Constance Hotels Services Limited

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www.constancehotels.com

MAURITIUS | SEYCHELLES | MALDIVES | MADAGASCAR

CONSTANCE
HOTELS, RESORTS & GOLF

True by Nature

CONSTANCE HOTELS SERVICES LIMITED | ANNUAL REPORT 2016

CONTENTS

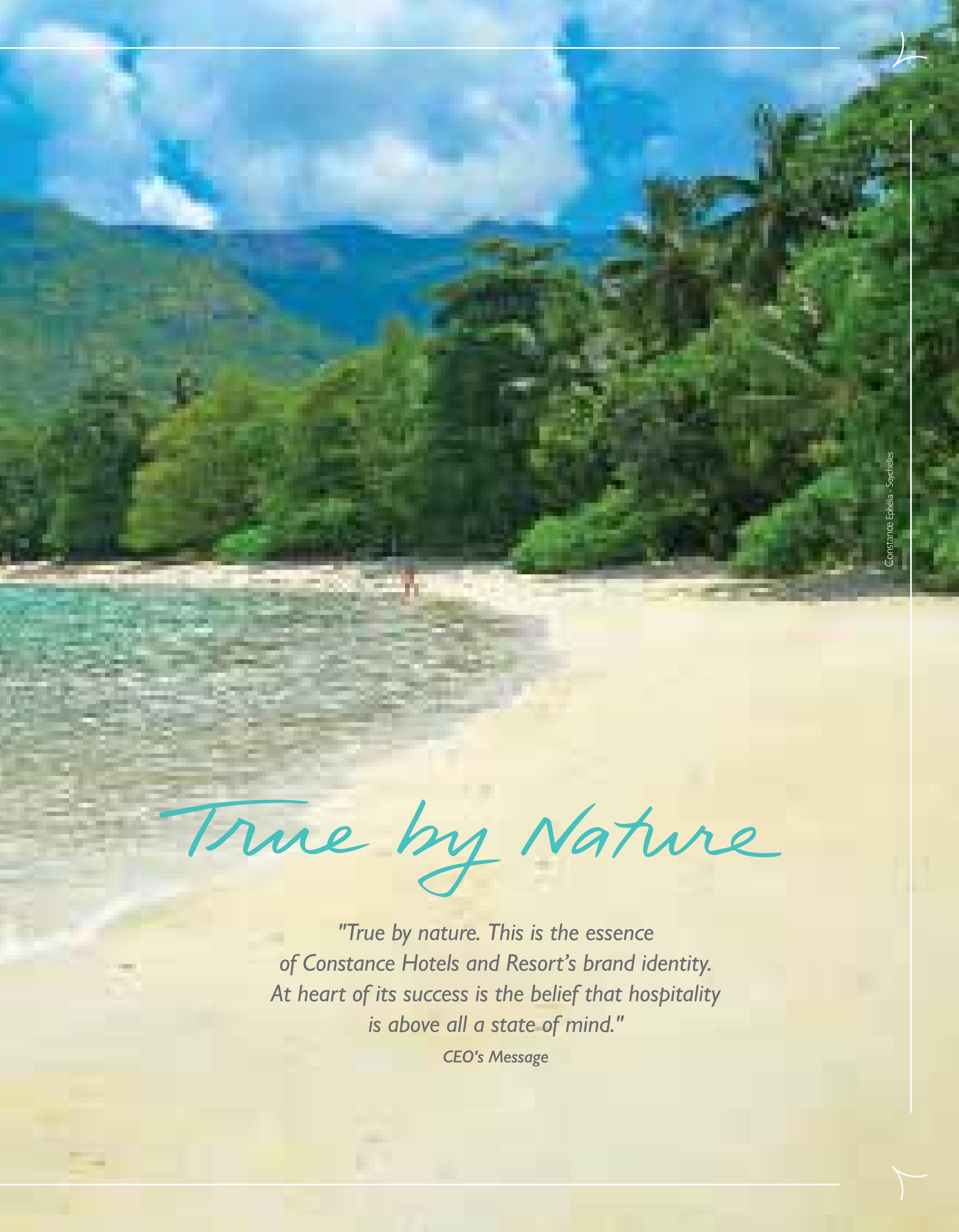
DEAR SHAREHOLDER,

The Board of Directors is pleased to present the Annual Report of Constance Hotels Services Limited for the year ended 31 December 2016. This report was approved by the Board on 28 March 2017.

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

Constance Lémuria - Seychelles



Constance Ephélia - Seychelles

True by Nature

"True by nature. This is the essence of Constance Hotels and Resort's brand identity. At heart of its success is the belief that hospitality is above all a state of mind."

CEO's Message

VALUE CREATION MODEL AND BRAND PLATORM

From
7 successful and
award-winning
hotels and resorts

To
More than 20
leading hotels and
resorts supported
by a strong brand
architecture.

CONSTANCE
HOTELS & RESORTS

THE GROUP'S AMBITION

Constance is committed to delivering growth to its stakeholders by leveraging the value from its hotel brand.

The current organisational famework will lead to enhanced focus on our core business: hotel management services.

EXCELLENCE IN HOTEL MANAGEMENT

The Constance brand already enjoys a unique reputation in the hospitality industry, built on its experience in operating luxury hotels and on its wide network of partners across the world. The brand name also stands for excellence in the golf business.

Nurturing this brand and widening its outreach to third-party property owners will boost the Group's growth.

CONSTANCE
PRINCE MAURICE
MAURITIUS

CONSTANCE
LEMURIA
PRASLIN, SEYCHELLES

CONSTANCE
HALAVELI
MALDIVES

CONSTANCE
HOTELS, RESORTS & GOLF

CONSTANCE
HOSPITALITY MANAGEMENT

CONSTANCE GOLF

HOTELS by CONSTANCE

Our New lifestyle brand

CONSTANCE
BELLE MARE PLAGE
MAURITIUS

CONSTANCE
EPHELIA
MAHÉ, SEYCHELLES

CONSTANCE
MOOFUSHI
MALDIVES

CONSTANCE
TSARABANJINA
MADAGASCAR

CONSTANCE GOLF
LEGEND
MAURITIUS

CONSTANCE GOLF
LINKS
MAURITIUS

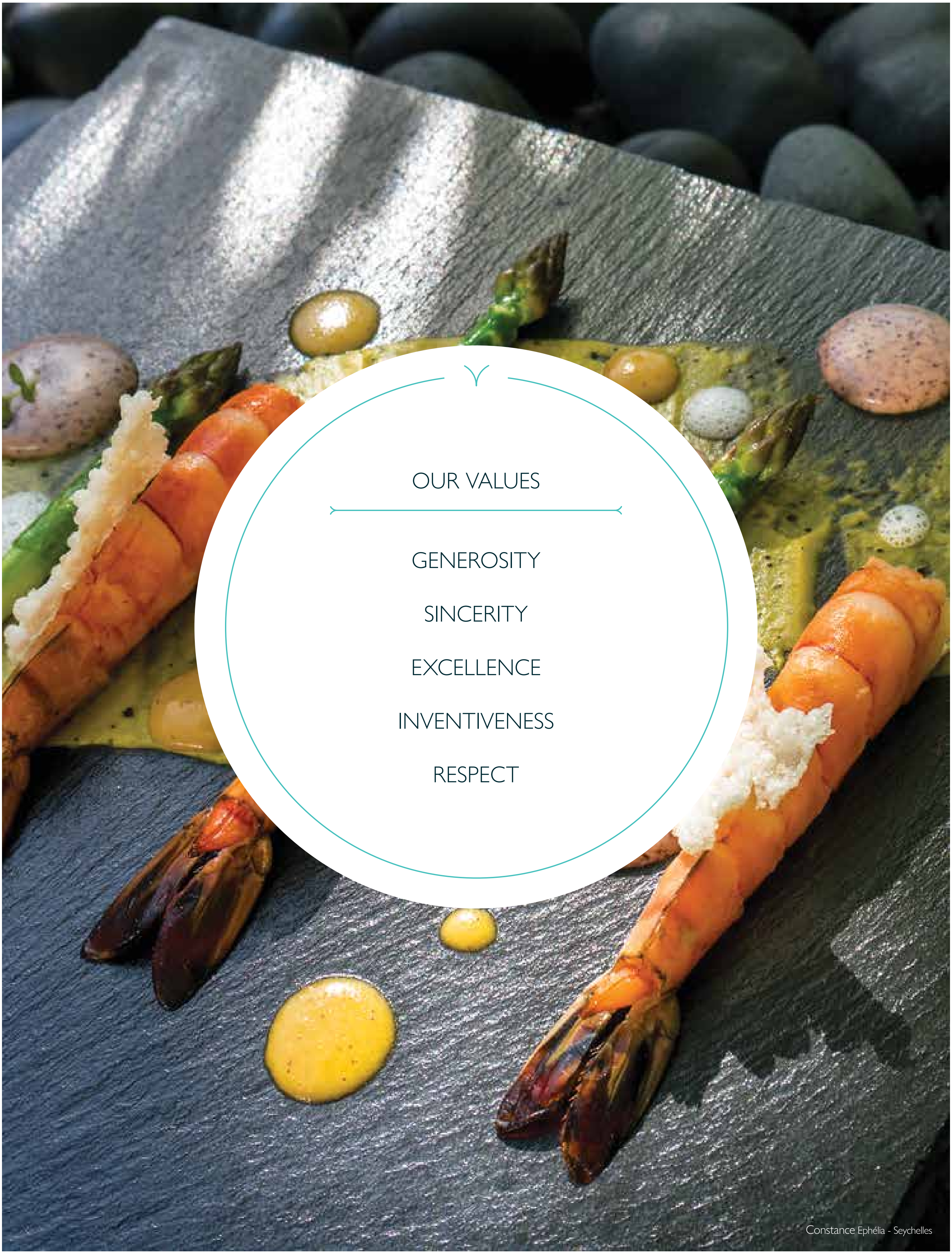
CONSTANCE GOLF
LEMURIA
PRASLIN, SEYCHELLES

BRANDING

Constance Lémuria - Seychelles

OUR BEHAVIOUR

“COME AS A GUEST,
LEAVE AS A FRIEND”



Constance Ephélia - Seychelles

WHAT WE CLAIM

True by Nature

OUR NEW SIGNATURE

WHAT WE OFFER




TRUE PEOPLE

TRUE PLACES

TRUE EXPERIENCE

TRUE SERVICE

AT A GLANCE

82K
Clients

14K
Repeaters

500K
Facebook likes & online followers

OPERATIONS

4 Destinations

7 Hotels

3 Golf courses

1,012 rooms

39 Awards

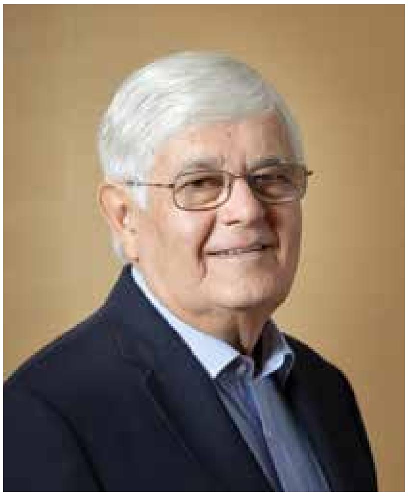
FINANCIALS

40.47
Net asset per share

(0.13)
Loss per share

0.65
Dividends per share

CHAIRMAN'S STATEMENT



"Being a responsible business is an integral part of delivering our strategy. It is not only reflected in our approach to governance and engagement to ethical, socially responsible and sustainable business practices but it is ingrained in our culture."

Dear Shareholder,

Our financial results for 2016 reflect the more difficult, than anticipated year, your company, faced for the reasons elaborated further in my statement. On the other hand, we are making good progress in developing, implementing and executing our new strategy in regard to reinforcing our brand, improving the return on our real-estate assets and growing our hotel management portfolio. In time, our approach will pay-off as we accelerate the execution of our commercial strategy on the back of these changes.

The Region

2016 turned out to be, in general, another successful year for the travel and tourism industry in the region, supported by a modestly stronger global economic environment, mainly driven by the developing economies, but dampened by prevailing geo-political upheavals.

The four destinations in which we operate saw positive growth in tourist arrivals with the more favourable trends for Mauritius, Seychelles and Madagascar reflecting the continuing positive action being taken by their respective tourism authorities. For the Maldives, the operating environment is becoming more arduous and competitive.

Your Company

Your Company navigated through what proved to be a testing year due to a wide-range of factors, which negatively impacted on its performance. These were principally the closures of Constance Belle Mare Plage (CBMP) in Mauritius for six weeks – in addition to which, approximately 50 rooms remained unserviceable for six months for renovation and expansion works and Constance Lémuria in Seychelles (CLS) for two months, for renovation works; the undertaking of major enhancement works at our two golf courses in Mauritius, and improvements to the course in the Seychelles. We were, also, adversely affected by the weak EUR/SCR. Furthermore, our two hotels in the Maldives experienced a general contraction in occupancy and RevPAR, notably from pricing pressures deriving from the continued opening of new hotels, growing competition from neighbouring destinations and the unfavourable rate fluctuations of its main operating currencies.

In this context, our consolidated occupancy rate for all our properties was down 5.6 percentage points at 72.2%; however, ADR improved and, RevPAR and TRevPAR were at marginally lower levels than in the previous year. Total revenue achieved was MUR 3.6 billion (2015: MUR 3.7 billion) with an EBITDA of MUR 939 million (2015: MUR 1.1 billion). Operating costs were well contained at 2015 levels, in face of mounting pressure on wages and energy bills. With lower earnings and higher than forecast closure and expenditure costs for property shutdowns, finance costs increased by 9.5% to MUR 309 million. This resulted in a net profit of MUR 2.9 million compared to MUR 229.9 million in 2015.

On the recognition front, the Constance Hotels and Resorts brand and our individual hotels continued to receive numerous accolades and awards across the globe, as detailed later in this Annual Report.

Growing with purpose

In last year's Report, I shared with you our perspective on enhancing our brand awareness and building, shaping and growing our business for the future. We have come a long way down this road:

Brand: We have not only reinforced our current brand, Constance Hotels and Resorts, but we have also created a new lifestyle brand, "C by Constance", which will provide us with considerable new opportunities to expand our hotel management portfolio across the region and beyond.

Real-Estate Assets: We have completed the refurbishment and expansion of two of our major hotels, CBMP and CLS, as well as the enhancements of our three golf courses; investments that were necessary to secure the leading position held by these properties in their respective markets, thus ensuring their improved profitability for the longer term.

Hotel Management: We continue to seek new hotel management contracts in the region and beyond. During 2016, a number of proposals were considered and we are confident some of those that are still in the pipeline will come to fruition in 2017.

Internal Reorganisation: We are in the process of completing the Corporate and HR reorganisation of the companies within the Constance Hotels and Resorts Group. This will ensure a more focused approach for our individual key activities and improve our cost ratios and productivity, as well as our range of product and service offerings.

Responsible Business

Being a responsible business is an integral part of delivering our strategy. It is not only reflected in our approach to governance and engagement to ethical, socially responsible and sustainable business practices but it is ingrained in our culture. Our Sustainability Management Plan, established over these past years, is continually reviewed and updated to ensure our practices limit any negative facet of our operations on surrounding eco-systems, communities and our many stakeholders.

The new Code of Corporate Governance for Mauritius has been promulgated. Our Company is generally compliant with the eight new principles of this Code. We will, however, be enhancing our website to better inform stakeholders of our governance practices.

Our pledge, to serve the local communities in which we operate, is stronger than ever in spite of the unfavourable changes made to the CSR National Programme. The new regulations which compel companies to contribute 50% of their CSR monies to the National CSR Foundation – increasing to 75% in 2018 – will significantly restrict companies in the funding of their ongoing long-term commitments or engaging in new programmes.

Dividend

The Board of Directors approved a final dividend of MUR 0.15 per share paid on 16 February 2017. Having paid an interim dividend of MUR 0.50 per share on 17 May 2016, total dividend declared for 2016 was MUR 0.65 per share.

Looking Ahead

We will continue to remain focused on the implementation of our Strategic Plan and promote measures to improve shareholder value, meet our financial commitments, maintain our high standard of product and service offerings, pursue new business opportunities and retain our leading position in the region.

In turn, we rely on the authorities in the region to advance and facilitate the development of the tourism sector in their respective jurisdictions; they are the principal catalysts for the sustainable growth and success of this industry.

Notwithstanding the, ongoing, challenging global business and geo-political environment, the Board and Management remain confident of the Company's inherent strengths, and maintain their positive long-term outlook. For the short term, based on current market factors and forward bookings, the Company is expected to perform better than in the year under review, subject to any unforeseen circumstances.

Our People

We remain indebted to our people, who have strived so hard and relentlessly to deliver a truly memorable experience for our guests, by ensuring the latter's needs and expectations are not only met but surpassed. The worldwide recognition received and numerous awards won by our hotels are a testimony to the skills, dedication and passion of all our colleagues. We thank each and every one of them, ably led by their Chief Executive Officer and his Team, for the key role they play in the success of the Company.

Acknowledgement

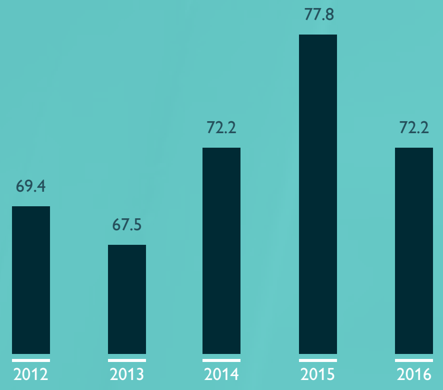
I acknowledge and thank the Group Chief Executive Officer and his team for their contribution towards the ongoing development of the Constance Hotels & Resorts Group. I appreciate the invaluable support given to me by my colleagues on the Board and recognise, with gratitude, the vital confidence, loyalty and trust that we continue to receive from our shareholders, guests and the many other industry stakeholders across the globe.

