,900,000
Loss per share	Rs./cts.	(2.89)	(6.66)

36. NOTES TO THE STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
(a) Cash generated from/(absorbed in) operations	**Rs'000**	Rs'000	**Rs'000**	Rs'000
(Loss)/profit before taxation	**(83,821)**	(178,035)	**202,336**	(40,685)
Adjustments:				
Share of result of associates	**5,970**	1,470	**-**	-
Reversal of provision for impairment in:				
- investment in subsidiaries	**-**	-	**-**	(10)
- investment in associates	**-**	-	**(2,472)**	-
Impairment of investment in associates	**-**	-	**7,250**	3,000
Impairment of bearer plants	**4,674**	16,451	**4,674**	16,451
Depreciation on property, plant and equipment	**66,625**	46,036	**4,823**	13,504
Assets scrapped	**-**	73,936	**-**	-
Amortisation of right-of-use assets	**16,004**	-	**1,968**	-
Amortisation of leasehold land payments	**2,981**	2,981	**-**	-
Amortisation of intangible assets	**53**	38	**-**	-
Retirement benefit obligations	**6,161**	7,846	**3,412**	2,580
Profit on disposal of :				
-non-current assets held for sale	**(3,063)**	(3,898)	**(3,063)**	(3,898)
-land under property, plant and equipment	**(35,966)**	(17,932)	**(35,966)**	(17,932)
Loss/(profit) on disposal of property, plant and equipment	**131**	(4,813)	**(17)**	(3,308)
Gain on disposal of financial assets through FVOCI	**(9)**	-	**(9)**	-
Gain on revaluation of investment property	**(7,963)**	-	**(7,963)**	-
Surplus on shares received on capital reduction in subsidiary	**-**	-	**(182,399)**	-
Exchange losses/(gains) on borrowings	**16,305**	(10,163)	**-**	-
Dividend income	**(120)**	(96)	**(2,120)**	(2,096)
Interest income	**(1,288)**	(1,406)	**(1,288)**	(1,406)
Interest expense	**91,179**	67,273	**19,407**	15,040
	77,853	(312)	**8,573**	(18,760)
Changes in working capital:				
-inventories	**(9,243)**	3,111	**171**	(1,158)
-trade receivables	**(128,045)**	129,698	**(15,488)**	52,012
-other financial assets at amortised cost	**(4,423)**	(33,130)	**1,306**	(24,547)
-other current assets	**27,322**	(76,348)	**3,907**	(10,632)
-trade and other payables	**108,040**	(22,567)	**(5,431)**	44,409
-consumable biological assets	**(15,350)**	4,000	**(15,350)**	4,000
Cash generated from/(absorbed in) operations	**56,154**	4,452	**(22,312)**	45,324

	THE GROUP		THE COMPANY	
(b) Non-cash transactions	**2019**	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Total acquisition of property, plant and equipment	**460,555**	661,982	**4,751**	11,347
Less: Acquisition under finance leases	**-**	(2,016)	**-**	-
Less: Interest capitalised	**(22,257)**	-	**-**	-
Amount paid for previous year	**3,726**	-	**-**	-
Amount not yet paid (note 22)	**(92,816)**	-	**-**	-
Amount paid	**349,208**	659,966	**4,751**	11,347

The principal non cash transactions are the acquisition of right-of-use assets (Note 5A) (2018 - Finance leases Note 5).

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

(c) Reconciliation of liabilities arising from financing activities

(i) THE GROUP

	2018	Recognised on adoption of IFRS 16	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Interest	Non-cash changes: Foreign exchange movement	2019
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2019							
Long term borrowings	1,400,206	-	141,440	-	78,164	16,288	1,636,098
Lease liabilities	15,169	224,506	(29,952)	10,743	20,693	17	241,176
	1,415,375	**224,506**	**111,488**	**10,743**	**98,857**	**16,305**	**1,877,274**

	2017	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Foreign exchange movement	2018
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2018					
Long term borrowings	531,435	878,879	-	(10,108)	1,400,206
Lease liabilities	23,568	(10,360)	2,016	(55)	15,169
	555,003	**868,519**	**2,016**	**(10,163)**	**1,415,375**

(ii) THE COMPANY

	2018	Recognised on adoption of IFRS 16	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Interest	Non-cash changes: Foreign exchange movement	2019
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2019							
Long term borrowings	130,734	-	(2,109)	-	-	-	128,625
Lease liabilities	6,909	5,615	(3,479)	-	904	-	9,949
	137,643	5,615	(5,588)	-	904	-	138,574

	2017	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Foreign exchange movement	2018
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2018					
Long term borrowings	135,049	(4,315)	-	-	130,734
Lease liabilities	9,971	(3,062)	-	-	6,909
	145,020	(7,377)	-	-	137,643

(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	**27,080**	11,934	**86**	86
Short term bank deposits	**-**	144,956	**-**	-
	27,080	156,890	**86**	86

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

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

(e) Cash and cash equivalents and bank overdrafts 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	**27,080**	156,890	**86**	86
Bank overdrafts	**(96,322)**	(91,808)	**(82,711)**	(69,124)
	(69,242)	65,082	**(82,625)**	(69,038)

37. 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	**-**	-

Capital commitments are in respect of amount payable to contractors on renovation on Preskil Island Resort.