George J. DUMBELL
Chairman

GROUP KEY PERFORMANCE INDICATORS

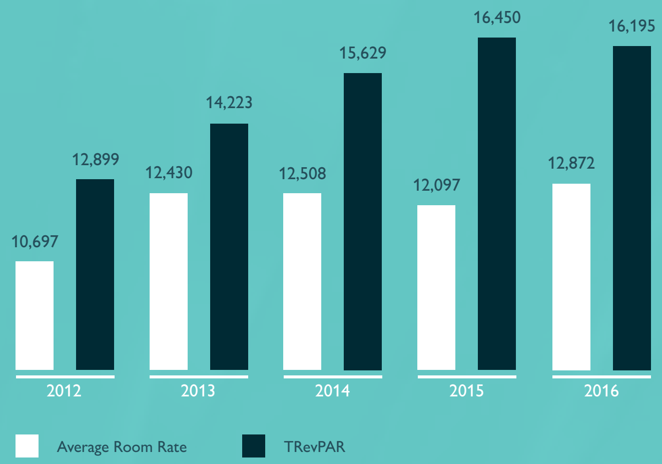
HOTELS UNDER MANAGEMENT

OCCUPANCY RATE (%)



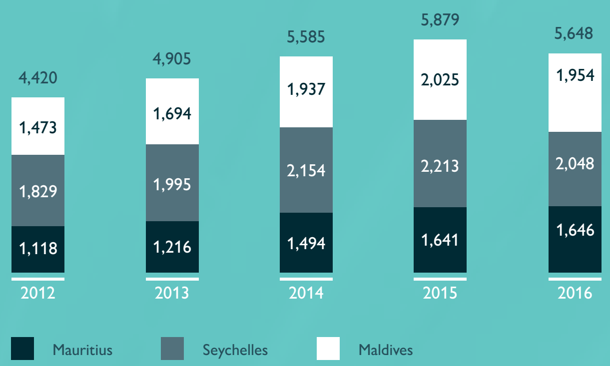
-5.6
PERCENTAGE POINTS
IN 2016

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



+6.4%
IN AVERAGE ROOM RATE
IN 2016

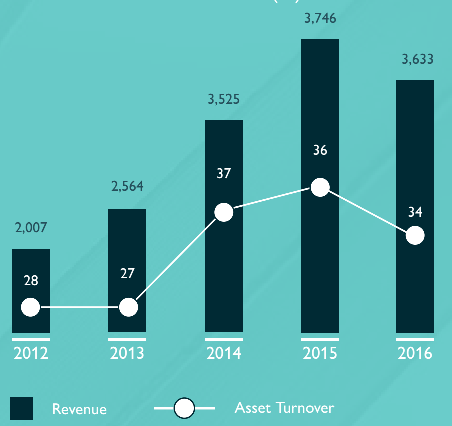
COMBINED REVENUE OF RESORTS UNDER MANAGEMENT (MUR'M)*



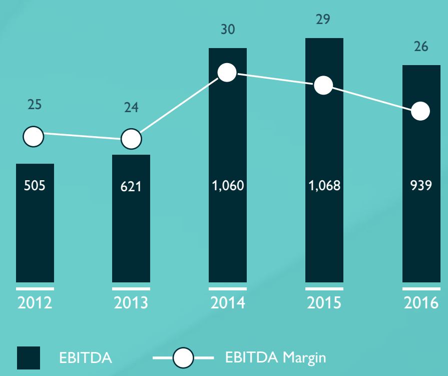
** Constance Tsarabanjina Madagascar has been included under Mauritius for practical reason*

GROUP FIGURES AND RATIOS

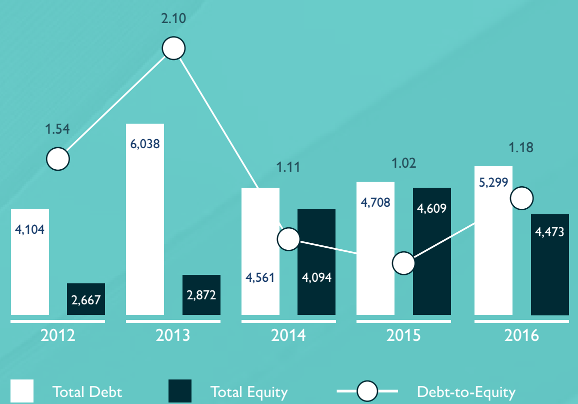
REVENUE (MUR'M) AND ASSET TURNOVER (%)



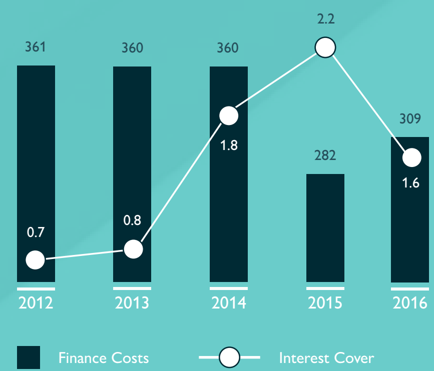
EBITDA (MUR'M) AND EBITDA MARGIN (%)



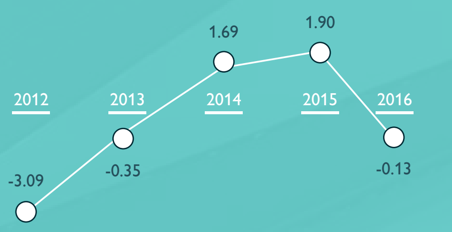
TOTAL DEBT (MUR'M), TOTAL EQUITY (MUR'M) AND DEBT-TO-EQUITY



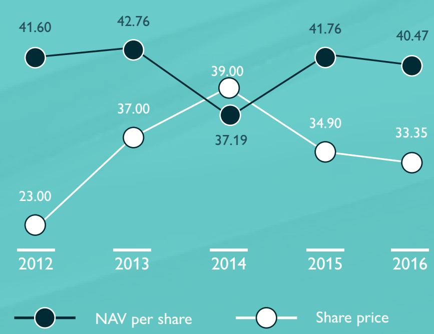
FINANCE COSTS (MUR'M) AND INTEREST COVER



EARNINGS/(LOSS) PER SHARE (MUR)



SHARE PRICE/NAV PER SHARE (MUR)



GROUP FINANCIAL HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION	2016 MUR'M	2015 MUR'M
Total assets	**10,830**	10,318
Borrowings	**5,299**	4,708
Owners' interest	**4,437**	4,579
Total equity	**4,473**	4,609

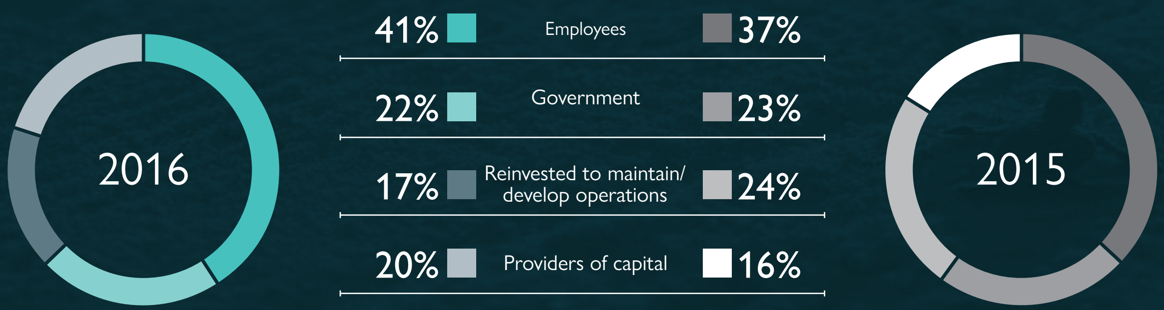
STATEMENT OF CASH FLOW	2016 MUR'M	2015 MUR'M
Net cash generated from operating activities	**519**	489
Net cash used in investing activities	**(905)**	(262)
Net cash generated from/(used in) financing activities	**248**	(314)

STATEMENT OF PROFIT OR LOSS	2016 MUR'M	2015 MUR'M
Revenue	**3,633**	3,746
EBITDA	**939**	1,068
Operating profit	**494**	626
Finance cost	**(309)**	(282)
Profit before taxation	**69**	309
Profit for the year	**3**	230
(Loss)/profit attributable to owners of the parent	**(14)**	208

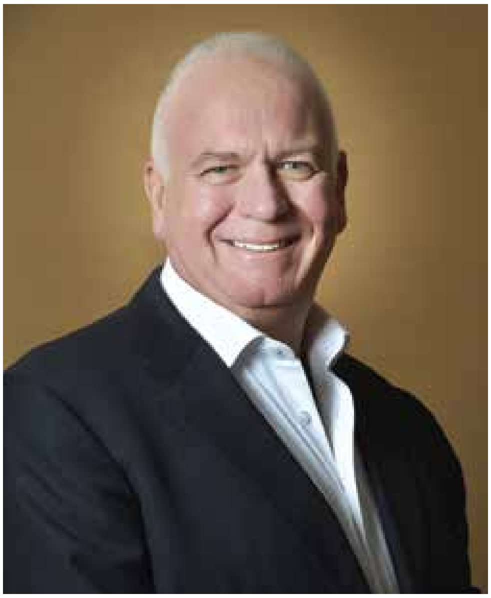
FINANCIAL RATIOS		2016	2015
NAV per share	MUR	**40.47**	41.76
Debt to equity ratio		**1.19**	1.03
Operating margin	%	**13.59**	16.71
Return on total equity	%	**0.06**	4.99
Interest coverage ratio		**1.60**	2.22
(Loss)/earnings per share	MUR	**(0.13)**	1.90
Dividend per share	MUR	**0.65**	0.75

VALUE ADDED STATEMENT

	2016 MUR'000	Percentage	2015 MUR'000	Percentage
Revenue	**3,632,590**		3,745,721	
Value added tax/Goods & services tax	**296,068**		380,456	
Total revenue	**3,928,658**		4,126,177	
Payment to suppliers for material and services	**(1,801,951)**		(1,815,866)	
Value added by operations	**2,126,707**		2,310,311	
Other income/(charges)	**(18,244)**		30,895	
Total wealth created	**2,108,463**	**100%**	2,341,206	100%
Distributed as follows:				
Employees				
Salaries and wages	**874,857**	**41%**	865,524	37%
Government				
Value added tax/Goods & services tax	**296,068**		380,456	
Environment fees	**12,964**		13,564	
Corporate tax	**66,593**		78,976	
Licences, land leases and other local tax	**58,025**		49,473	
Social security charges	**25,789**		23,970	
	459,439	**22%**	546,439	23%
Reinvested to maintain/ develop operations				
Depreciation and amortisation	**445,293**		431,511	
Retained earnings	**(87,741)**		133,373	
	357,552	**17%**	564,884	24%
Providers of capital				
Dividend to shareholders	**71,275**	**3%**	82,240	4%
Interest on borrowings	**345,340**	**17%**	282,119	12%
	416,615	**20%**	364,359	16%
Total wealth distributed	**2,108,463**	**100%**	2,341,206	100%



CHIEF EXECUTIVE OFFICER'S MESSAGE



"The development of hotel management services hinges on Constance Hotels' ability to expand the scope of its existing brand to new properties."

2016 saw Constance Hotels' management team devoting special attention to drawing a road map to deliver its ambition to grow from the present seven hotels to more than twenty properties under management. This has involved a thorough review of our brand architecture and organisational structure.

Meanwhile, on the operational front, the focus has been on the renovation of certain of our properties in order to maintain the high-quality standards that are the hallmark of the Constance Hotels and Resorts brand.

Planning for growth

Over the last years, we have been analyzing our internal and external environment, in order to further raise the standard of our product and service offerings. The introduction of Constance Minimum Standards and the Green Globe certification for six of our hotels are significant examples. We are proud that these initiatives have borne fruits today and are testimonies to our 'savoir faire'.

Constance Hotels is today recognized for being among the best operators in the Indian Ocean region, and the only one operating in four destinations in this zone. We are ready to expand beyond our home region, in Africa and Asia, through the acquisition of management contracts.

Our ambition today is to grow from seven to more than twenty hotels under Constance Hotels management. This calls for the unique blend of warmth and luxury, that has shaped our success, to be perfected into a model that inspires our people, our guests and our partners.

The 2016 strategic review was aimed at addressing these challenges and at drawing a new business model that will support our expansion. This strategic review led to the reorganisation of the operations around two core activities: hotel management services and real-estate management services. These activities are interdependent and mutually supportive in the process of value creation.

The development of hotel management services hinges on Constance Hotels' ability to expand the scope of its existing brand to new properties. This has called for a reappraisal of the Constance Hotels brand in order to drive the best value out of its strengths and to allow for its evolution in line with our growth ambitions.

Constance Prince Maurice - Mauritius

"The revamped branding reinforces Constance Hotels and Resorts' anchoring in the luxury segment with a clear differentiation on what it already does best: welcoming guests with simple and warm human relationships in beautiful places with outstanding scenery."

Branding

True by nature. This is the essence of Constance Hotels and Resort's brand identity. At heart of its success is the belief that hospitality is above all a state of mind.

Adapting this brand philosophy to future business challenges has required Constance Hotels' management team to delve deep into the essence of its identity, to revisit its successes in the light of its values, emotions and beliefs supported by processes and commitment. This led to the construction of a brand platform that truly embodies the driving force behind our people's commitment, their bonding with our guests and the commitment to our business partners. It is supported by a brand architecture that illustrates the link between the branding and our organisational structure.

The revamped branding reinforces Constance Hotels and Resorts' anchoring in the luxury segment with a clear differentiation on what it already does best: welcoming guests with simple and warm human relationships in beautiful places with outstanding scenery.

The branding exercise also saw the extension of the activities to the upper-scale segment to translate the essence of Constance Hotel's know-how into different lifestyle-orientated form of luxury. The "C by Constance" brand was created for this purpose. Built on Constance's values, brand platform and management style, it delivers as much warmth and true relationships while offering a fondness for discovery and local experiences.

Last but not least, the success of this new model will require revived engagement from our teams to deliver on the promise we make to our guests to ''come as a guest, leave as a friend''. Therefore, Constance Hotels will continue to pay close attention to human resource development as this function is key to supporting our team's brand engagement.

OPERATIONS

Financial review

The necessary renovation of the Constance Belle Mare Plage in Mauritius and of the Constance Lemuria in Seychelles led to a reduction in room capacity that inevitably translated into lower revenue and profit in 2016. These renovations are crucial in maintaining the superior quality of our properties and their suitability to meet the high expectations of our guests. They also provide an opportunity for the review of the hotels' service offering and an update of the teams' skills and competencies.

Notwithstanding these circumstances, Constance Hotels' posted commendable operational performances. With an average of 72.2%, the occupancy rates for Constance Hotels are higher or at par with the average for the various destinations. Given our upmarket positioning, the Revenue per available room (RevPAR) stood at MUR 9,291 against MUR 9,402 in 2015, while Total revenue per available room (TrevPar) was at MUR 16,195, compared to MUR 16,450 in 2015. Group revenue reached MUR 3,633 million (2015: MUR 3,746 million), resulting in consolidated EBITDA of MUR 939 million (2015: MUR 1,068 million).

The results of our Seychelles associates were adversely impacted by the unfavourable exchange rate between the Euro and the Seychelles Rupee, as well as by taxation adjustments made in 2016 and closure costs. As a result, our share of loss for the year was MUR 62 million, against MUR 35 million in 2015.

The investment in the above-mentioned refurbishment projects, which were partly financed by debt, led to higher finance charges of MUR 309 million as compared to MUR 282 million last year.

After accounting for taxation of MUR 67 million (MUR 79 million in 2015) and for closure costs of MUR 53 million, Constance Hotels' profit for the year was MUR 3 million, against MUR 230 million in 2015.

Human Resources

The success of the new model for growth will require revived engagement from our teams to deliver on the promise we make to our guests to "come as a guest, leave as a friend". The 2016 branding exercise provided the Human Resource Department with an opportunity to give special attention to the HR component of the brand experience. It has therefore launched a number of initiatives in support of the branding exercise which include communication of the new brand to all the Group's employees, training on the new brand for all team members and explaining the new brand to new recruits, as well as launching a series of brainstorming sessions on innovation around the brand in order to stimulate engagement and inventiveness amongst staff.

Going forward, the HR Department will continue to shape its strategies and mission to stimulate employee engagement towards brand delivery in support of the luxury service they deliver. This entails an enduring commitment to training and development which is reflected in average training hours of 38.48 per employee.

The HR function is also actively engaged in delivering on Constance Hotels' commitment to sustainability. This requires a special focus on areas such as Health and Safety, tailor-made recruitment processes, and continual engagement surveys. Details of this strategy are set out in the Sustainability section of this Annual Report.

Quality Management

Maintaining this luxury positioning requires Constance Hotels and Resorts to give relentless attention to the quality of its services and the continual monitoring of guest satisfaction, through surveys and quality assessments, as detailed in this report. On all the benchmarks, such as Review Pro, Constance Hotels proudly scores outstanding results, which are recognised in the numerous awards received.

Constance Hotels is also strongly committed to ensuring that its operations are run in a way that supports the sustainability of the planet and the preservation of the unique natural settings that host its hotels. The standards that the Group commits to in achieving this objective are measured by Green Globe certification, which has been awarded for the third year in a row for its six largest hotels.

The results and the acknowledgements of our guests, as well as global organisations, support the reputation and value of the Constance Hotels and Resorts brand as the leading luxury hotel group in the Indian Ocean.


Constance Lémuria - Seychelles

OVERVIEW BY TOURISM DESTINATION

Mauritius has had a good year with an increase of 10.4% in tourist arrivals, which brought total tourist arrivals to 1.3 million. For the second year in a row, our revenue per available room increased. The destination still stands out as a reference for quality and reliability, and matches travellers needs for security.

75%	10,129 MUR	7,577 MUR
Occupancy rate	Average room rate	RevPAR

This destination enjoys a strong reputation with European tourists and is also very attractive to tourists from the Middle East due to its proximity and acceptable time difference. On the pricing side, prices remain stable. Tourist arrivals grew by 9.8% to 0.3 million. A significant improvement in air access was recorded with the arrival of Turkish Airlines that operated three direct flights to the Seychelles. Qatar Airways also resumed its service to Seychelles as from 1 December 2016. Sri Lankan Airlines also launched a direct flight from Colombo.

72%	313 EUR	225 EUR
Occupancy rate	Average room rate	RevPAR

The Maldives also enjoyed an increase of 4.2% in tourist arrivals to 1.3 million tourists. The destination continued to uphold its upmarket reputation for exceptional natural settings although the intensification of competition between hotel operators led to pricing pressures that proved very challenging in 2016. This was reflected in a drop of 8% in RevPAR for the year, the larger portion of the loss incurred at year end, with no signs of reversal in 2017. Constance resisted to pricing pressures in spite of the rise in value of the US dollar, which is the pricing currency.

73%	533 USD	390 USD
Occupancy rate	Average room rate	RevPAR

Tourist arrivals to Madagascar rose by 15% to 0.3 million, a growth that benefited to most of the operators on the island, which had a good year.

57%	267 EUR	153 EUR
Occupancy rate	Average room rate	RevPAR

PRODUCT DEVELOPMENT

The close connection between the hotels and guests' well-being is a hallmark of the Constance Hotels' brand. The strengthening of this connection required revisiting various services in order to enhance their wellness component in line with international guests' expectations.

Special attention was therefore given to revisiting the Group's spa offering and concept. New standards were set to improve the quality of the guest experience. Special attention was therefore given to revisiting the Group's spa offering and concept. New standards were set to improve the quality of the guest experience.

The spirit of wellness also led to a review of the Group's food and beverage offering, in order to propose healthy meals and wellness options to our guests.

MARKETING

Europe remains Constance's first market, where the majority of Constance's promotion efforts are focused, with the principal source countries being Germany, UK, France and Italy.

In recent years, marketing efforts to diversify the client base have led to the opening of offices in Asia and in the Middle East where the demand for vacations in exotic destinations has been continually on the rise. The relationships with the key partners in these growing markets have been reinforced in 2016 through a consistent presence for Tour operators meetings, workshops, and tourism fairs. As a result, Constance's client base includes more and more guests from Asia, for whom the Group has adapted to offer them a unique service.

Constance Hotels' leading sales channel remains the tour operators that themselves provide their customers with the umbrella of a brand adding confidence to clients' choices. However, as the tourism industry develops and long-haul travel becomes more widespread, it is expected that more and more guests, especially repeaters, will choose to book their holidays directly on airlines' and hotels' websites. Constance Hotels has thus upgraded its website to accommodate the demand for online bookings.

More attention is also being given to marketing through social media. Constance actively engages with its audience on Facebook, Twitter and Instagram. Special social media services are also run for the Chinese market, with the support of a Chinese agency, on WeChat, Weibo and Youku.

AWARDS

Constance Hotels' quality standards were recognised in the numerous awards received in 2016:

Constance Belle Mare Plage (CBMP)

World Luxury Hotels Awards – Best Luxury Golf Resort in the region

2016 Wine Spectator Award of Excellence

Reader's Travel Award 2016 of VIP International Traveller

TUI Top Quality 2016

Constance Prince Maurice (CPM)

1st among Top 10 Luxury Hotels in Mauritius - TripAdvisor Travellers' Choice Awards 2017

1st among Top 25 Hotels in Africa - TripAdvisor Travellers' Choice Awards 2017

2nd among Top 25 Luxury Hotels in Africa - TripAdvisor Travellers' Choice Awards 2017

12th among Top 25 Luxury Hotels in the World - TripAdvisor Travellers' Choice Awards 2017

TripAdvisor Certificate of Excellence

Condé Nast Traveller UK – Best pedicure in Mauritius by Podiatrist Brice Nicham

World Travel Awards 2016 : Mauritius Leading Luxury Resort

Mauritius Leading Luxury Hotel villa

Mauritius Leading Green Resort

Indian Ocean's Leading Luxury Resort

Reader's Travel Award 2016 of VIP International Traveller

2016 Wine Spectator Award of Excellence

World Luxury Hotels Awards - Luxury Hotel with the Best Scenic Environment for the region

Constance Halaveli Maldives (CHM)

10th among Top 10 Luxury Hotels in the Maldives - TripAdvisor Travellers' Choice Awards 2017

TripAdvisor Certificate of Excellence

2016 Wine Spectator Award of Excellence

World Luxury Hotels Awards – Best Luxury Water villa Resort in the Maldives

Constance Belle Mare Plage - Mauritius

Constance Moofushi Maldives (CMM)

6th among Top 10 Luxury Hotels in the Maldives - TripAdvisor Travellers' Choice Awards 2017

TripAdvisor Certificate of Excellence

World Travel Awards 2016: Indian Ocean's Leading Dive Resort

2016 Wine Spectator Award of Excellence

World Luxury Hotels Awards – Best Luxury Green Hotel in the World

Constance Ephélia Seychelles (CES)

2016 Wine Spectator Award of Excellence

World Luxury Hotels Awards – Luxury Island Resort in the Seychelles

TripAdvisor Certificate of Excellence

Constance Lémuria Seychelles (CLS)

19th – Top 25 Hotels in Africa - TripAdvisor Travellers' Choice Awards 2017

World Luxury Hotels Awards – Best Luxury Golf Resort of the Continent

2016 Wine Spectator Award of Excellence

TripAdvisor Certificate of Excellence

World Travel Awards 2016: Seychelles' Leading Hotel

Constance Tsarabanjina Madagascar (CTM)

1st – Top 10 Small hotels in Madagascar - TripAdvisor Travellers' Choice Awards 2017

4th – Top 25 Small hotels in Africa - TripAdvisor Travellers' Choice Awards 2017

21th – Top 25 Small hotels in the world - TripAdvisor Travellers' Choice Awards 2017

World Luxury Hotels Awards – Best Luxury Hideaway Resort in Madagascar

World Travel Awards 2016 : Indian Ocean's Leading Private Island Resort

TripAdvisor Certificate of Excellence

INFORMATION TECHNOLOGY

Information security was at the centre-stage of the Group’s information technology (IT) projects in 2016 when a fully-fledged IT security audit was run to ensure the protection of guest data.

Data is at the core of Constance Hotels operational success. Such data is not only available on our internal systems but also, and increasingly so, on social media. The ability to link data-analysis that carries valuable insights on business trends and new business opportunities to the decision-making process is critical to the future success of operations. Constance Hotels is thus investing in a cognitive intelligence system to support this new approach.

At Constance Hotels, IT is also considered an essential tool to support the team’s collaborative work practices, collaborate geared towards better efficiency. 2017 will therefore see the setup of a new corporate financial platform that will link all the hotels’ financial systems together. This will result in faster processes and, consequently, in shorter corporate reporting time frames. It will also provide the ability to bring new properties on-board more easily.

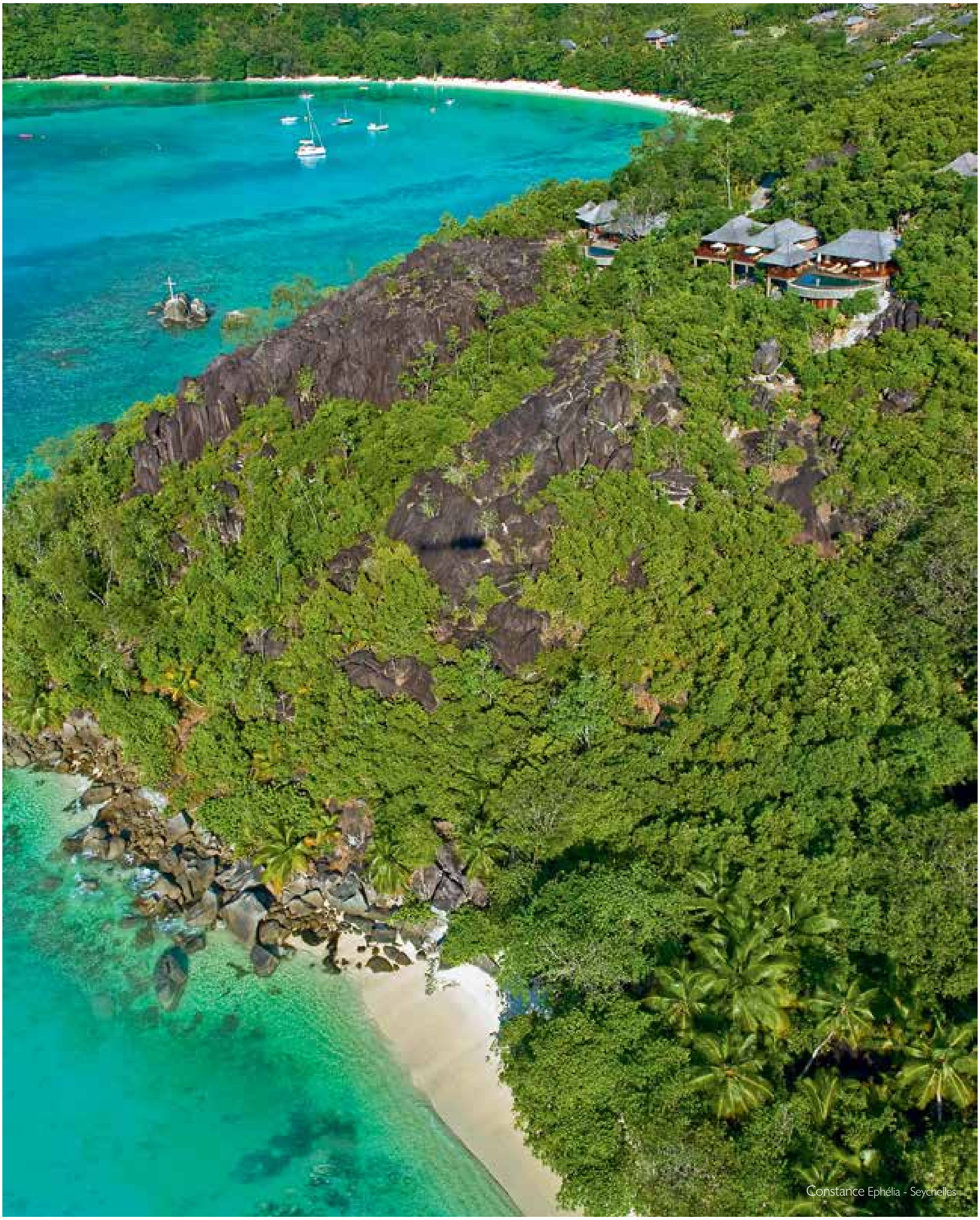
OUTLOOK

Our revenue and profitability are poised to increase in 2017 as Constance Hotels will be operating at full capacity. The tourism industry in the destinations, in which the Group operates, continues to show strong momentum. Mauritius holds its promises in terms of quality, reliability and value for money. The Seychelles also show good prospects, boosted by better air access from new airlines serving the destination. The Maldives will require closer monitoring as competition intensifies in this market.

ACKNOWLEDGEMENTS

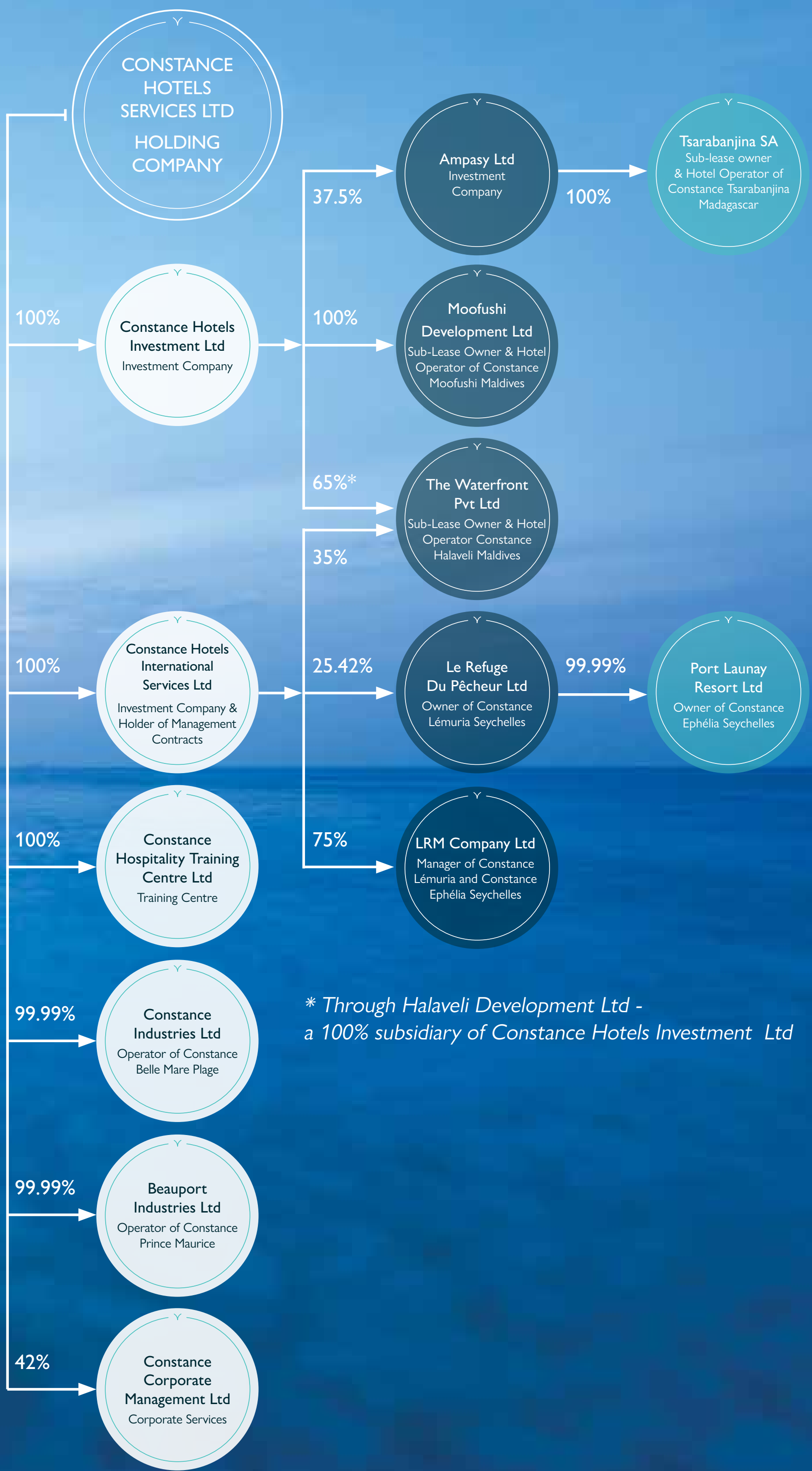
I would like to thank all the members of our team for their dedication and support in delivering the results shown in this report. With the new strategic organisation, supported by a strong branding architecture, we are fully equipped to embark on this new phase of growth and development. The coming years will provide many more challenges and excitements that will lead the Company to new heights. I look forward to driving this process and I am fully confident that the team will rise to the challenge.

Jean-Jacques VALLET
Chief Executive Officer



Constance Ephélia - Seychelles

CORPORATE STRUCTURE
as at 31 December 2016



** Through Halaveli Development Ltd - a 100% subsidiary of Constance Hotels Investment Ltd*

Constance Halaveli - Maldives

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

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

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

Reporting Period: 1 January 2016 to 31 December 2016

We, the directors of Constance Hotels Services Limited, confirm to the best of our knowledge that the PIE has complied with all of its obligations and requirements under the Code of Corporate Governance, except for:

- Section 2.2.6: Annual Re-election of Directors: Non-compliance with this section of the Code is explained in the Corporate Governance Report (see page 31).
- Section 2.8.2: Remuneration of Directors: The reason for non-compliance is the confidentiality and sensitivity of the information. However, directors' remuneration is disclosed by category (see page 62).

Signed by

George J. DUMBELL
Chairman

Jean RIBET
Director
Group Chief Executive Officer

28 March 2017

Constance Moofushi - Maldives

STATEMENT ON CORPORATE GOVERNANCE

In line with its Statement on Corporate Governance, your Company is engaged in adhering to the Code of Corporate Governance issued by the National Committee on Corporate Governance and in upholding standards of corporate governance through company-wide awareness of its business ethics and the stewardship and supervision of its management by the Board of Directors and committees of the Board.

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

The new National Code of Corporate Governance was launched on 13 February 2017. It will become effective from 1 July 2017 and apply to the reporting year ending 30 June 2018. Your Company, which is, generally compliant with the eight principles of this Code, will report accordingly, as mandated, for its year ending 31 December 2017.

Board

The Board consists of two independent, six non-executive and three executive directors. The Chairman is an independent director. A Profile of Directors is given on pages 44 to 46.

The Board of Directors is ultimately responsible and accountable for all the affairs and general performance of the Company within the terms of reference outlined in the Board of Directors' Charter. Nominations to the Board comply with the Company's Director Nomination Policy. All nominations are vetted by the Board's Nomination & Remuneration Committee and recommended to the Board. Matters relating to directors' remuneration are dealt with by the Nomination & Remuneration Committee in accordance with the Company's Remuneration Policy.

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

An induction programme is available for newly appointed directors, who are also given, inter alia, a copy of the Company's Code of Ethics and Conduct for Directors.

Directors are invited to participate in an individual and collective assessment every two years, the findings of which are reviewed by the Nomination and Remuneration Committee and tabled to the Board of Directors. The next exercise is scheduled for 2017.

Board of Directors

From top left: George J Dumbell | Jean Ribet | Jean-Jacques Vallet
Nicolas Boullé | Jean Juppin de Fondaumière | Clément D Rey
Marc Freismuth | Louis Rivalland | Georgina Rogers
Colin Taylor | N Adolphe Vallet

Profile of directors is available on pages 44 to 46.

Chairman

The Chairman has responsibility for ensuring the efficient operations of the Board and its committees, for seeing that corporate-governance matters are dealt with, for representing the Group externally, and, particularly, for communicating with shareholders at their Annual Meeting. Working closely with the Group Chief Executive Officer, the Group Head of Corporate Affairs and the Company Secretary. The Chairman also ensures that new directors receive a full and formal induction to the Group and its businesses, and that all directors are kept fully informed of relevant matters.

Group Chief Executive Officer

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

Executive, Non-executive and Independent Directors

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

Company Secretariat

All directors have access to the advice and services of the Company Secretariat, which ensures good information flow to the Board and its committees and between senior management and the directors. The Secretariat facilitates the induction of directors and assists them in fulfilling their duties and responsibilities. Through the Chairman, it is responsible for advising the Board on corporate governance and for generally keeping the Board up to date on all legal, regulatory and other developments.

Share Registry and Transfer Office

The Company's Share Registry and Transfer Office is at ECS Secretaries Ltd, which is responsible for the management of its Share Register. Shareholders may address, in writing, any administrative enquiries regarding their personal details, dividend payments and the like to ECS Secretaries Ltd.

Committees of the Board

Three Board committees have been constituted to assist the directors in the discharge of their duties. Each committee has written terms of reference incorporated in a charter, which has been approved by the Board and is subject to regular review. Chairmen of committees are invited to report during Board meetings on matters addressed by the committees.

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

Audit (and Risk Management) Committee

The Audit Committee, which also has responsibility for the Company's Risk Management function, consists of three directors (one independent and two non-executive). The committee is scheduled to meet at least four times a year, and operates within the scope of its charter. Its principal functions are to ensure the integrity of the financial statements, oversee the financial-reporting process, and direct and monitor the Risk Management function, with the support of the internal and external auditors and the Compliance function. The committee reports to the Board of Directors at each Board meeting. The Group Chief Executive Officer, the Chief Executive Officer, the Chief Operating Officer, the Group Head of Finance and the Compliance Officer, as well as the internal and external auditors, attend the committee's meetings by invitation.

During the year, the committee met on seven occasions. Inter alia, it reviewed the 2015 Audited Financial Statements, the Annual Report and Management Letter, the 2016 forecast and budget, unaudited quarterly financial statements and, for publication, the quarterly abridged financial statements. It also reviewed and assessed the reports of the internal auditors, made recommendations to the Board of Directors in regard to the dividend declaration and the reappointment, remuneration and terms of engagement of the external auditors, and assessed and monitored the Company's underlying risk profile.

Corporate Governance Committee

The Corporate Governance Committee consisted of three directors during 2016 (one independent and two non-executive). The committee operates within the scope of its charter. Its principal function is to direct and monitor the Company's corporate governance and compliance programmes. The committee reports to the Board of Directors at each Board meeting. The Group Chief Executive Officer, Compliance Officer and Health & Safety Officer are invited to attend committee meetings.

During the year, the committee met on three occasions. Its broad achievements were:

1. Reviewing the Company's Annual Report for 2015, specific to the Corporate Governance, Sustainability and Corporate Social Responsibility Reports and Statutory Disclosures.
2. Approving the Group Corporate Social Responsibility Plan for 2016 under the banner of the *Fondation Constance* and monitoring its progress .
3. Monitoring matters relating to conflict of interest and related-party transactions, with no issues of an unusual nature having been reported.
4. Reviewing quarterly compliance and health & safety reports.
5. Enhancing the Company's general Code of Conduct, as well as the conflict of interest and related-party transactions and share dealing policies.
6. Approving a new Code of Conduct for Suppliers.

Nomination & Remuneration Committee

The Nomination & Remuneration Committee, which consists of one executive and two independent directors, directs and monitors Board matters pertaining inter-alia to Board composition and nominations, the performance and remuneration of directors and senior executives, and succession planning.

During the year, the Committee met on five occasions and covered the following principal matters:

1. Evaluate nominees for the annual re-election of directors, as well as for subsidiary and affiliated companies, and make recommendations to the Board.
2. Ongoing review of the Board's composition and present recommendations to the Board.
3. Finalise the implementation of recommendations emanating from the 2015 Board and Committee self-assessments.
4. Approve the performance awards for 2016 and remunerations for 2017 of senior executives.
5. Commence a review of the Senior Executive HR Development Programme.
6. Enhance the Directors and Senior Officers' Register of Interest/Insiders Share Dealings/Conflict of Interest and Related Party.
7. Initiate a review of the Company's Pension Scheme for Senior Executives.
8. Review directors' fees for 2017, for onward Board validation and recommendation to shareholders.
9. Undertake a review of the delegation of powers by the Board.

Board and Committee attendance

		Committees of the Board		
	Board of Directors	**Audit (and Risk Management)**	**Corporate Governance**	**Nomination & Remuneration**
Number of meetings held in 2016	**6**	**7**	**3**	**5**
Meetings attended				
George J DUMBELL	6		3	5
Nicolas BOULLÉ	6			
Marc FREISMUTH	5	6		5
Jean JUPPIN DE FONDAUMIÈRE	6	7		
Clément D REY	6			
Jean RIBET	6			4
Louis RIVALLAND	4		2	
Georgina ROGERS	5			
Colin G TAYLOR	6		3	
N Adolphe VALLET	5	6		
Jean-Jacques VALLET	6			

Statement of remuneration philosophy

The Nomination & Remuneration Committee is entrusted with the task of determining and recommending to the Board the remuneration policy for non-executive directors and for senior executives of the Company. Four key principles underpin this policy:

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

ii. Key performance indicators will apply to deliver results to the Company

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

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

For 2016, directors' annual fees were MUR 300,000 for the Chairman and MUR 100,000 for other Board members.