(b) **Operating lease-where the Group is the lessee - 2018**
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 offer letter, the future minimum lease payments have been estimated as follows:

	THE GROUP
	2018
	Rs'000
Not later than one year	20,573
Later than one year but not later than five years	95,099
Later than five years	4,165,707
	4,281,379

38. RELATED PARTY TRANSACTIONS

(a) THE GROUP

	Purchase of goods or services	Sale of goods or services	Management fees received	Management fees paid	Finance income	Finance costs	Share of loss	Amount owed by related parties	Amount owed to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(i) **2019**									
Trading transactions									
Holding company	**212**	**517**	**16,072**	**8,415**	**770**	**-**	**-**	**25,085**	**21,496**
Fellow subsidiaries	**-**	**5,919**	**1,111**	**-**	**-**	**-**	**-**	**5,268**	**-**
Associates	**198**	**11,425**	**240**	**-**	**-**	**968**	**(5,970)**	**7,200**	**26,433**
	410	**17,861**	**17,423**	**8,415**	**770**	**968**	**(5,970)**	**37,553**	**47,929**
(ii) 2018									
Trading transactions									
Holding company	255	781	15,661	8,091	1,381	-	-	18,700	4,737
Fellow subsidiaries	-	5,824	974	-	-	-	-	8,716	-
Associates	5,618	9,948	240	-	-	667	(1,470)	5,714	17,248
	5,873	16,553	16,875	8,091	1,381	667	(1,470)	33,130	21,985

(b) THE COMPANY

	Purchase of goods or services	Sale of goods or services	Management fees paid	Finance income	Finance costs	Share of profit	Amount owed by related parties	Amount owed to related parties
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
(i) **2019**								
Trading transactions								
Holding company	**212**	**517**	**2,570**	**770**	**-**	**-**	**2,082**	**246**
Subsidiary companies	**3**	**483**	**8,751**	**-**	**2,606**	**-**	**7,074**	**35,965**
Associates	**198**	**11,425**	**-**	**-**	**737**	**284**	**14,085**	**26,561**
	413	**12,425**	**11,321**	**770**	**3,343**	**284**	**23,241**	**62,772**
(ii) 2018								
Trading transactions								
Holding company	255	781	2,471	1,381	-	-	11,441	237
Subsidiary companies	19	884	8,681	-	900	-	885	59,991
Associates	5,618	9,948	-	-	717	228	12,221	17,528
	5,892	11,613	11,152	1,381	1,617	228	24,547	77,756

(c) (i) The above transactions have been made on normal commercial terms and in the normal course of business.
(ii) No provision made for doubtful debts in respect of amounts owed by related parties for the year 2019 (2018: Nil).
(iii) Reversal of provision for impairment of investment in associates during the year amounts to Rs.2.472 million (2018 : Nil).
(iv) No reversal of provision for doubtful debts in respect of amounts owed by related parties was made during the year (2018 : 0.183 million).
(v) No amount was written back in respect of amounts owed to related parties during the year (2018 : 1.640 million).
(vi) The amounts outstanding from related parties are unsecured and will be settled in cash.

38. RELATED PARTY TRANSACTIONS (CONT'D)

(d) **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	**28,097**	22,712	**3,088**	2,983
Post-employment benefits	**1,328**	1,221	**285**	271
	29,425	23,933	**3,373**	3,254

39. SEGMENTAL INFORMATION

The Union Sugar Estates Group 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. Most of the businesses were acquired as individual units, and the management at the time of the acquisition was retained.

The Union Group has two reportable segments namely Agro and Leisure:
- Agro: Planter of sugar cane for production of sugar and by-products of sugar namely molasses & bagasse and production of fruits and vegetables.
- Leisure: operates hotel resorts and a lodge.

"All other segments" comprise of other business activities and operating segments that are not reportable. Revenue included in this segment consists of Rs.17.150 million (2018: Rs.16.725 million).