In addition to the above, the annual fees for members of committees of the Board for 2016 were:

	Audit (and Risk Management) Committee	**Corporate Governance Committee**	**Nomination & Remuneration Committee**
	MUR	**MUR**	**MUR**
Chairman	100,000	50,000	40,000
Member	60,000	30,000	20,000

Statement of remuneration philosophy (continued)

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

Following a review undertaken by the Nomination & Remuneration Committee, the Board of Directors has revised the annual fees for 2017 to bring them into line with the market, as follows:

Audit (and Risk Management) Committee:

- Chairman MUR 110,000
- Members MUR 70,000

Corporate Governance Committee:

- Chairman MUR 60,000

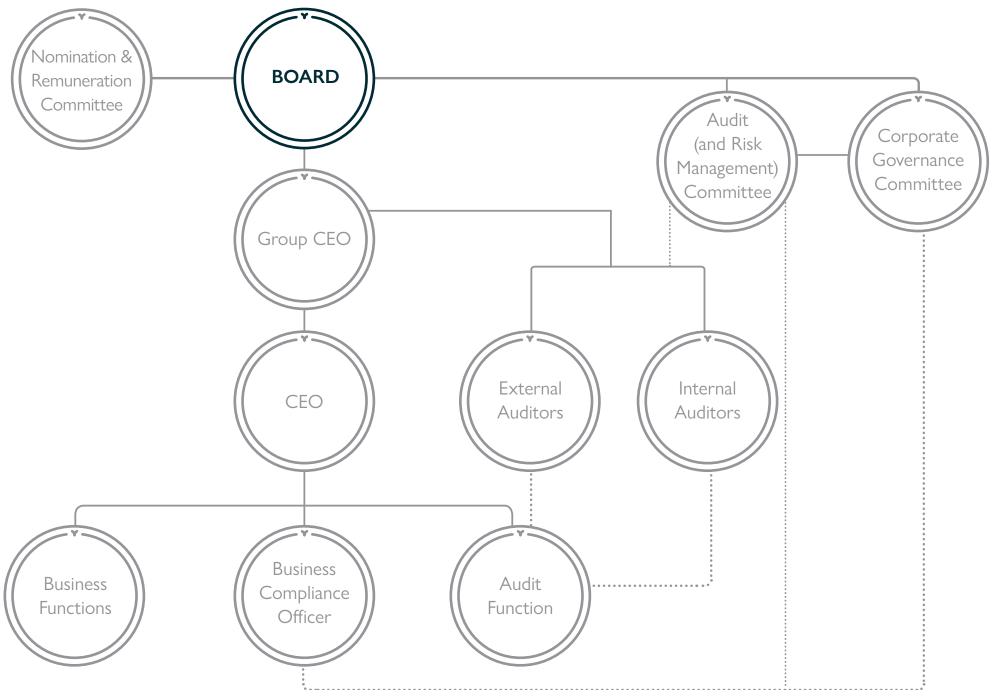
Nomination & Remuneration Committee:

- Members MUR 30,000

Risk management framework

The Company is constantly faced with a variety of risks, which could adversely affect its performance and financial condition. Being responsible for managing these risks, the Board ensures that your Company has in place a system of internal control and risk management, and continually monitors and reviews this system's adequacy and effectiveness. The Company's risk management framework, which extends across the Company's business, comprises a top-down approach, with strategy, policies and risk appetite approved by the Board of Directors, and their formulation, implementation and monitoring delegated to the committees of the Board, the internal and external auditors, and senior management. In turn, line managers are responsible for continuous compliance with all laws, codes, rules, regulations, procedures, policies and standards of good industry practice. The Company's Risk Management Programme was launched in August 2006 and has been significantly enhanced since 2014 by the launch of its Enterprise Risk Management Programme across all its resorts in all the jurisdictions in which it operates.

Risk-management structure



Risks and mitigation initiatives

Financial risk

The Company is exposed to a wide range of financial risks, market risk (including currency risk and price risk), credit risk, liquidity risk, interest rate risk and capital risk, which are reported in detail in the Notes to the Financial Statements on pages 87 to 90.

Besides these, some of the more prominent risks to which the Company is exposed are:

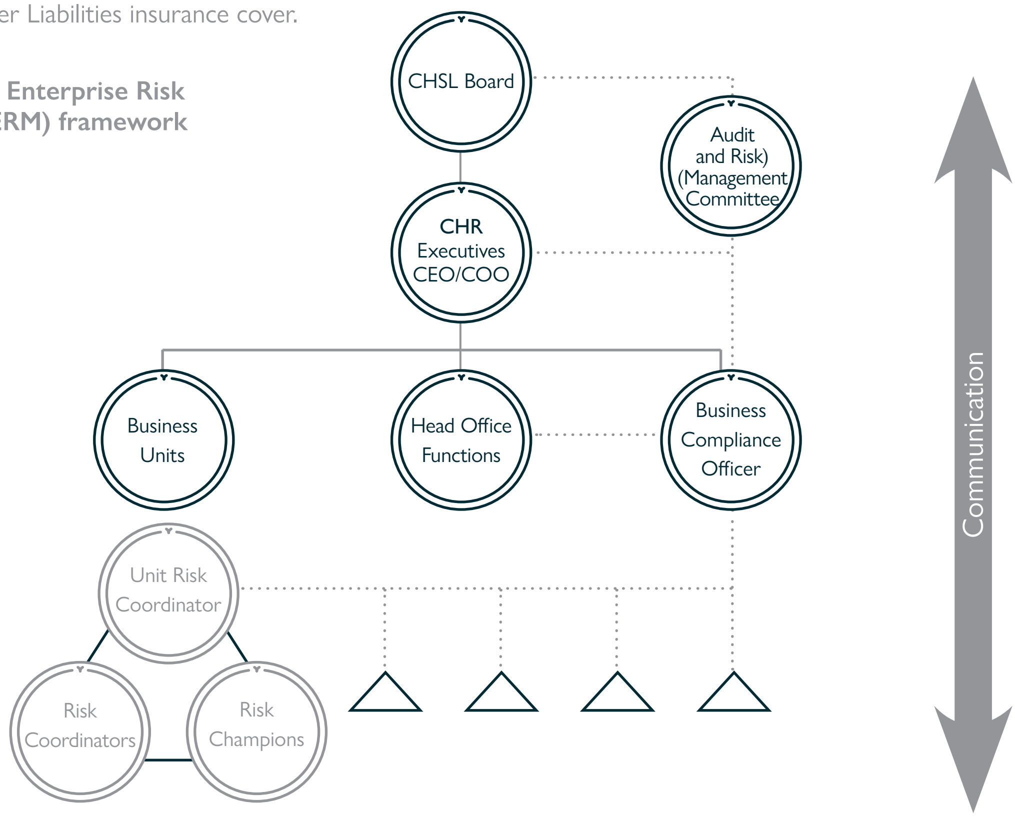
- **Reputation:** Any event that materially damages the reputation of the Company and/or any failure to sustain its appeal to its shareholders could adversely affect the market value and attractiveness of the Company. This is managed by the Board and senior management through the enforcement of a strict ethical code of conduct and good corporate-governance practices throughout the Group.
- **Financial and regulatory compliance:** Non-compliance with financial and regulatory requirements may result in fiscal penalties and damage the Company's image on the market. In mitigation, a robust programme of procedures and internal monitoring has been put in place by the Compliance and Accounting functions, with the aid of Internal Audit, to ensure that financial and regulatory requirements are adhered to. The Quarterly Financial Statements and the Abridged Financial Statements are scrutinised by the Audit Committee and subsequently reviewed and approved by the Board.
- **Credit standing:** The Company is reliant on having access to credit facilities to meet its capital requirements and effectively manage its statement of financial position. If the Company does not manage its finances in a responsible manner, it may lose its credibility and, as a result, its favourable terms and ability to borrow. To ensure prudent financial management, the Company prepares detailed budgets and projected cash flows, which are reviewed on a regular basis by the Audit Committee and quarterly by the Board, both of which also scrutinise account receivables and payables.
- **Personnel:** The Company's growth and success depend on its ability to identify, secure and retain top-quality management and highly skilled employees. Any failure in this regard could undermine the Company's ability to implement its strategic business plans and remain profitable. To mitigate this risk, we apply a policy of recruitment and recognition of performance that is fair, transparent, and based on merit. We also strive to ensure we have an attractive and safe working environment and a competitive remuneration structure. We also develop, monitor and maintain succession planning for key roles.
- **Health & safety:** The Environmental Health and Safety Manager, nominated in 2016, oversees, harmonises and monitors this function across hotels of the group. Each of our resorts has either a dedicated health & safety officer or a senior executive responsible for this function. All reasonable precautions are taken to provide and maintain the health and well-being of our guests and employees. Controls are in place to ensure compliance with international good practices, all statutory requirements and all legally binding codes of practice. Appropriate and ongoing training is provided to staff and the highest standards of care are applied to the services and products offered to our guests. A Health and Safety Plan is approved annually and its progress monitored on a quarterly basis, by the Corporate Governance Committee.
- **Political, economic and financial market events:** Occupancy levels and room rates, and consequently the Company's operations and financial results, could be adversely affected by events that reduce international travel, such as natural disasters, acts of terrorism, increased transport and fuel costs, closed-sky policies, political instability, economic crises and currency and interest-rate fluctuations. Changes in the macroeconomic and industry environment are regularly assessed by the management team and quarterly by the Board and its committees to ensure prompt decisions are taken to safeguard the value of the Company's brand and assets.
- **Industry risk:** The tourism industry in general is sensitive to fluctuations in the economy. The hotel sector in particular may be adversely affected by changes in global economies, geo-political upheavals, reduced international demand for hotel rooms and associated services, an uncompetitive open-sky policy, competition in the industry, government policies and regulations, fluctuations in interest and foreign-exchange rates, and other natural and social factors.

Risks and mitigation initiatives (continued)

- **Industry risk** (continued)
  These risks are mitigated externally through regular meetings with the appropriate industry drivers and government ministries, either directly or through industry associations, and internally through daily performance monitoring and application of different marketing strategies, and quarterly by the Board.
- **Geographical concentration:** Failure to expand geographically could adversely affect the Company's financial results. The Company has operations in four different jurisdictions and the Board continually assesses new opportunities across the region and beyond.
- **Social responsibility:** The reputation of the Company and the value of its brand are influenced by a variety of factors, including the Company's ability to demonstrate responsible practices in such areas as sustainability, responsible tourism, environmental management, health and safety, and support for the local community. CSR programmes and initiatives are tailored to the needs of the communities and societies in the regions where the Company operates. Regular review and reporting of the progress of CSR programmes and achievements, as well as new potential projects, are brought to the CSR Committee of the Fondation Constance and, on a quarterly basis, to the Board through the Corporate Governance Committee.
- **Technologies and systems:** To varying degrees, the Company is reliant upon certain technologies and systems for the smooth and efficient running of its business. Disruption to these technologies or systems could adversely affect the quality and standard of the Company's product and service offerings, as well as the Company's productivity, operating costs and efficiency. To mitigate this risk, the Company has an IT Disaster Recovery Plan that caters for prompt restoration of normal service to minimise any adverse impact on the business. The Corporate Governance Committee monitors developments and progress and the Board is updated annually with a detailed presentation on this aspect of our operations.

The Company has various policies and methods to counter these risks effectively, as elaborated in this Corporate Governance Report and in the Notes to the Financial Statements on pages 87 to 90. The Company also has Director & Officer Liabilities insurance cover.

The Constance Enterprise Risk Management (ERM) framework



Risks and mitigation initiatives (continued)

The Enterprise Risk Management (ERM) framework developed and implemented across the organisation in 2014 is now well anchored in operations. With the ERM tool, managers are better equipped to assess, document and manage risks in their respective properties. The established ERM framework facilitates communication and reporting, thus improving higher level oversight and strategic decisions. Periodical monitoring of the risk registers gives better visibility in the way risks are being managed by individual resorts and best practices can thus be shared across the organisation.

With an improved risk-aware culture, team members are now more alert to the possible presence of risk factors and have the means to highlight these matters to their departmental risk coordinators and management for consideration.

Risk reports are presented twice a year to the Audit Committee, while risk registers are monitored on a quarterly basis within the organisation.

Compliance function

The Compliance Officer has the responsibility for coordinating the compliance function across all Constance Hotels' operations, with a functional reporting line to the Audit and Corporate Governance committees of the principal operating company. During 2016, the Compliance Officer operated within the scope of the Company's Compliance Charter and in accordance with professional standards and guidelines approved by the Board. The business objectives set out in the Compliance Action Plan for 2016 were met.

During the year under review, the Compliance Officer ensured that changes in the legal and regulatory requirements were communicated in a timely manner to line managers concerned and organised training as required. The corporate policies were updated and new ones were drafted to align with applicable laws and sustainable practices. Communication of compliance material, which includes laws, regulations and corporate policies, was enhanced through the creation of an electronic library that is accessible on the Company's intranet. New software was introduced to facilitate the management of contracts and ensure timely renewals, mainly of licences. This software will be implemented across all resorts in the coming year. Annual compliance training organised and/or conducted by the Compliance Officer, included the Company's Code of Conduct and anti-money laundering, data protection, equal opportunity, conflict of interest and gift policies. The function covers the monitoring of the implementation of recommendations made by the Company's internal auditors following audits conducted in our local and overseas properties. The Compliance Officer also ensured protection of the Company's intellectual property through timely registrations and renewals. In 2016, the Compliance Officer participated in workshops covering the new Code of Corporate Governance for Mauritius, Workplace Fraud Detection, the National Integrity Pledge project and the global Tourism Child Protection Code. During the year, the Compliance Officer was invited to present three reports to the Corporate Governance Committee, which also covered health and safety matters.

Auditors

External audit

BDO & Co have expressed their willingness to continue to act as the Company's external auditors and, in accordance with the provisions of the Companies Act 2001, they will be automatically reappointed at the forthcoming Annual Meeting of Shareholders.

Internal audit

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

The internal auditors report to the Group CEO but also have a functional reporting line to the Audit Committee.

Auditors (continued)

Internal audit (continued)

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

The Company's Internal Audit function is outsourced to Messrs PricewaterhouseCoopers (PwC) on a three-year contract, which was last renewed on 1 January 2016.

The annual internal audit plan, which is approved by the Group CEO and ratified by the Audit (and Risk Management) Committee, is based on the principles of risk management to align coverage and effort with the degree of risk attributable to the areas audited. During 2016, the internal auditors conducted audits on the Front Office, inventory management, and accounts receivables and payables processes, as well as follow up audits to ensure optimal use of information technology, improve the central reservation process and to monitor the implementation of controls with respect to Housekeeping and laundry, Payroll, Food & Beverages and Front Office.

Policies, charters and codes

The policies laid out in the under-mentioned key documents, approved by the Board on the recommendation of its relevant committee, are applied throughout the Company:

Policies	**Charters**
Anti-money-laundering	Audit (and Risk Management) Committee
Anti-Trust	Board of Directors
Conflicts of Interest and Related Party Transactions	Compliance
Corporate Social Responsibility	Corporate Governance Committee
Data Protection	Environmental
Dividend	Fondation Constance
Environmental	Internal Audit
Equal Opportunities	Nomination and Remuneration Committee
Gift	Risk Management
Greenhouse Gas Reduction	
Health and Safety	
IT Energy Saving	
Nomination	**Codes**
Prevention of Child Sexual Exploitation	Code of Conduct
Printing	Code of Ethics and Conduct for Directors
Procurement	IT Code of Practice
Remuneration	Professional Standards and Guidelines
Risk Management	Supplier Code of Conduct
Share Dealing	Statement on Corporate Governance

Conflicts of interest and related-party transactions

The Company's Conflicts of Interest and Related Party Transactions Policy provides a structure which ensures that all transactions pertaining to the operation of the Company and its subsidiaries are properly disclosed and can be adequately managed without detriment to the reputation and integrity of the Company and its stakeholders in so far as it relates to good corporate practice.

For disclosure of related-party transactions, please refer to pages 116 of the Annual Report.

Directors' and senior officers' interests and dealings in shares

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

The following transactions took place during the year:

Names	No. of Shares acquired directly	No. of Shares acquired by associates	No. of Shares disposed directly	No. of Shares disposed by associates
Senior officers:				
Siegfried Espitalier Noël	-	-	-	10,000

Directors' and senior officers' share interests

The interests of directors and senior officers in the securities of the Company as at 31 December 2016 were as follows:

	Direct		Indirect
	No. of Shares	% Held	% Held
Directors			
George J Dumbell – Chairman	34,285	0.03	-
Nicolas Boullé	-	-	-
Marc Freismuth	-	-	-
Jean Juppin de Fondaumière	-	-	-
Clément D Rey	42,857	0.04	1.67
Georgina Rogers	1,986,581	1.81	0.33
Jean Ribet	697	0.00	0.45
Louis Rivalland	-	-	-
Colin Taylor	-	-	1.44
N Adolphe Vallet	-	-	0.90
Jean-Jacques Vallet	211,561	0.19	0.45
Senior Officers			
Jan Boullé	483	0.00	0.46
Kevin Chan Too	11,100	0.01	0.04
Siegfried Espitalier Noël	87,168	0.08	0.05
Tham Fong Lee Chip Hing	21,793	0.02	-
Andrew Milton	77,200	0.07	-

Directors' and senior officers' share interests (continued)

The Company maintains a comprehensive Register of Interest/Insiders Share Dealings/Conflicts of Interest and Related Parties in respect of all directors and senior officers. This Register is kept up to date through verbal declarations made by directors at each Board meeting, written submissions made by senior officers, when appropriate and written annual returns submitted by directors and senior officers.

Codes of ethics and conduct

The Company is committed to a code of ethics and conduct, which is outlined in its general Code of Ethics and Conduct, as well as in its Code of Ethics and Conduct for Directors. These documents are comprehensive statements of the guiding principles of conduct which the Company expects its directors and employees to observe in discharging their responsibilities. These codes state the high moral, ethical and legal standards which the Company maintains and under which it carries out its business. It states publicly to all the Company's stakeholders what standards of behaviour they can expect from the Company's directors and employees.

Management services agreement

The Company has a management services agreement with Constance Corporate Management (CCM), in which the Company holds a 42% interest. Under this agreement, CCM provides a wide range of corporate and management services to the Company in the fields of strategic planning, general and corporate affairs, financial accounting and management, legal and tax, company secretarial, real-estate and hotel project planning, finance and development, and technical support. The fees charged are based on a percentage mix of net asset value, market capitalisation and net profit, and amounted to MUR 25 million for the year under review.

Contracts of significance

During the year under review, there was no contract of significance to which the Company or any of its subsidiaries was a party and in which a director or substantial shareholder of the Company was materially interested either directly or indirectly.

Data analysis on shareholdings as at 31 December 2016

Size of shareholding	Number of shareholders	Number of shares owned	Percentage shareholding
1–500	165	27,702	0.025
501–1,000	48	40,075	0.037
1,001–5,000	166	431,421	0.393
5,001–10,000	77	543,538	0.496
10,001–50,000	71	1,548,743	1.412
50,001–100,000	13	928,630	0.847
100,001–250,000	13	2,246,427	2.049
250,001–500,000	6	2,207,300	2.013
Over 500,000	15	101,679,513	92.728
Total	**574**	**109,653,349**	**100.000**

Shareholder category	Number of shareholders	Number of shares owned	Percentage shareholding
Individuals	378	8,406,281	7.666
Insurance and assurance companies	15	25,588,730	23.336
Pension and provident funds	15	2,171,467	1.980
Investment and trust companies	10	86,272	0.079
Other corporate bodies	156	73,400,599	66.939
Total	**574**	**109,653,349**	**100.000**

Common directors

The names of common directors of the subsidiaries of the Company are found on page 62 of the Annual Report and are as follows for Hotelest Ltd, the holding company:

Directors of Hotelest Ltd

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

Substantial shareholders

As at 31 December 2016, the following shareholders held more than 5% of the Company's share capital:

Shareholders	% Held
Hotelest Ltd	51.00
Swan Life Ltd	22.85

Shareholders' agreement

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

Dividend

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

Employee share-option plan

No such scheme exists at present within the Company.

Material clauses of the constitution

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

Timetable – Important events

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

PROFILE OF DIRECTORS AND SENIOR OFFICERS

DIRECTORS

George J. Dumbell (68) - Independent Director and Chairman

Appointed Director in December 2005 and Chairman in January 2006

Mr Dumbell is an Associate of the Chartered Institute of Bankers (UK) with over 48 years of financial and commercial experience, including 34 years in various senior management positions within the HSBC group across the globe. In 1994, he was seconded for two and a half years to Eurochambres, Association of European Chambers of Commerce and Industry, in Belgium, as Deputy Secretary General and Managing Director to its business arm – an organisation representing over 14 million companies across Western, Central and Eastern Europe.

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

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

Belle Mare Holding Ltd

Nicolas Boullé (57) - Non-Executive Director

Appointed in January 2014

Notary qualified and practicing since 1990. Me Boullé has worked in close collaboration in the first instance with Me Pierre Doger de Spéville and thereafter with Me Jacques Montocchio until 2002. Me Boullé now practices independently but in close collaboration with three other colleagues.

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

Belle Mare Holding Ltd

Marc Freismuth (65) - Independent Director and Chairman of the Audit Committee

Appointed in September 2014

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

He taught in Hospitality Management at the University of Réunion from 2000 to 2005. Since that date, he is working as a private consultant in management and finance.

He is also a director of several other listed and non-listed companies. Mr Freismuth is currently the chairman of the Audit Committee.

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

Belle Mare Holding Ltd

United Basalt Products Ltd

Jean Juppin de Fondaumière (63) - Non-executive director

Appointed in December 2014

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

He is a director of a number of companies, involved in various economic activities, from agriculture and commerce to finance and tourism, in Mauritius and in the region.

He is a past chairman of the Stock Exchange of Mauritius and is a member of a number of audit and corporate-governance committees.

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

Alteo Ltd

Lux Island Resorts Ltd

Clément D. Rey (47) - Executive Director, Group Head of Corporate Affairs

Appointed in June 2006

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

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

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

Belle Mare Holding Ltd

Jean Ribet (57) - Executive Director and Group Chief Executive Officer

Appointed in May 2006

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

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

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

Belle Mare Holding Ltd

IBL Ltd

Louis Rivalland (46) - Non-Executive Director

Appointed in March 2007

Mr Rivalland holds a Bachelor's degree in Actuarial Science and Statistics, a Post Graduate Diploma in Strategy and Innovation from SAID Business School, University of Oxford and is a Fellow of the Institute of Actuaries of the United Kingdom.

He is currently the Group Chief Executive of Swan General Ltd and Swan Life Ltd. He is a past president of the Joint Economic Council and of the Insurer's Association of Mauritius.

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

Air Mauritius Ltd

New Mauritius Hotels Ltd

Swan General Ltd

Georgina Rogers (54) - Non-Executive Director

Appointed in March 2015

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

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

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

Belle Mare Holding Ltd

Colin Taylor (51) - Non-Executive Director and Chairman of the Corporate Governance Committee

Appointed in August 2015

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

He is also a member of the Board of the Mauritius Chamber of Commerce and Industry.

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

CIM Financial Services Ltd

Noël Adolphe Vallet (51) - Non-Executive Director

Appointed in May 2001

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

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

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

Belle Mare Holding Ltd

Jean-Jacques Vallet (48) - Executive Director and Chief Executive Officer

Appointed as Director in March 2012

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

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

DIRECTOR TO BE PROPOSED

Preetee Jhamna-Ramdin (42) – Non-Executive Director

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

Mrs Jhamna-Ramdin is a member of the Institute of Chartered Accountants in England and Wales and holds a BA Economics from the University of Cambridge. She joined Swan Life Ltd, as its Chief Finance Officer, in May 2016.

Prior to joining Swan Life Ltd, she was a Partner in the Transaction Advisory Services department at Ernst & Young. Mrs Jhamna-Ramdin has over 15 years experience advising clients on various aspects of their transactions (valuations, due diligences, fund raising) in Mauritius and in Africa, across a variety of sectors. She was based in Johannesburg from Oct 2006 to June 2008, gaining specific valuation experience with Ernst & Young. In addition to the Finance function, she works closely with the investment team of Swan Life Ltd and is involved with the group's international development initiatives.

SENIOR OFFICERS

Kevin Chan Too (39) – Constance Group Head of Finance

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

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

Siegfried Espitalier Noel (48) - Chief Marketing Officer

Mr Espitalier Noel holds a MSc in International Hospitality Management at the Oxford Brookes University in the United Kingdom.

As Chief Marketing Officer, he is responsible for the Marketing and Commercial activities of the Constance Hotels and Resorts Group.

Andrew Milton (50) - Chief Operations Officer

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

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

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

In July 2002, he became General Manager of the Constance Prince Maurice while retaining operational responsibility for Constance Lémuria Seychelles and Constance Tsarabanjina Madagascar, and championed the rebranding of the latter in 2006.

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

SUSTAINABILITY REPORT

SUSTAINABILITY STRATEGY

Constance Hotels acknowledges that it operates in an economic, social and environmental surrounding, the balance of which needs to be preserved. We are thus committed to socially-responsible and sustainable business practices that best serve the interests of a wide range of stakeholders.

These practices are in line with the laws of the countries in which we operate. They aim at reconciling economic performance with a commitment to the conservation of biodiversity, the promotion of cultural heritage and community development.

In the past years, Constance Hotels devised a sustainability management plan to define, structure and programme its approach to sustainability.

This plan is a guide to the hotels' management teams in their decision-making process and ongoing operations. It is built on four key areas, namely: environment, socio-economic balance quality of service and health and safety.

The implementation of this plan entails a continual reassessment through an annual audit that reviews its effectiveness in the light of the new challenges faced. The audit covers all the business practices concerned in order to identify the areas where the operations might have a negative impact on the environment in order to limit such impact on ecosystems and local communities. There are therefore recurrent reviews and updates of the plan to ensure that it best supports Constance Hotels' commitment to sustainability.

THE 4 PILLARS OF OUR SUSTAINABILITY FRAMEWORK

Environment
Quality of Service
Socio-economic
Health and Safety

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

Constance Hotels actively engages with its stakeholders through a series of outreach programmes in line with its sustainability strategy. The outreach is designed to foster genuine interaction and active listening of stakeholder needs, views and feedback in order to shape strategies adapted to such requirements.

The outreach programme is summarised in the following stakeholder engagement matrix

Stakeholders	Mode of Engagement / Communication	Frequency
Customers	Guest satisfaction surveys	Ongoing
	Eco-friendly guest room products	Ongoing
	Newsletters	Monthly
	Brochures	Ongoing
	Customer forums	Ongoing
	Social media (Facebook, Twitter, Instagram, YouTube, TripAdvisor, Blogs, etc.)	Ongoing
	Tent cards	Ongoing
Employees	Constance open doors	3 times a year
	Newsletter	Monthly
	Next Intranet	Ongoing
	Open days	Annual
	Signboards	Ongoing
	Teletext	Ongoing
	Training	Ongoing
	Employee satisfaction surveys	2 times a year
Shareholders	Annual Report	Annual
	Annual Meeting of Shareholders	Annual
	Quarterly financial statements published in newspapers and on the website of the Stock Exchange of Mauritius (SEM)	Quarterly
	Communiques in the press and on the website of the Stock Exchange of Mauritius (SEM)	As and when required
Suppliers	Support to local suppliers	Ongoing
	Supply-chain screening	Ongoing
	Strategic partnerships and sponsorships	Ongoing
Local Communities	Community engagement programmes	Ongoing
	Volunteering	Ongoing
	Fundraising and cash contributions	Ongoing
	In-kind donations	Ongoing
	Disaster relief initiatives	As and when required

STAKEHOLDER ENGAGEMENT (continued)

Industry Associations	Green Globe	Annual
	Leading Hotels of the World	Annual
	Partnerships	Ongoing
Non-Governmental Organisations (NGOs) NGO	Support to NGOs: Pils, T1 Diams, Lizie dan Lamain, Etoile de Mer School, Centre Joie de Vivre	Ongoing
Government and Regulators	Regulatory filings: Registrar of Companies, Stock Exchange of Mauritius, Financial Services Commission, Financial Reporting Council, Mauritius Revenue Authority, Data Protection Office, Ministry of Labour, Industrial Relations and Employment	As applicable

2 ZERO HUNGER	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	17 PARTNERSHIPS FOR THE GOALS

Environmental Commitment

Member of the Green Globe network

Constance Hotels' commitment to the preservation of these ecosystems is reflected in its Green Globe certification.

The Green Globe review is a challenging path that has required the reinvention of processes and the commitment of teams throughout the Group. Constance Hotels has wanted to ensure that its commitment to safeguarding the environment translates into a comprehensive programme that addresses the wider dimension of environmental preservation. It has also wanted to set up a system for measuring and monitoring its teams' initiatives in that field.

Constance Hotels takes pride in its Green Globe certification that is now a testimony to its enduring commitment to the preservation of the environment.

The Green Globe certification process sets out a number of criteria upon which targets must be reached. Hereunder are the details of Constance Hotels' achievements in these areas.

Save Energy

Manage Effluence and Waste

CO_2

Reduce Emissions

Reduce Water Consumption

Protect the Biodiversity

Other Initiatives

Water

Monthly water usage and costs are closely monitored and recorded across the Group.

In addition, Constance hotels in the Maldives and Constance Ephelia in Seychelles (CES) are each equipped with a desalination plant.

The Group has numerous other initiatives in place to reduce water consumption.

Electricity

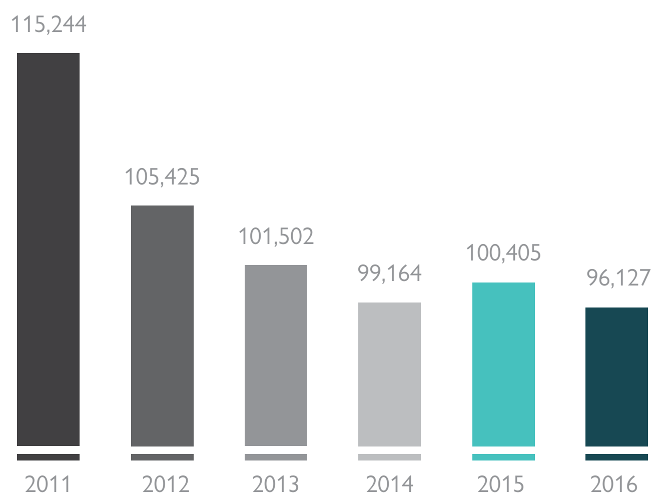
Since 2011, all Constance hotels are equipped with meteorological stations which are connected to the Supervisory Control and Data Acquisition (SCADA) system, and electricity consumption and costs are recorded on a monthly basis.

Each hotel's SCADA system was also connected to a cold-room monitoring system which continually reports on temperature and door openings.

Since the implementation of the first SCADA system in April 2011, the Group's electricity usage has dropped by 12.9%, in spite of a slight increase between 2014 and 2015.

Other initiatives are in place to reduce electricity usage.

Average Group Electricity Consumption in KWh/Year



Note: The corrected figure, to compensate for the renovation closure of Constance Belle Mare Plage (CBMP) (1.5 months) and Constance Lémuria Seychelles (CLS) (2 months), is 96,250kWh/year for the Group, (while the effective measures show 96,127kWh/year).

Diesel

Diesel consumption in Constance hotels in the Maldives and the Seychelles depends on electricity production given that these hotels are equipped with prime power generators.

Constance Prince Maurice (CPM) uses diesel fuel for two purposes, back-up power generation and sanitary hot-water production.

The hot-water boilers' consumption, however, can be controlled through energy recovery systems. The recovery system put in place in 2012 when replacing the chillers has already produced a reduction from 162,000 litres/year to around 45,000 per year. The system has been further enhanced in early 2017 and it is expected to consume only 22,000 litres yearly from now on, resulting in an 86 % saving in total.

Similarly, Constance Lémuria's (CLS) hot-water boilers operate on diesel fuel. The redesign of the recovery system has resulted in a drop in consumption since 2013 of around 40%.

All resorts in Seychelles and Maldives use diesel for prime power generation and the savings on diesel in these cases are thus directly linked to electricity demand, which is controlled through the SCADA system, and to the generators' efficiency, which is also monitored through the SCADA system, continually comparing the actual efficiency to the theoretical efficiency given by the manufacturer's diagrams.

Gas

LPG GAS

LPG gas is used for various purposes including cooking (all resorts), laundry machines (CPM, CLS, CMM, CHM, CES), entertainment and decoration (CPM, CHM). There is no overall control system except to ensure that machinery is working efficiently. However, action plans are designed by the concerned departments to limit their usage.

CBMP uses also LPG for centralised sanitary hot-water production and, as for CPM, the energy recovery system has had to be redesigned. Phase 1, in 2015, resulted in a drop in demand from 168,000Kg/year to 100,000Kg, then phase 2, in 2016, saw a further decrease to 60,000Kg (adjusted to reflect the resort's 1.5 months' closure), thus a total saving of 64%.

Effluence and waste

The Group strives to ensure that most of its waste is biodegradable and that all non-biodegradable materials are re-used, recycled or disposed of correctly. Solid waste is carefully and properly eliminated in order not to contaminate the environment.

There are a number of other implemented initiatives in place:

Emissions

Constance Hotels and Resorts is sensitised to the importance of minimising its operations' carbon footprint. It favours goods from local producers to reduce emissions from transportation and it always considers the level of CFC emissions when purchasing new equipment.

Biodiversity

The Group cares about the biodiversity of the countries in which it operates. In the vicinity of Constance hotels, a number of projects are run for the preservation of biodiversity. They include the following:

- Mangroves preservation programme
- Turtle-nestling protection
- Rehabilitation of coral gardens
- Tree planting
- Lagoon and beach cleaning
- Removal of invasive plant species.

CONSTANCE HOTELS & RESORTS TARGETS 2020

			Actual	Target 2020
1	Electricity	Measures in place	Since 2011 reduced by 14% actual : 99,164 kWh/year	96,000 kWh/year
2	Water	Hotels in Mauritius 2013 : 1,300m^3/day	810m^3/day	To maintain this level
3	Waste	Weighing of waste	Not in place	To be implemented
4	Self-bottling of water	To record consumption and costs savings To increase production throughout the group	4 properties have self bottling plant	Further reduction in plastic bottle waste

CONSTANCE HOTELS & RESORTS TARGETS 2020

			Actual	Target 2020
5	Training	No. of training hours per employee Bright Training	6.6 hours	8.5 hours to be extended to Heads of Departments
		Induction course		Sustainability awareness as well as Health & Safety to be included in the induction programme
6	Customer Satisfaction	Overall satisfaction score Secured guests Emotions	88.60% 68.70% 94.40%	To be higher than 86% To be higher than 65% To be higher than 90%
7	Employees	Employees satisfaction survey score New initiative	77%	80% To launch a survey focusing on sustainability practices


Constance Prince Maurice - Mauritius

SOCIO-ECONOMIC BALANCE

The implementation of our sustainability strategy in the field of socio-economic balance rests on best practices in human resources and an active corporate social responsibility programme.

HUMAN RESOURCES

At the heart of Constance Hotel's strategy lies the belief that generosity delivers great returns on investment both for guests and for staff. The Group wants its staff to feel that they work for an employer, who offers them true attention, generous support, care, training and work prospects. Nurturing employee satisfaction leads to developing a positive mindset amongst employees that, in turn, translates into a positive approach to guest service. While excellence is entrenched in all its hotel services, the Group also embraces cultural diversity and strives to adapt its culture to each hotel and each destination.

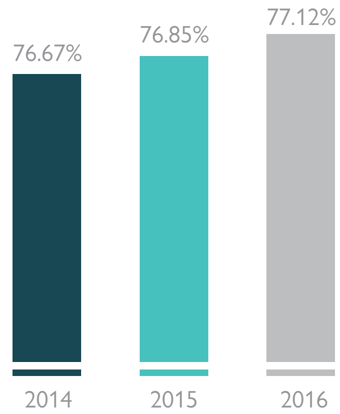
2,958 employees

47 nationalities

Engagement

Employee satisfaction surveys are run twice a year to monitor the adequacy between the HR strategy and employee expectations. This initiative also allows Constance Hotels to connect with its internal customers, to measure how and to what extent it meets employee expectations and to collect their views and suggestions on the enhancement of their work environment. Company-wide employee satisfaction surveys were conducted in April and October 2016, showing an average satisfaction level of 77.12%%, which amounts to a percentage point increase compared to 2015's engagement level. The best achievement came from Constance Prince Maurice, while improvements were also seen in all hotels and on all criteria.

Employee Satisfaction Survey



Assessed dimensions

- Communication
- Work Environment
- Leadership
- Rewards & Recognition
- Training & Career Development
- Morale & Welfare
- Sense of Belonging
- Perception of the Group

Talent development

Talent development is at the core of Constance Hotels' HR strategy. Strong emphasis is therefore put on learning and development, which have become hallmarks of Constance Hotels within the hospitality industry in the countries in which it operates. A manager was recruited for the HR team to lead this strategic function and to place the focus on performance, management, training and development, succession planning and aspects connected to talent development.

Training

The training role at Constance Hotels rests with the Constance Hotels Training Centre (CHTC) that was set up in 1998 and designs and runs tailor-made training programmes geared towards employee talent development.

The average number of training hours per employee jumped by 50% in 2016 to 38.48 hours. This is mainly attributable to the extensive training programmes run at Constance Belle Mare Plage and Constance Lémuria Seychelles while they were closed for renovation.

A highlight in the year's training programme was the launch of the - Excellence Through Continuous Improvement (ExCITE) programmes in Constance Halaveli Maldives, Constance Moofushi Maldives and Constance Prince Maurice. The ExCITE programme is geared towards continual improvement as it invites team members to question the status quo and to bring ideas for the review and improvement of work processes.

+50%

Average training hours: 38.48

2015

The programme reached more than 300 team members. The CHTC also developed and rolled out its Constance Internal Trainer Certification programme (CITC) at the Constance Belle Mare Plage.

During the year, CHTC reviewed the structure of its training programmes so as to include e-learning components that allow for new ways and means of accessing and discussing the training provided, and ensuring that such training is embedded in daily practice. The upgrade in programmes was carried out with the help of some of the best e-learning providers.

Constance Hotels also expanded the scope of its training services to include expertise in foreign languages and has started collaborating with a Singaporean School for the training of interns in the use of Mandarin and Korean.

The BRIGHT program is a ten-month corporate programme delivered by the Constance Hospitality Centre and is comprised of ten modules around leadership, quality standards, managing people and other themes. Before graduating, the Bright Champions need to complete the implementation of a project within three months. More than 150 team members were enrolled in the BRIGHT Level 1 and Level 2 programmes in 2016.

The CHTC also strengthened its ties with the Seychelles Tourism Academy (STA) by welcoming 15 STA students on a soft-skills training programme together with a three-month work placement at the Constance Belle Mare Plage. The CHTC is also the springboard for the Group's community development programme. In collaboration with the Fondation Constance, it provided free training to around 20 unemployed ladies and young adults seeking to work in the hotel industry. School leavers from Mauritius considering a career in the industry were also given the opportunity to get a work placement through the NC3 programme, which is a platform for the learning and development of interns who can join the Company if their performance is in line with the Group's expectations.