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Union Sugar Estates Group evaluates performance on the basis of profit or loss from operations before tax expense. The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

	Agro	**Leisure**	**All other Segments**	**Total**
2019	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Total segment revenues	132,336	541,762	41,100	715,198
Inter-segment revenues	-	-	(23,950)	(23,950)
Revenues from external customers	132,336	541,762	17,150	691,248
Segment profit/(loss)	973	61,450	(17,956)	44,467
Unallocated corporate expenses	-	-	-	-
Operating profit/(loss)	973	61,450	(17,956)	44,467
Increase in fair value of investment property	7,963	-	-	7,963
Other income (note 30)	1,425	7,900	-	9,325
Finance costs (note 31)	(17,033)	(83,276)	(165)	(100,474)
Share of result of associates (note 10)	(6,384)	414	-	(5,970)
Exceptional items (note 32)	39,393	-	(18,750)	20,643
Closure costs (note 33)	-	(59,775)	-	(59,775)
Profit/(loss) before taxation	26,337	(73,287)	(36,871)	(83,821)
Taxation	(1,494)	18,889	(57)	17,338
Profit/(loss) for the year	24,843	(54,398)	(36,928)	(66,483)

39. SEGMENTAL INFORMATION (CONT'D)

2018	Agro Rs'000	Leisure Rs'000	All other Segments Rs'000	Total Rs'000
Total segment revenues	128,231	347,173	38,246	513,650
Inter-segment revenues	-	-	(21,521)	(21,521)
Revenues from external customers	128,231	347,173	16,725	492,129
Segment (loss)/profit	(46,593)	40,552	(14,974)	(21,015)
Unallocated corporate expenses	-	-	-	-
Operating (loss)/profit	(46,593)	40,552	(14,974)	(21,015)
Other income (note 30)	4,810	10,859	3	15,672
Finance costs (note 31)	(14,090)	(15,558)	(228)	(29,876)
Share of result of associates (note 10)	(1,664)	194	-	(1,470)
Exceptional items (note 32)	24,614	(73,936)	-	(49,322)
Closure costs (note 33)	-	(92,024)	-	(92,024)
Loss before taxation	(32,923)	(129,913)	(15,199)	(178,035)
Taxation	1,185	32,789	(343)	33,631
Loss for the year	(31,738)	(97,124)	(15,542)	(144,404)

2019	Agro Rs'000	Leisure Rs'000	All other Segments Rs'000	Total Rs'000
Interest revenue	1,288	-	-	1,288
Interest expense	17,033	96,237	166	113,436
Addition to non-current assets (other than financial instruments & deferred tax assets)	4,751	464,340	2,267	471,358
Depreciation of property plant and equipment	4,823	60,270	1,532	66,625
Amortisation of right-of-use assets	1,968	12,791	1,245	16,004
Amortisation of leasehold land payments	-	2,981	-	2,981
Amortisation of intangible assets	-	53	-	53
Impairment losses of bearer plants	4,674	-	-	4,674
Segment assets	2,008,078	3,061,439	32,751	5,102,268
Associates	15,514	2,325	-	17,839
Segment liabilities	456,667	2,203,996	31,164	2,691,827

2018	Agro Rs'000	Leisure Rs'000	All other Segments Rs'000	Total Rs'000
Interest revenue	1,406	-	-	1,406
Interest expense	14,090	52,955	228	67,273
Addition to non-current assets (other than financial instruments & deferred tax assets)	11,347	650,469	185	662,001
Depreciation of property plant and equipment	13,504	30,429	2,103	46,036
Amortisation of leasehold land payments	-	2,981	-	2,981
Amortisation of intangible assets	-	38	-	38
Impairment losses of bearer plants	16,451	-	-	16,451
Segment assets	1,679,916	1,707,029	10,170	3,397,115
Associates	14,649	2,310	-	16,959
Segment liabilities	392,826	1,425,252	18,519	1,836,597

39. SEGMENTAL INFORMATION (CONT'D)

	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	**-**	-
Mauritius	**186,396**	172,485	**4,685,760**	2,963,701
Italy	**29,463**	38,126	**-**	-
Others	**72,973**	56,785	**-**	-
	691,248	492,129	**4,685,760**	2,963,701

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

40. CONTINGENCIES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Guarantees given to third parties	**20,500**	25,000	**159,253**	28,753
Guarantees given to related parties	**225,000**	-	**225,000**	-

(b) Contingent liabilities

(i) As per agreement between the Mauritius Sugar Producers Association and the Government of Mauritius, members of the Association have agreed to allocate "2,000 arpents" of land for agricultural and diversification projects as well as for social housing purposes. The Company's share, after deduction of some allocation of land already done to date, is estimated to be around 10.41 arpents.

41. LABOUR DISPUTE

The dispute between certain sugar growing and milling companies and the Trade Unions representing non-agricultural employees and agricultural employees working in the sugar sector for a better working environment, such as, payment of a night shift allowance, early retirement of their members and revised basis of computing gratuity on retirement or death, had been referred to the National Renumeration Board. The outcome of the case is not known.