Recruitment

Constance Hotels believes that recruiting the right people who share its values and mindset is key to building successful teams. In order to support hotel teams that select the new recruits, the HR Department reviewed the recruitment and selection process. In addition, it devised a competency-based interviewing technique specifically aimed at assessing these values and mindset in order to attract and recruit only the best candidates. This interviewing technique is now used across the Group.

Local employment and equitable recruitment

Constance Hotels abides by all the applicable laws and regulations relating to human and labour rights in all the countries in which it operates. It proactively supports the recruitment and development of local talents in various positions across the Company's operational and support functions. It offers conditions and wages superior to the local minimum requirements.

Foreign skills are sought in specific areas where there is a lack of local expertise. Constance Hotels aims at achieving equal opportunity and fair treatment for all its employees in all areas including recruitment, training, promotion, transfer, benefits and disciplinary matters, irrespective of their status, age, caste, colour, religion, ethnic origin, impairment, political opinion, race, sex or sexual orientation.

It does not tolerate any form of harassment and exploitation. Its managers foster an atmosphere in which every employee feels free to report potential violations. All newly-recruited employees are required to attend an induction workshop to learn about the Group's internal policies and Code of Conduct.

The Way Forward To 2020

Over the coming years, the Group will remain committed to its strategy to support and promote sustainable operations and practices with a view to creating shared values with its guests, its people and other stakeholders. It will continue to strive in order to grasp and address new sustainability challenges through the empowerment of its people and continual improvement.

CORPORATE SOCIAL RESPONSIBILITY

As part of its mission, Constance Hotels sees it as its duty to care for the well-being and development of the communities in or around the areas in which it operates. Its involvement and contributions are therefore not considered as charitable handouts but as investments that have a positive impact on the community.

Fondation Constance

The Fondation Constance is the special entity responsible for the implementation of the Group's corporate social responsibility (CSR) programme, which is managed by the Group's Corporate Social Responsibility Project Committee. It reports to the Corporate Governance Committee that approves its annual programme and budget, and its performance on a quarterly basis.

Principles

The Constance Hotels' policy on CSR is guided by the following set of principles:

- Conducting business in a socially responsible and ethical manner
- Protecting the environment and the safety of people
- Supporting human rights
- Engaging in and learning from respecting and supporting the communities and cultures within which it operates.

The Fondation Constance focuses on CSR projects run in the neighbourhood of its hotels, giving it the opportunity to reach out to the Group's local stakeholders. It is also empowered to support some national high-impact projects.

CORPORATE SOCIAL RESPONSIBILITY (continued)

Funding

The Group contributed Rs 2 million to the Fondation Constance in 2016. The allocation of funds follows a specific donations policy that is meant to:

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

FUND ALLOCATION PER CATEGORY
At 31 December 2016

- 54% Socio-Economic Development
- 30% Education & Training
- 11% Leisure & Sports
- 4% Health
- 1% Environment

Fund allocation

In 2016, the financial resources available to the Fondation Constance were used to fund projects in educational and social development, leisure and sports, health and environmental protection. It supported 14 NGOs, reaching a total of 483 direct beneficiaries.

14 NGOs

483 Direct Beneficiaries

Our Focus in 2016

- Socio-Economic Development
- Education & Training
- Leisure & Sports
- Health
- Environment

CORPORATE SOCIAL RESPONSIBILITY (continued)

Education and training

CPE Sponsorship

Scholarships are awarded annually to the four best Certificate of Primary Education (CPE) pupils from the Poste de Flacq Government and RCA schools to cover their secondary studies. Many previous beneficiaries have gone on to pursue tertiary studies.

Constance Education Award

The Fondation Constance organised the Constance Education Award 2016 for SC and HSC students living in the East of Mauritius. The aim of the award is to develop human values, increase knowledge and foster participants' analytical and leadership skills, so that they are better equipped to serve the community and prosper in their future working environment. For this award, the students had to conduct research on specific topics and present a report in writing and then orally to a panel of judges.

The two topics covered were:

SC level 70 participants 12 schools	*The economic and human costs of road crashes and the resulting deaths and injuries require a national response.* *How can the youth contribute to address this important issue?*
HSC level: 76 participants 10 schools	*"The challenges of interculturality in upholding the concept of living together are crucial for multi-ethnic Mauritian society.* *How can the youth participate in strengthening togetherness?*

Non-formal Education and Breakfast Support Programme for children from vulnerable groups

3 NGOs **129 beneficiaries** **3,562 meals served**	The Fondation Constance sponsored three NGOs dedicated to the development of quality non-formal education programmes for children from vulnerable groups.

Schooling support

During the year under review, the Fondation Constance continued to sponsor Friends of the Poor in providing support to ten children from vulnerable groups in the East of the island.

CORPORATE SOCIAL RESPONSIBILITY (continued)

Empowerment through training and placement

11 direct beneficiaries **3 employment offers**	The Fondation Constance continued to provide a year's training at the Constance Hospitality Training Centre (CHTC) to 11 people from vulnerable groups in the eastern region to give them skills which will enhance their employability. Following hotel internships, three have been employed on a temporary basis in one of the Group's hotels.
8 NC3 students	Furthermore, eight students, sponsored by the Fondation in 2016, have followed courses, at National Certificate level 3, delivered by CHTC, with a view to increasing their employability. Unfortunately, for personal reasons, some of them have not completed their training. However, those who showed high interest and perseverance are expected to complete the courses in about April 2017.
2 beneficiaries	The Fondation Constance sponsored youngsters who have demonstrated a keen desire to uplift themselves and secure future employment through tertiary education and vocational training. Two students, attending Saint Gabriel and Saint Joseph Technical Colleges, took advantage of the scheme.

Socio-economic development

Protection of vulnerable people

Group employees organised a Christmas party for disadvantaged people living in the East of Mauritius. This initiative, supported by the Fondation Constance, was a way of encouraging employee participation in community support and development projects. On this occasion, they generously donated gifts to the 39 attendees.

Leisure and sports

In 2016, the Fondation Constance pursued its ongoing support to the Constance Challenge Cup and sponsored the Faucon Flacq Sporting Club's (FFSC) sports activities, aiming to benefit young people from less privileged families. Gratifyingly, the collaboration has led to remarkable achievements with the FFSC winning awards in various disciplines.

Environment

In addition to the various activities undertaken in conformity with the Green Globe Programme, the Fondation Constance and the Group's hotels supported the initiative of volunteers in cleaning up Bras D'Eau National Park.

Health

During the year, the Fondation Constance collaborated with various NGOs including PILS, T1Diams and Lizie dan Lamain, as well as Solaris' cancer-awareness event held in February 2016.

Donations

The Company has a Donations Policy which states that it is committed to:

- Ensuring that all its donations are compatible with its business activities and reflect its respective values and objectives
- Supporting people and communities at both local and national level, with the aim of making their lives better and giving them opportunities that they may otherwise not have
- Enhancing and safeguarding the natural environment.

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	**MUR'000**	MUR'000	MUR'000
CSR contribution	**2,000**	750	**2,000**	750
Other	**-**	300	**-**	-
	2,000	1,050	**2,000**	750

QUALITY OF SERVICE

Feedback from the guests

>50% received a service quality that exceeded their expectations

80% would recommend Constance Hotels' resorts

70% of guests are likely to return

6,800 guests completed guest surveys

92% staff showed a can-do attitude

Quality and experience being at the core of its value proposition, Constance Hotels has set up several processes to rate and monitor guest levels of satisfaction via an internal system, referred to as CHR. Included in this system are guest-satisfaction surveys, mystery audits and reservation audits, as well as self-assessments that are run systematically.

The criteria that are rated include both feedback on service as well as information on guests' emotional experience. Constance believes that monitoring this emotional dimension is the key to building guest loyalty and building brand value.

Guest ratings are then benchmarked against Constance's minimum standards as well as Leading Hotels of the World's standards, the main pillars of which are product, service, cleanliness and condition. The surveys cover hotel reservation systems, front-of-house operations, housekeeping, food and beverage and timely service delivery, as well as the comfort, functionality and maintenance of all public areas and guest rooms. Equally important in the ratings is the staff attitude that should convey positive emotions, empathy, care and a can-do attitude, all necessary to deliver a positive guest experience.

The results from the quality surveys lead to action plans for management geared towards the improvement of standards and the guest experience.

Online reputation

The monitoring of quality standards also includes monitoring the conversations on the Constance brand in online forums and websites, with the support of the IT department's analytical tools. This provides for a comparison of Group hotels' performance with that of others. For the third consecutive year, the Constance Hotels Group ranks among the top luxury brands of the world in the Top Luxury Hotel and Brand Report published in 2016 by ReviewPro. Constance Hotels and Resorts has continuously increased its performance on the Global Review Index (GRI) since the first publication of this report. From 93.7% in 2014, the Group scored 94.5% in the year under review.

Health and Safety

Constance Hotels gives priority to the safety of its team members and guests. Its Group Health & Safety (H&S) Policy provides the framework that complements local laws and regulations, and guides management on sound practices for its team members and guests, particularly those with special needs, necessary so that they operate in a risk-free environment.

Team members are adequately trained to respond to health and safety issues and emergency situations. Guests are informed of hazards through appropriate signage and other forms of communication.

Guests are free to choose the foods they want. Staff are trained to address allergies of all types as well as specific dietary requirements. A strict food-handling programme is in place in the Group's hotels in line with the best practices in food hygiene and safety. It involves regular audits by authorities and by third-party certifying bodies.

The hotels have a no-smoking policy and guests are encouraged not to smoke in rooms, restaurants and inside buildings, for the comfort of other guests. However, designated smoking areas are available.

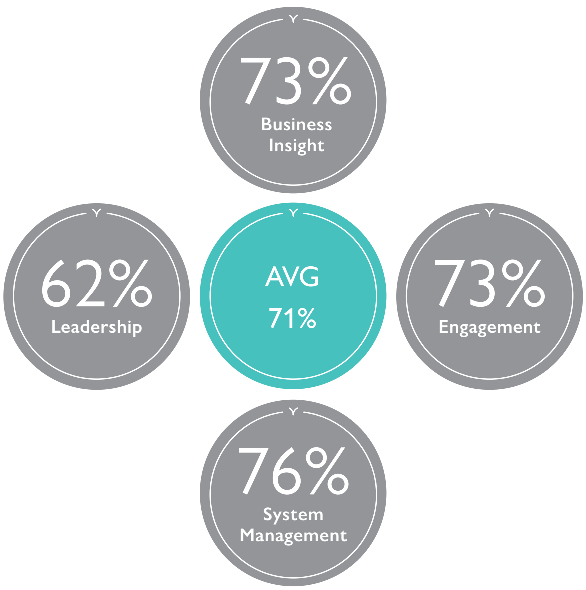
Since running its first H&S audits in 2014, Constance Hotels has continually improved on its H&S records. In 2016, the H&S audit recorded an improvement of 24% in the management of health and safety, while further developing the H&S culture by 28%. This performance was made possible with the help of a performance management system that includes the reporting of strategic indicators to senior leadership committees. General Managers are also entrusted with the responsibility of supporting the implementation of safety processes through:

- Integration of the H&S assessment into their enterprise risk-management programme
- Review of H&S reporting strategies
- Establishment of H&S committees
- Adequate H&S training of all employees
- Sensitisation programmes to promote awareness on H&S.

The audit also included a new criterion to measure the value of H&S guidance. H&S standards are now assessed against four key criteria:

- Business insight – understanding of key operational demands and constraints
- Engagement – attitude and behaviour towards H&S practices including all team members
- System management – efficiency in implementing the H&S programme
- Leadership – providing guidance to boost H&S performance.

H&S Service Excellence



Health and Safety metrics

Lost days: injury frequency rate	6.85%
Number of reported serious injuries	3
Number of reported occupational diseases	0
Total lost days recorded	1,079
Total number of cases reported	195

OTHER STATUTORY DISCLOSURES

(pursuant to section 221 of the Companies Act 2001)

Directors' Remuneration and Benefits

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

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

	2016	2015
	MUR'000	MUR'000
Directors of Constance Hotels Services Ltd		
Executive (full-time)	**18,618**	17,144
Non-executive	**1,642**	1,642
Directors of subsidiary companies		
Executive	**7,909**	7,642
Non-executive	**-**	-

Directors' Service Contracts

Mr George J. Dumbell, Chairman of the Company, has a two-year service contract which expires on 31 December 2017. The other directors do not have service contracts with the Company, but letters of appointment.

Directors of Subsidiary Companies

Directors	Constance Industries Ltd	Beauport Industries Ltd	Constance Hospitality Training Centre Ltd	Constance Hotels International Services Ltd	LRM Services Ltd	LRM Company Ltd	Constance Hotels Investment Ltd	Ariatoll Services Ltd	Halaveli Development Ltd	Hotels Constance (UK) Ltd	Moofushi Development Ltd	The Waterfront Pvt Ltd
Guy ADAM						•						
Jan BOULLÉ (Up to 31 December 2016)	•	•										
Kevin CHAN TOO (As from 31 December 2016)	•	•										
George J. DUMBELL	•	•		•			•	•	•		•	
Dominik KUENSTLE												•
Clément D. REY	•	•	•	•	•	•	•	•	•		•	•
Jean RIBET	•	•	•	•	•	•	•	•	•		•	•
Jean-Jacques VALLET	•	•	•			•				•		
Jean WEELING LEE						•						

Auditors' Remuneration

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

	The Group		The Holding Company	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Audit fees paid to:				
BDO & Co.	**2,513**	2,017	**375**	350
Other firms	**935**	884	**-**	-
Fees for other services paid to:				
Other firms	**443**	553	**-**	-

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

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

CORPORATE INFORMATION

Directors

George J. Dumbell	Independent – Chairman
Nicolas Boullé	Non-executive
Marc Freismuth	Independent
Jean Juppin De Fondaumière	Non-executive
Preetee Jhamna-Ramdin (as from 14 April 2017)	Non-executive
Clément D. Rey	Executive
Jean Ribet (Group Chief Executive Officer)	Executive
Louis Rivalland (up to 14 April 2017)	Non-executive
Georgina Rogers	Non-executive
Colin Taylor	Non-executive
N. Adolphe Vallet	Non-executive
Jean-Jacques Vallet	Executive

Committees of the Board

Audit (and Risk Management) Committee

Marc Freismuth, Chairman
Jean Juppin De Fondaumière
N. Adolphe Vallet

Corporate Governance Committee

Colin Taylor, Chairman
George J. Dumbell
Louis Rivalland (up to 14 April 2017)

Nomination & Remuneration Committee

George J. Dumbell, Chairman
Marc Freismuth
Jean Ribet

Management Team – Constance Corporate Management

Jean Ribet	Group Chief Executive Officer
Jan Boullé	Group Head of Projects & Development
Clément D. Rey	Group Head of Corporate Affairs
Kevin Chan Too	Group Head of Finance

Management Team – CHSL

Jean-Jacques Vallet	Chief Executive Officer
Andrew Milton	Chief Operations Officer
Siegfried Espitalier-Noël	Chief Marketing Officer
Brigitte de Fontenay Desmarais	Customer Relationship and Quality Manager
Josep Alaves	Business Development & Group Revenue Manager
Roshan Koonja	Chief Information Officer
Aurélie Leclézio Aupée	Group Communications Manager
Pablo de Teresa	E-Business Manager
Georges Lee Chip Hing	Group Financial Controller
Noorani Mungloo	Group Chief Financial Accountant and Analyst
Imelda Jorre de St Jorre	Central Reservations Manager
Philippe Offre	Group Technical Manager
Jean-Philippe Leong Kwai Cheong	Area Development Manager
Vincent de Marassé Enouf	Group Human Resources Manager
Gilbert Chetty	Group Purchasing Manager
Ram Joorawon	Group Golf Courses Superintendant
Christophe Plantier	General Manager, Constance Prince Maurice
Gert Puchtler	General Manager, Constance Belle Mare Plage
Dominik Kuenstle	General Manager, Constance Halaveli Maldives
Olivier de Guardia de Ponte	General Manager, Constance Moofushi Maldives
Kai Hoffmeister	General Manager, Constance Ephélia Seychelles
Bruno Le Gac	General Manager, Constance Lémuria Seychelles
Henri Arnulphy	Resort Manager, Constance Tsarabanjina Madagascar
Claude Narain, OSK	Senior Training and External Relations Advisor

Secretaries

La Gaieté Services Limited
5th Floor, Labama House
35 Sir William Newton Street
Port Louis

Registered Office

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

Share Registry and Transfer Office

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

Bankers

The Mauritius Commercial Bank Ltd
The Hong Kong & Shanghai Banking Corporation Ltd
Banque Française Commerciale Océan Indien
AfrAsia Bank Limited
State Bank of Mauritius Ltd
ABC Banking Corporation

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for:

(i) adequate accounting records and maintenance of effective internal control systems

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

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

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that:

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

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

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

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

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

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

28 March 2017

COMPANY SECRETARY'S CERTIFICATE

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

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

28 March 2017

FINANCIAL STATEMENTS

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

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Constance Hotels Services Limited and its subsidiaries (the Group), and the Company's separate financial statements on pages 73 to 117 which comprise the statements of financial position as at December 31, 2016, and the 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 73 to 117 give a true and fair view of the financial position of the Group and of the Company as at December 31, 2016, 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
1 Property, plant and equipment	
Property, plant and equipment include buildings amounting to MUR 5,029M. The significance of the building on the statement of financial position resulted in it being identified as a key audit matter. Buildings are carried at historical cost less accumulated depreciation. The depreciation charge calculation requires an estimation of the economic useful life of the building using the component method and the respective residual value of each component. Other items of property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group would currently obtain from disposal of the asset if the asset was already of the age and in the condition expected at the end of its useful life. The directors make estimates based on historical experience and use best judgment 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. Refer to note 5 of the accompanying financial statements.	We tested the following: - The remaining useful life of assets valued, by comparing the directors' estimates to the useful lives of assets with similar characteristics. - We reviewed the Group's depreciation policy and verified the inputs to the calculation. - We assessed the estimated residual values to assets with similar characteristics in the industry. - We performed predictive tests on depreciation charge. - We checked consistency of the component allocation with previous years.

2 Intangible assets	
Intangible assets include an amount of MUR 483M in respect of goodwill on acquisition of a subsidiary. An assessment is required annually to establish whether any impairment is required. The impairment assessment is based on estimated future cash flows of the subsidiary discounted at an appropriate weighted average cost of capital (WACC). The estimation of future cash flows and the discounting thereof are inherently uncertain and require significant judgments. Refer to note 6 of the accompanying financial statements.	- We assessed the validity and reasonableness of the forecasts by comparing and considering current year events against the forecast plan and the reasons for any deviation. - We assessed the discount rate used in the discounted cash flow models. - We checked the calculations and reperformed the valuation of the intangible assets. - We performed an independent sensitivity analysis by adjusting the assumptions used.

3 Trade and other receivables	
Trade receivables and other receivables include net trade receivables amounting to MUR 295M. Significant judgment is required to assess the credit risk attached to the trade receivables. The net carrying amount of trade receivables is measured at amortised costs less any impairment loss. Impairment loss is based on objective evidence of default. Refer to note 12 of the accompanying financial statements.	- We requested external confirmation of the outstanding amount from counterparties, and where responses were poor, alternative tests were performed to ensure existence and accuracy of those receivables. - We reviewed long outstanding balances and enquired the probability of recovery. - We reviewed the methodology and judgment used and management's key assumptions used in assessing impairment. - We also considered the consistency of the approach with the prior years, and enquired about any major variations and changes in key assumptions.

Other information

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

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

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

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

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

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

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

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.

Independent Auditor's Report

to the Shareholders (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.

Financial Reporting Act 2004

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

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

BDO & CO

Chartered Accountants

Ameenah Ramdin, FCCA, ACA

Licensed by FRC

Port Louis
Mauritius

28 March 2017

Statements of Financial Position - December 31, 2016

	Notes	THE GROUP 2016 MUR'000	THE GROUP 2015 MUR'000	THE COMPANY 2016 MUR'000	THE COMPANY 2015 MUR'000
Assets					
Non-current assets					
Property, plant and equipment	5	**7,323,873**	6,998,107	**22,581**	18,520
Intangible assets	6	**1,261,227**	1,292,295	**6,340**	8,877
Investments in subsidiary companies	7	**-**	-	**2,136,472**	1,563,722
Investments in associates	8	**830,990**	701,454	**6,510**	6,510
Investments in available-for-sale financial assets	9	**545**	545	**545**	545
Deferred tax assets	10	**100,789**	67,348	**13,968**	17,279
		9,517,424	9,059,749	**2,186,416**	1,615,453
Current assets					
Inventories	11	**303,922**	273,178	**680**	1,156
Trade and other receivables	12	**935,459**	892,735	**1,761,443**	2,230,714
Cash and cash equivalents	24(a)	**73,162**	92,110	**9,210**	11,986
		1,312,543	1,258,023	**1,771,333**	2,243,856
Total assets		**10,829,967**	10,317,772	**3,957,749**	3,859,309
Equity and Liabilities					
Capital and reserves (attributable to owners of the parent company)					
Stated capital	13	**2,153,395**	2,153,395	**2,153,395**	2,153,395
Revaluation and other reserves	14	**1,758,558**	1,822,655	**(11,090)**	(12,159)
Retained earnings		**525,535**	603,276	**223,103**	225,677
Owners' interest		**4,437,488**	4,579,326	**2,365,408**	2,366,913
Non-controlling interest		**35,405**	29,947	**-**	-
Total equity		**4,472,893**	4,609,273	**2,365,408**	2,366,913
Liabilities					
Non-current liabilities					
Borrowings	15	**4,182,732**	3,555,978	**955,194**	1,008,223
Deferred tax liabilities	10	**65,574**	59,732	**-**	-
Retirement benefit obligations	16	**137,906**	98,938	**49,055**	47,487
		4,386,212	3,714,648	**1,004,249**	1,055,710
Current liabilities					
Trade and other payables	17	**745,246**	723,417	**295,504**	243,611
Borrowings	15	**1,116,524**	1,151,627	**274,647**	165,662
Dividend payable	18	**16,448**	27,413	**16,448**	27,413
Current tax liabilities	19(a)	**92,644**	91,394	**1,493**	-
		1,970,862	1,993,851	**588,092**	436,686
Total liabilities		**6,357,074**	5,708,499	**1,592,341**	1,492,396
Total equity and liabilities		**10,829,967**	10,317,772	**3,957,749**	3,859,309

These financial statements have been approved for issue by the Board of Directors on 28 March 2017.

George J. Dumbell
Chairman

Jean Ribet
Director
Group Chief Executive Officer

The notes on pages 78 to 117 form an integral part of these financial statements.
Auditor's report on pages 69 to 72.

Statements of Profit or Loss - Year ended December 31, 2016

	Notes	THE GROUP 2016 MUR'000	2015 MUR'000	THE COMPANY 2016 MUR'000	2015 MUR'000
Revenue	2(m)	**3,632,590**	3,745,721	**131,202**	191,395
Earnings before interest, taxation, depreciation and amortisation		**939,006**	1,067,662	**169,723**	398,758
Depreciation and amortisation	5, 6	**(445,293)**	(441,789)	**(9,896)**	(12,087)
Operating profit	20	**493,713**	625,873	**159,827**	386,671
Finance costs	22	**(309,032)**	(282,119)	**(86,511)**	(79,575)
Share of results of associates	8	**(62,401)**	(34,879)	**-**	-
Profit before taxation and closure costs		**122,280**	308,875	**73,316**	307,096
Closure costs	21	**(52,810)**	-	**-**	-
Profit before taxation		**69,470**	308,875	**73,316**	307,096
Income tax (expense)/credit	19(b)	**(66,593)**	(78,976)	**(4,615)**	1,654
Profit for the year		**2,877**	229,899	**68,701**	308,750
Attributable to:					
Owners of the parent		**(14,380)**	208,193	**68,701**	308,750
Non-controlling interest		**17,257**	21,706	**-**	-
		2,877	229,899	**68,701**	308,750
(Loss)/earnings per share (MUR)	23	**(0.13)**	1.90	**0.63**	2.82

The notes on pages 78 to 117 form an integral part of these financial statements.
Auditor's report on pages 69 to 72.

Statements of Profit or Loss and Other Comprehensive Income - Year ended December 31, 2016

	Notes	THE GROUP 2016 MUR'000	THE GROUP 2015 MUR'000	THE COMPANY 2016 MUR'000	THE COMPANY 2015 MUR'000
Profit for the year		**2,877**	229,899	**68,701**	308,750
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	16	**(39,231)**	16,771	**1,258**	7,058
Deferred tax on remeasurement of defined benefit obligations	10	**5,885**	(2,514)	**(189)**	(1,059)
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences	14	**(23,838)**	363,172	**-**	-
Income tax relating to components of other comprehensive income	14	**1,187**	1,113	**-**	-
Other comprehensive income for the year		**(55,997)**	378,542	**1,069**	5,999
Total comprehensive income for the year		**(53,120)**	608,441	**69,770**	314,749
Total comprehensive income attributable to:					
Owners of the parent		**(70,563)**	583,787	**69,770**	314,749
Non-controlling interest		**17,443**	24,654	**-**	-
		(53,120)	608,441	**69,770**	314,749

The notes on pages 78 to 117 form an integral part of these financial statements.
Auditor's report on pages 69 to 72.

Statements of Changes in Equity - Year ended December 31, 2016

	Note	Attributable to owners of the parent Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings MUR'000	Total MUR'000	Non-controlling interest MUR'000	Total equity MUR'000
THE GROUP							
At January 1, 2015		2,153,395	1,454,481	469,903	4,077,779	16,317	4,094,096
Profit for the year		-	-	208,193	208,193	21,706	229,899
Other comprehensive income for the year		-	375,594	-	375,594	2,948	378,542
Transfer		-	(7,420)	7,420	-	-	-
Dividends	18	-	-	(82,240)	(82,240)	(11,024)	(93,264)
At December 31, 2015		**2,153,395**	**1,822,655**	**603,276**	**4,579,326**	**29,947**	**4,609,273**
At January 1, 2016		2,153,395	1,822,655	603,276	4,579,326	29,947	4,609,273
(Loss)/profit for the year		-	-	(14,380)	(14,380)	17,257	2,877
Other comprehensive income for the year		-	(56,183)	-	(56,183)	186	(55,997)
Transfer		-	(7,914)	7,914	-	-	-
Dividends	18	-	-	(71,275)	(71,275)	(11,985)	(83,260)
At December 31, 2016		**2,153,395**	**1,758,558**	**525,535**	**4,437,488**	**35,405**	**4,472,893**

	Note	Stated capital MUR'000	Revaluation and other reserves MUR'000	Retained earnings/ (revenue deficit) MUR'000	Total MUR'000
THE COMPANY					
At January 1, 2015		2,153,395	(18,158)	(833)	2,134,404
Profit for the year		-	-	308,750	308,750
Other comprehensive income for the year		-	5,999	-	5,999
Dividends	18	-	-	(82,240)	(82,240)
At December 31, 2015		2,153,395	(12,159)	225,677	2,366,913
At January 1, 2016		2,153,395	(12,159)	225,677	2,366,913
Profit for the year		-	-	68,701	68,701
Other comprehensive income for the year		-	1,069	-	1,069
Dividends	18	-	-	(71,275)	(71,275)
At December 31, 2016		**2,153,395**	**(11,090)**	**223,103**	**2,365,408**

The notes on pages 78 to 117 form an integral part of these financial statements.
Auditor's report on pages 69 to 72.

Statements of Cash Flows - Year ended December 31, 2016

	Note	THE GROUP 2016 MUR'000	THE GROUP 2015 MUR'000	THE COMPANY 2016 MUR'000	THE COMPANY 2015 MUR'000
Operating activities					
Profit before taxation		**69,470**	308,875	**73,316**	307,096
Adjustment for:					
Share of results of associates		**62,401**	34,879	**-**	-
Foreign exchange difference		**68,395**	16,891	**-**	-
Depreciation of property, plant and equipment		**398,118**	395,457	**7,192**	9,177
Amortisation of intangible assets		**47,175**	46,332	**2,704**	2,910
Assets written off		**10,509**	-	**-**	-
Loss/(profit) on disposal of property, plant and equipment		**1,533**	(593)	**(217)**	(1,861)
Interest expense		**309,032**	282,119	**86,511**	79,575
Interest income		**(14,301)**	(13,321)	**(131,202)**	(116,410)
Retirement benefit obligations		**22,964**	23,235	**9,712**	10,150
Operating profit before working capital changes		**975,296**	1,093,874	**48,016**	290,637
- inventories		**(30,744)**	(17,792)	**476**	487
- trade and other receivables		**(42,724)**	(257,241)	**(236,511)**	(447,197)
- trade and other payables		**21,829**	57,644	**32,678**	14,805
Cash flows generated from/(used in) operating activities		**923,657**	876,485	**(155,341)**	(141,268)
Interest paid		**(309,032)**	(282,119)	**(86,511)**	(79,575)
Interest received		**14,301**	13,321	**131,202**	116,410
Contribution paid		**(23,227)**	(9,954)	**(6,886)**	(3,804)
Tax paid		**(86,212)**	(108,706)	**-**	-
Net cash generated from/(used in) operating activities		**519,487**	489,027	**(117,536)**	(108,237)
Cash flows (used in)/generated from investing activities					
Payments for/purchase of property, plant and equipment		**(700,488)**	(205,624)	**(1,153)**	(2,169)
Purchase of intangible assets		**(9,041)**	(56,807)	**(167)**	(9,893)
Proceeds from sale of property, plant and equipment		**6,520**	618	**217**	1,861
Deposit on shares not yet alloted		**(201,977)**	-	**-**	-
Repayment of shareholder's loan classified as investment		**-**	-	**152,250**	-
Net cash (used in)/generated from investing activities		**(904,986)**	(261,813)	**151,147**	(10,201)
Cash flows generated from/(used in) financing activities					
Proceeds from borrowings		**1,002,734**	385,576	**104,000**	147,195
Payments of borrowings		**(639,695)**	(613,192)	**(57,270)**	-
Finance lease principal repayment		**(20,904)**	(20,314)	**(6,706)**	(6,473)
Dividends paid to company's shareholders		**(82,240)**	(54,827)	**(82,240)**	(54,827)
Dividends paid to non-controlling interest		**(11,985)**	(11,024)	**-**	-
Net cash generated from/(used in) financing activities		**247,910**	(313,781)	**(42,216)**	85,895
Net decrease in cash and cash equivalents		**(137,589)**	(86,567)	**(8,605)**	(32,543)
Cash and cash equivalents at January 1,		**(303,893)**	(217,326)	**(52,025)**	(19,482)
Cash and cash equivalents at December 31,	24(a)	**(441,482)**	(303,893)	**(60,630)**	(52,025)

The notes on pages 78 to 117 form an integral part of these financial statements.
Auditor's report on pages 69 to 72.

1 COMPANY PROFILE

Constance Hotels Services Limited is a public company incorporated and domiciled in Mauritius and quoted on the Development & Enterprise Market of the Stock Exchange of Mauritius. The principal activity of the Company is to hold investment. The principal activity of the Group is to operate and manage resort hotels. The address of its registered office is 5th Floor, Labama House, 35, Sir William Newton Street, Port Louis. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of shareholders of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Constance Hotels Services Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention except that freehold land is stated at revalued amount.

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

The Group has a net current liability of MUR 658M (2015: MUR 736M). The Board is satisfied that the Group has the resources to meet its liabilities in foreseeable future. Furthermore, the Board is not aware of any uncertainties that may cast significant doubt upon the Group's ability to continue on as a going concern. Therefore, the financial statements are prepared on a going concern basis.

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

IFRS 14, "Regulatory Deferral Accounts" provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Group's financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Group's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Group's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate financial statements The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Group's financial statements.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Group's financial statements.

Annual Improvements to IFRSs 2012-2014 cycle

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Group's financial statements.
- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment has no impact on the Group's financial statements.
- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment has no impact on the Group's financial statements.
- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendment has no impact on the Group's financial statements.
- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment has no impact on the Group's financial statements.

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Group's financial statements.

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

Certain Standards, Amendments to Published Standards and Interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods, but which the Group has not early adopted.

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

- IFRS 9, "Financial Instruments"
- IFRS 15, "Revenue from Contract with Customers"
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 16, "Leases"
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Amendments to IAS 7, "Statement of Cash Flows"
- Clarifications to IFRS 15, "Revenue from Contracts with Customers"
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9, "Financial Instruments" with IFRS 4, "Insurance Contracts" (Amendments to IFRS 4)
- Annual Improvements to IFRSs 2014-2016 Cycle
- IFRIC 22, "Foreign Currency Transactions and Advance Consideration"
- Transfers of Investment Property (Amendments to IAS 40)

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

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

(b) Investment in subsidiaries

Separate financial statements of the Company

In the Company's financial statements, investments in subsidiaries are carried at cost. The carrying amount is reduced to recognised any impairment in the value of individual investments.

Consolidated financial statements

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment in subsidiaries (continued)

Consolidated financial statements (continued)

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

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

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

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

Transactions and non-controlling interests

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

Disposal of subsidiaries

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

This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Investment in associates

Separate financial statements of the Company

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

Consolidated financial statements

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment in associates (continued)

Consolidated financial statements (continued)

Any excess of the cost of acquisition and the Group's share of net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

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

Where necessary, appropriate adjustments are made to the financial statements of associates to bring the accounting policies used in line with those adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Dilution gains or losses arising in investments in associates are recognised in profit or loss.

(d) Foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using Mauritian Rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Mauritian Rupees, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

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

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

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

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each statement representing profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currencies (continued)

(iii) *Group companies* (continued)

currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment (except for freehold land) are stated at historical cost/deemed cost less accumulated depreciation and impairment. Freehold land is stated at revalued amounts and is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit or loss.

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

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

Land is not depreciated.

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

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

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

(f) Accounting for leases

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

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss unless they are attributable to qualifying assets in which case, they are capitalised in accordance with the policy of borrowing costs (Note (n)).

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the FIFO method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is tested annually for impairment and is allocated to cash-generating units for the purpose of impairment testing. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

Goodwill arising on the acquisition of a foreign oepration is treated as an asset of the operation, expressed in the functional currency of the operation and translated at the closing rate.

Leasehold land payments

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

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over their estimated useful lives (3-5 years).

Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

(i) Impairment of non-financial assets

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

(j) Financial instruments

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

(i) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

Impairment of financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

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

Impairment of financial assets (continued)

impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit or loss.

(ii) Borrowings

Interest bearing facilities are recorded at amortised cost.

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

(iii) Trade receivables

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

(iv) Trade and other payables

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

(v) Cash and cash equivalents

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

(vi) Stated capital

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

(k) Deferred income tax

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

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

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

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

(l) Retirement benefit obligations

Defined benefit plan

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) is recognised immediately in other comprehensive income in

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Retirement benefit obligations (continued)

Defined benefit plan (continued)

the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

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

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

Gratuity on retirement

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

The obligations arising under this item are not funded.

(m) Revenue recognition

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

Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the shareholder's right to receive payment is established.

(n) Borrowing costs

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

All other borrowing costs are expensed.

(o) Dividend distribution

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

(p) Provisions

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

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

(q) Segment reporting

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

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

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

Currency risk

The Group operates both locally and in the region, and derives most of its income in foreign currencies namely Euros, Pound Sterlings and American Dollars. In order to manage the currency risks, the Group enters into forward and swap contracts and where possible, borrows in the currency in which it operates.

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

CURRENCY PROFILE

THE GROUP

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2016						
Financial Assets						
Investments in associates	830,990	-	-	-	-	**830,990**
Net trade receivables	99,861	129,007	32,584	28,550	4,833	**294,835**
Cash and cash equivalents	27,574	28,745	9,371	2,281	5,191	**73,162**
	958,425	**157,752**	**41,955**	**30,831**	**10,024**	**1,198,987**
Financial Liabilities						
Borrowings	354,124	1,888,455	-	3,056,677	-	**5,299,256**
Trade payables	-	116,281	-	151,441	-	**267,722**
	354,124	**2,004,736**	**-**	**3,208,118**	**-**	**5,566,978**
2015						
Financial Assets						
Investments in associates	701,454	-	-	-	-	**701,454**
Net trade receivables	118,372	164,696	31,206	16,426	1,428	**332,128**
Cash and cash equivalents	33,753	40,844	9,535	2,802	5,176	**92,110**
	853,579	**205,540**	**40,741**	**19,228**	**6,604**	**1,125,692**
Financial Liabilities						
Borrowings	204,916	1,897,213	-	2,605,476	-	**4,707,605**
Trade payables	-	112,561	-	115,121	-	**227,682**
	204,916	**2,009,774**	**-**	**2,720,597**	**-**	**4,935,287**

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

CURRENCY PROFILE (continued)

THE COMPANY

	EUR MUR'000	USD MUR'000	GBP MUR'000	MUR MUR'000	OTHERS MUR'000	TOTAL MUR'000
2016						
Financial Assets						
Investments in associates	-	-	-	6,510	-	**6,510**
Cash and cash equivalents	7,329	645	1,037	199	-	**9,210**
	7,329	**645**	**1,037**	**6,709**	**-**	**15,720**
Financial Liabilities						
Borrowings	99	-	-	1,229,742	-	**1,229,841**
Trade payables	-	-	-	40,731	-	**40,731**
	99	**-**	**-**	**1,270,473**	**-**	**1,270,572**
2015						
Financial Assets						
Investments in associates	-	-	-	6,510	-	**6,510**
Cash and cash equivalents	9,585	673	1,251	477	-	**11,986**
	9,585	**673**	**1,251**	**6,987**	**-**	**18,496**
Financial Liabilities						
Borrowings	109	-	-	1,173,776	-	**1,173,885**
Trade payables	-	-	-	13,322	-	**13,322**
	109	**-**	**-**	**1,187,098**	**-**	**1,187,207**

At December 31, 2016, if the Rupee had weakened/strengthened by 10% against the US Dollar/Euro/GB Pound with all other variables constant, the impact on the profit for the year would have been MUR 1.4 million (2015: MUR 11.9 million) higher/lower mainly as a result of foreign exchange gains/losses on translation of trade receivables, bank balances and share of results from foreign associates denominated in US Dollar/Euro/GB Pound.

Similarly, the impact on the amount recognised directly into equity would have been MUR 139.1 million (2015: MUR 128.4 million) higher/lower, principally due to Group's share of net assets in foreign associates and cash and borrowings of foreign subsidiaries.

Credit risk

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

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

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

As at December 31, 2016, trade receivables before impairment amounted to MUR 394.8 million (2015:

3 FINANCIAL RISK MANAGEMENT
(continued)

3.1 Financial Risk Factors (continued)

Credit risk (continued)

MUR 428.5 million) for the Group. Provision for impairment amounted to MUR 99.9 million at December 31, 2016 (2015: MUR 96.4 million).