42. GOING CONCERN

At December 31, 2019, the Group's gearing ratio was at 81% (2018: 87%). Furthermore, as at December 31, 2019, the Group incurred a loss of Rs.66.483 million (2018: Rs.144.404 million). The Group meets its day-to-day working capital requirements through bank overdraft facilities which, in common with all such facilities, is repayable on demand. At the end of the reporting period, the Group's overdraft was Rs.96.322 million (2018: Rs.91.808 million).

Furthermore, the Group has secured loans of Rs.1,503.691 million (2018: Rs.1,389.229 million) of which Rs.47.392 million (2018: Rs.119.757 million) are repayable within one year.

One of the Company's banker has granted new banking facilities in April 2020 to repay all the company's existing borrowings. A moratory period of two years has been obtained for repayment of capital. Also, in year 2020, shares held by the Company in its subsidiary having major borrowings have been distributed to the shareholders (see note 44- Capital reduction and distribution of investment held in subsidiary company).

42. GOING CONCERN (CONT'D)

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued financial support of the Company's bankers, related parties and proceed generated from sale of land to meet liquidity requirements for the next twelve months from approval of the financial statements and by agreeing to any additional short-term financing facilities that the Company may require.

Cash flow forecast was prepared for the Group and sensitivity analysis of the key assumptions were undertaken to ascertain whether the Group can operate as a going concern for at least twelve months from the date of the financial statements.

Based on the above, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

43. 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.

<u>Transition Method and Practical Expedients Utilised</u>
The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (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) 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
(c) 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.

43. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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

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
Operating leases leases	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).	

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**	**Rs'000**
Assets				
Property, plant and equipment				
Right-of-use assets	(a)	2,731,901	(24,622)	2,707,279
Deferred tax assets	(b)	-	249,128	249,128
	(c)	58,387	38,366	96,753
Liabilities				
Loans and borrowings				
Lease liabilities	(d)	1,507,183	(15,169)	1,492,014
Deferred tax liabilities	(e)	-	239,675	239,675
	(c)	30,230	38,366	68,596
Equity				
Retained earnings				
		98,824	-	98,824

THE COMPANY	Adjustments	December 31, 2018 As originally Presented	IFRS 16	January 1, 2019
Assets				
Property, plant and equipment	(a)	1,506,304	(9,320)	1,496,984
Right-of-use assets	(b)	-	14,935	14,935
Deferred tax assets	(c)	14,828	955	15,783
Liabilities				
Loans and borrowings	(d)	206,767	(6,909)	199,858
Lease liabilities	(e)	-	12,524	12,524
Deferred tax liabilities	(c)	-	955	955
Equity				
Retained earning		66,221	-	66,221

43. CHANGES IN ACCOUNTING POLICIES (CONT'D)

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

(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.56.375 million and accumulated amortisation by Rs.31.753 million for a net adjustment of Rs.24.622 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.16.918 million and accumulated amortisation by Rs.7.598 million for a net adjustment of Rs.9.320 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	24,622	9,320
Operating type leases	224,506	5,615
Right-of-use assets	**249,128**	**14,935**

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

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

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

	THE GROUP	THE COMPANY
	Rs'000	Rs'000
At January 1, 2019		
Minimum operating lease commitments at December 31, 2018	4,281,379	110,791
Less: adjustment to rentals based on future increase in Consumer Price Index	(3,305,960)	(85,938)
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(750,913)	(19,238)
Lease payments linked with inflation		-
Plus: leases previously classified as finance type under IAS 17	15,169	6,909
Lease liability as at January 1, 2019	**239,675**	12,524
Of which are:		
Current lease liabilities	27,232	3,065
Non-current lease liabilities	212,443	9,459
	239,675	12,524

44. EVENTS AFTER THE REPORTING PERIOD

Capital reduction and distribution of investment held in subsidiary company

A Special Meeting of Shareholders held on January 24, 2020 approved the reduction of share capital of The Union Sugar Estates Company Limited from Rs.18,900,000 to Rs.1,890,000 at no par value, without affecting the number of shares in issue.

The reduction in capital has been settled by way of distribution of 102,410,252 shares of Southern Cross Tourist Company Limited held by the Company as at February 12, 2020 amounting to Rs. 437.324 million.

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 hospitality segment revenue and results for the year 2020 will be negatively impacted with cancelled bookings and uncertainty regarding future bookings due to volatile market conditions. USE has distributed all ordinary shares held in Southern Cross Tourist Company Limited on February 12, 2020. The negative impact on that entity will not have any effect on the Group's performance in year 2020.

Group USE has determined that 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. Whilst 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 customers which have declared bankruptcy due to the outbreak of COVID-19.

Fair value of investments

At the date these financial statements were authorised for issue, the fair value of the Group's investments had not declined significantly.

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