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

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

	Past due but not impaired				
	Within normal credit period MUR'000	Within 3 months MUR'000	More than 3 months MUR'000	Impaired MUR'000	Total MUR'000
2016					
Trade receivables	251,020	68,142	75,604	-	**394,766**
Provisions	-	(24,327)	(75,604)	-	**(99,931)**
At December 31,	**251,020**	**43,815**	**-**	**-**	**294,835**
2015					
Trade receivables	322,815	23,210	82,523	-	**428,548**
Provisions	-	(14,932)	(81,488)	-	**(96,420)**
At December 31,	**322,815**	**8,278**	**1,035**	**-**	**332,128**

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 cashflows are exposed to interest risk as it borrows at variable rates. At December 31, 2016, if interest rate on Rupee denominated borrowings had been 50 basis points higher/lower with all variables held constant, post-tax profit for the year would have decreased/increased by MUR 18.3 million (2015: MUR 10.9 million) mainly as a result of higher /lower interest expense on floating rate borrowings. In order to manage the risk, the Group has some borrowings at fixed rate.

Liquidity risk

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial Risk Factors (continued)

Liquidity risk (continued)

Bank borrowings maturity periods are detailed in Note 15.

Trade and other payables are payable within one year.

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

3.2 Capital Risk Management

The Group's objectives when managing capital are:

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

During 2016, the Group's strategy which was unchanged from 2015, was to maintain the debt-to-capital ratio at the lower end in order to secure access to finance at a reasonable cost.

The debt-to-capital ratios at December 31, 2016 and December 31, 2015 were as follows:

	THE GROUP		THE COMPANY	
	2016 MUR ' M	2015 MUR ' M	**2016 MUR ' M**	2015 MUR ' M
Total debt	**5,299**	4,708	**1,230**	1,174
Total equity	**4,437**	4,579	**2,365**	2,367
Total capital	**9,736**	9,287	**3,595**	3,541
Debt-to-capital ratio	**54.4%**	50.7%	**34.2%**	33.2%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) **Depreciation policies**

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

The directors therefore make estimates based on historical experience and use best judgment 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

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

The Group has a deferred tax asset of MUR 73.8 million (2015: MUR 61.6 million) part of which has been used to offset against a deferred tax liability arising from accelerated capital allowances. The Group has made estimates of its future taxable income and believes that the tax losses will be fully utilised within the relevant period during which such tax losses may be carried forward.

(c) **Pension benefits**

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

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

(d) **Revaluation of property, plant and equipment**

The Group measures land at revalued amounts with changes in fair value being recognised in other comprehensive income. The fair value is determined by the Directors' valuation based on independent valuation by valuers.

(e) **Estimated impairment of goodwill**

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

5 PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Freehold land MUR'000	Buildings MUR'000	Computer equipment MUR'000	Plant and machinery MUR'000	Vessels and motor vehicles MUR'000	Furniture, fittings & linen MUR'000	Project costs MUR'000	Total MUR'000
Cost/Deemed Cost/ Valuation								
At January 1, 2016	1,446,900	6,323,081	245,289	1,192,983	145,646	806,888	78,439	10,239,226
Additions	-	431,097	10,740	102,508	22,072	154,983	-	721,400
Write off *	-	(10,804)	-	-	-	-	(2,176)	(12,980)
Disposals	-	-	(72)	(8,231)	(3,400)	(58,320)	-	(70,023)
Transfer	-	44,247	-	1,545	-	30,273	(76,065)	-
Translation adjustment	-	23,969	547	4,044	316	2,532	-	31,408
At December 31, 2016	**1,446,900**	**6,811,590**	**256,504**	**1,292,849**	**164,634**	**936,356**	**198**	**10,909,031**
Depreciation								
At January 1, 2016	-	1,564,587	207,608	821,390	116,876	530,658	-	3,241,119
Charge for the year	-	214,900	19,782	84,865	12,270	66,301	-	398,118
Write off *	-	(2,471)	-	-	-	-	-	(2,471)
Disposal adjustment	-	-	(58)	(7,075)	(3,250)	(51,587)	-	(61,970)
Translation adjustment	-	5,493	487	2,653	271	1,458	-	10,362
At December 31, 2016	**-**	**1,782,509**	**227,819**	**901,833**	**126,167**	**546,830**	**-**	**3,585,158**
Net Book Values								
At December 31, 2016	**1,446,900**	**5,029,081**	**28,685**	**391,016**	**38,467**	**389,526**	**198**	**7,323,873**

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

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) THE GROUP

	Freehold land MUR'000	Buildings MUR'000	Computer equipment MUR'000	Plant and machinery MUR'000	Vessels and motor vehicles MUR'000	Furniture, fittings & linen MUR'000	Project costs MUR'000	Total MUR'000
Cost/Deemed Cost/ Valuation								
At January 1, 2015	1,446,900	5,777,498	222,793	1,065,043	132,926	730,574	7,364	9,383,098
Effect of exchange difference	-	500,467	11,031	82,554	6,532	50,948	-	651,532
Additions	-	45,116	11,465	45,679	19,625	30,812	71,222	223,919
Disposals	-	-	-	(293)	(13,437)	(5,446)	-	(19,176)
Transfer	-	-	-	-	-	-	(147)	(147)
At December 31, 2015	**1,446,900**	**6,323,081**	**245,289**	**1,192,983**	**145,646**	**806,888**	**78,439**	**10,239,226**
Depreciation								
At January 1, 2015	-	1,268,703	166,697	683,365	109,481	449,096	-	2,677,342
Effect of exchange difference	-	98,869	8,995	48,542	5,150	25,915	-	187,471
Charge for the year	-	197,015	31,916	89,751	15,682	61,093	-	395,457
Disposal adjustment	-	-	-	(268)	(13,437)	(5,446)	-	(19,151)
At December 31, 2015	**-**	**1,564,587**	**207,608**	**821,390**	**116,876**	**530,658**	**-**	**3,241,119**
Net Book Values								
At December 31, 2015	**1,446,900**	**4,758,494**	**37,681**	**371,593**	**28,770**	**276,230**	**78,439**	**6,998,107**

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Freehold land was last revalued in December 2010, by Société D'hotman De Spéville, Chartered Surveyor, at their open market value. The revaluation surplus was credited to revaluation reserve in shareholders' equity.

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

	THE GROUP	
	2016 MUR'000	2015 MUR'000
Cost	**147,426**	147,426

(e) Additions include MUR 20.9 million (2015: MUR 18.3 million) of assets leased under finance leases for the Group.

(f) THE COMPANY

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

5 PROPERTY, PLANT AND EQUIPMENT (continued)

(g) THE COMPANY

	Plant & machinery MUR'000	Motor vehicles MUR'000	Furniture & fittings MUR'000	Computer equipment MUR'000	Total MUR'000
Cost/Deemed Cost					
At January 1, 2015	1,011	51,531	5,133	23,028	80,703
Additions	514	11,632	272	1,435	13,853
Disposals	-	(9,543)	-	-	(9,543)
At December 31, 2015	**1,525**	**53,620**	**5,405**	**24,463**	**85,013**
Depreciation					
At January 1, 2015	584	43,803	3,258	19,214	66,859
Charge for the year	115	6,580	458	2,024	9,177
Disposal adjustment	-	(9,543)	-	-	(9,543)
At December 31, 2015	**699**	**40,840**	**3,716**	**21,238**	**66,493**
Net Book Values					
At December 31, 2015	**826**	**12,780**	**1,689**	**3,225**	**18,520**

(h) The addition to assets under finance leases for the Company during the year 2016 was MUR 10 million (2015: MUR 11.7 million).

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Cost	**112,574**	110,707	**42,961**	46,051
Accumulated depreciation	**(70,581)**	(72,578)	**(25,247)**	(33,270)
Net book value	**41,993**	38,129	**17,714**	12,781

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

Borrowings costs of MUR 5.131 million (2015: Nil) (Note 22) arising on financing of the renovation and construction of Building were capitalised during the year and are included in 'Additions'.

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

6 INTANGIBLE ASSETS

(a) THE GROUP

	Goodwill on acquisition MUR'000	Leasehold land payments MUR'000	Computer software MUR'000	Total MUR'000
Cost				
At January 1, 2015	421,170	774,000	94,307	1,289,477
Effect of exchange difference	58,778	50,479	60,597	169,854
Additions	-	44,520	12,287	56,807
Transfer	-	-	147	147
At December 31, 2015	479,948	868,999	167,338	1,516,285
Additions	-	6,784	2,257	9,041
Translation adjustment	2,795	14,468	109	17,372
At December 31, 2016	**482,743**	**890,251**	**169,704**	**1,542,698**
Amortisation				
At January 1, 2015	-	136,460	21,440	157,900
Effect of exchange difference	-	7,761	11,997	19,758
Charge for the year	-	38,270	8,062	46,332
At December 31, 2015	-	182,491	41,499	223,990
Charge for the year	-	40,717	6,458	47,175
Translation adjustment	-	10,223	83	10,306
At December 31, 2016	**-**	**233,431**	**48,040**	**281,471**
Net Book Values				
At December 31, 2016	**482,743**	**656,820**	**121,664**	**1,261,227**
At December 31, 2015	479,948	686,508	125,839	1,292,295

(b) THE COMPANY

	Computer Software	
	2016 MUR'000	2015 MUR'000
Cost		
At January 1,	**16,307**	6,414
Additions	**167**	9,893
At December 31,	**16,474**	16,307
Amortisation		
At January 1,	**7,430**	4,520
Charge for the year	**2,704**	2,910
At December 31,	**10,134**	7,430
Net Book Values		
At December 31,	**6,340**	8,877

6 INTANGIBLE ASSETS (continued)

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

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

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

(f) Impairment tests for goodwill: goodwill is allocated to the company's cash-generating units (CGUS) identified according to country of operation and business segment. The recoverable amount of a CGU is determined based on its value in use. These calculations use cash flows based on financial projections covering a period of 6-year and therafter the cashflow are extrapolated using a growth rate of 3%. The pre-tax discount rate used in the years approximates 12%.

7 INVESTMENTS IN SUBSIDIARY COMPANIES (UNQUOTED)

	THE COMPANY	
	2016	2015
	MUR'000	MUR'000
Cost		
At January 1,	**1,563,722**	1,563,722
Additions in rights issue	**725,000**	-
Shareholder's loan repaid	**(152,250)**	-
At December 31,	**2,136,472**	1,563,722

7 INVESTMENTS IN SUBSIDIARY COMPANIES (UNQUOTED) (continued)

The subsidiaries are as follows:

Name of corporation	Nominal value of investment MUR'000	Proportion of ownership interest Direct 2016 %	Direct 2015 %	Indirect 2016 %	Indirect 2015 %	Country of operation	Country of incorporation or residence	Issued capital MUR'000	Main business
Constance Industries Limited	964,475	**100**	100			Mauritius	Mauritius	908,052	Hotel Industry
Beauport Industries Limited	500,000	**100**	100			Mauritius	Mauritius	500,000	Hotel Industry
Constance Hotels International Services Limited	87,509	**100**	100			Mauritius	Mauritius	87,509	Investment Holding and Management Company
Constance Hospitality Training Centre Ltd	25,025	**100**	100			Mauritius	Mauritius	25,025	Training Centre
Constance Hotels Investment Limited	11,365	**100**	100			Mauritius	Mauritius	11,365	Investment Holding
Hotels Constance (UK) Limited	1	**100**	100			United Kingdom	United Kingdom	1	Marketing Representative
Ariatoll Services Ltd	32	**-**	-	**100**	100	Mauritius	Mauritius	32	Management Company
LRM Services Ltd	32	**100**	-	**-**	100	Mauritius	Mauritius	32	Management Company
LRM Company Ltd *	227	**-**	-	**75**	75	Seychelles	British Virgins Islands	302	Management Company
Moofushi Development Ltd	3	**-**	-	**100**	100	Maldives	Mauritius	3	Hotel Industry
The Waterfront PVT Ltd	48	**-**	-	**100**	100	Maldives	Maldives	48	Hotel Industry
Halaveli Development Ltd	30	**-**	-	**100**	100	Mauritius	Mauritius	30	Investment Holding

* The proportion of ownership held by non-controlling interest for LRM Company Ltd is 25% for both year 2016 and 2015.

The shares held in the above subsidiaries are ordinary shares. The reporting date for all the above companies is December 31, 2016.

8 INVESTMENTS IN ASSOCIATES

	2016 MUR'000	2015 MUR'000
(a) THE COMPANY		
Unquoted - cost		
At January 1, and December 31,	**6,510**	6,510

(b) THE GROUP

	2016 MUR'000	2015 MUR'000
Unquoted		
At January 1,	**701,454**	725,326
Share of results for the year	**(62,401)**	(34,879)
Exchange difference	**(10,040)**	11,007
	629,013	701,454
Deposit on shares*	**201,977**	-
At December 31,	**830,990**	701,454

Investment in associates at December 31, 2016 include goodwill of MUR 15 million (2015: MUR 16 million).

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

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

	Year end	Country of incorporation	Country of operation	By holding company 2016 %	By holding company 2015 %	By other group companies 2016 %	By other group companies 2015 %
Le Refuge du Pêcheur Limited and its subsidiary	Dec 31, 2016	Seychelles	Seychelles	**-**	-	**25.42**	25.42
Ampasy Ltd and its subsidiary	Dec 31, 2016	Mauritius	Mauritius	**-**	-	**37.50**	37.50
Constance Corporate Management Limited	Dec 31, 2016	Mauritius	Mauritius	**42.00**	42.00	**-**	-

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

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

8 INVESTMENTS IN ASSOCIATES (continued)

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

	Current assets MUR'000	Non-current assets MUR'000	Current liabilities MUR'000	Non-current liabilities MUR'000	Revenue MUR'000	Loss for the year MUR'000	Other comprehensive income MUR'000	Dividend MUR'000
2016								
Le Refuge du Pêcheur Limited and its subsidiary	**589,356**	**5,247,858**	**1,394,884**	**2,190,000**	**2,024,528**	**(218,574)**	**28,615**	**-**
2015								
Le Refuge du Pêcheur Limited and its subsidiary	611,129	5,281,274	1,727,938	2,163,045	2,194,268	(138,313)	(22,852)	-

(iv) Reconciliation of summarised financial information

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

	Opening net assets MUR'000	Loss for the year MUR'000	Other comprehensive income MUR'000	Effect of exchange difference MUR'000	Closing net assets MUR'000	Ownership interest %	Interest in associates MUR'000	Loan to associate MUR'000	Goodwill MUR'000	Carrying value MUR'000
2016										
Le Refuge du Pêcheur Limited and its subsidiary	**1,506,991**	**(218,574)**	**28,615**	**(95,023)**	**1,222,009**	**25.42%**	**310,635**	**267,120**	**15,090**	**592,845**
2015										
Le Refuge du Pêcheur Limited and its subsidiary	1,627,470	(138,312)	(22,852)	40,685	1,506,991	25.42%	383,077	275,800	15,952	674,829

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

	2016 MUR'000	2015 MUR'000
Carrying amount of interests	**36,168**	26,625
Share of profit	**11,855**	280
Share of other comprehensive income	**(2,311)**	(701)
Share of total comprehensive income	**9,544**	(421)

Share of accumulated loss and other comprehensive income not recognised amounted to MUR 6.9 million (2015: MUR 3.9 million) for Constance Corporate Management Limited as at December 31, 2016.

9 INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP AND THE COMPANY	
	2016	2015
	MUR'000	MUR'000
Unquoted (Level 3)		
At January 1 and December 31	**545**	545

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

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

10 DEFERRED INCOME TAX

(a) Deferred income taxes are calculated on all temporary differences under the liability method at 15% (2015: 15%). There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred income tax assets and liabilities when the deferred income taxes relate to the same fiscal authority on the same entity. The following amounts are shown in the statements of financial position:

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	MUR'000	**MUR'000**	MUR'000
Deferred tax assets	**100,789**	67,348	**13,968**	17,279
Deferred tax liabilities	**(65,574)**	(59,732)	**-**	-
Net deferred income tax assets	**35,215**	7,616	**13,968**	17,279

(b) At the end of the reporting period, the Group and the Company had unutilised tax losses of MUR 625.6 million (2015: MUR 578.1 million) and MUR Nil (2015: MUR 54 million) respectively, available for offset against future taxable profits. A deferred tax asset has been recognised in respect of only MUR 492.3 million unutilised tax losses for the Group (2015: MUR 355 million). No deferred tax asset has been recognised in respect of the remaining MUR 133.3 million unutilised tax losses (2015: MUR 223.1 million) for the Group and MUR Nil million (2015: MUR 54 million) for the Company due to unpredictability of future taxable profits.

(c) The movement on the deferred income tax

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	MUR'000	**MUR'000**	MUR'000
At January 1,	**7,616**	(7,025)	**17,279**	16,684
Credited/(charged) to profit or loss (Note 19(b))	**20,869**	23,739	**(3,122)**	1,654
Credited/(charged) to other comprehensive income	**6,730**	(9,098)	**(189)**	(1,059)
At December 31,	**35,215**	7,616	**13,968**	17,279

10 DEFERRED INCOME TAX (continued)

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

(i) Deferred tax liabilities

	THE GROUP		
	Accelerated tax depreciation MUR'000	**Revaluation reserves MUR'000**	**Total MUR'000**
At January 1, 2015	7,851	65,229	73,080
Credited to profit or loss	(11,883)	-	(11,883)
(Credited)/charged to other comprehensive income	(1,867)	9,500	7,633
At December 31, 2015	(5,899)	74,729	68,830
Credited to profit or loss	(8,690)	-	(8,690)
Credited to other comprehensive income	(53)	(771)	(824)
At December 31, 2016	**(14,642)**	**73,958**	**59,316**

(ii) Deferred tax assets

	THE GROUP		
	Retirement benefit obligations MUR'000	**Tax losses carried forward MUR'000**	**Total MUR'000**
At January 1, 2015	15,364	50,691	66,055
Credited to profit or loss	1,991	9,864	11,855
(Charged)/credited to other comprehensive income	(2,514)	1,050	(1,464)
At December 31, 2015	14,841	61,605	76,446
(Charged)/credited to profit or loss	(40)	12,219	12,179
Credited to other comprehensive income	5,885	21	5,906
At December 31, 2016	**20,686**	**73,845**	**94,531**

(iii) Deferred tax assets

	THE COMPANY		
	Accelerated tax depreciation MUR'000	**Retirement benefit obligations MUR'000**	**Total MUR'000**
At January 1, 2015	9,397	7,287	16,684
Credited to profit or loss	702	952	1,654
Charged to other comprehensive income	-	(1,059)	(1,059)
At December 31, 2015	10,099	7,180	17,279
(Charged)/credited to profit or loss	(3,546)	424	(3,122)
Charged to other comprehensive income	-	(189)	(189)
At December 31, 2016	**6,553**	**7,415**	**13,968**

11 INVENTORIES

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
At Cost/net realisable value				
Food and Beverages	**151,916**	134,536	**-**	-
Operating supplies	**44,890**	45,505	**-**	-
Maintenance	**62,240**	58,207	**-**	-
Sales products	**34,321**	22,897	**-**	-
Others	**10,555**	12,033	**680**	1,156
	303,922	273,178	**680**	1,156

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

(b) The cost of inventories recognised as expense and included in cost of sales amounted to MUR 806.5 million (2015: MUR 837.0 million) for the Group.

12 TRADE AND OTHER RECEIVABLES

		THE GROUP		THE COMPANY	
		2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
(a)	Trade receivables	**394,766**	428,548	**-**	-
	Less : Provision for impairment (Note 12(b))	**(99,931)**	(96,420)	**-**	-
	Net trade receivables	**294,835**	332,128	**-**	-
	Receivable from group companies:				
	- Subsidiary companies	**-**	-	**1,736,557**	2,204,208
	- Associated companies	**277,423**	411,941	**23**	13,487
	Other receivables	**363,201**	148,666	**24,863**	13,019
		935,459	892,735	**1,761,443**	2,230,714

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

(b) Provision for impairment of trade receivables

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
At January 1,	**96,420**	88,840	**-**	-
Provisions made during the year	**3,511**	7,580	**-**	-
At December 31,	**99,931**	96,420	**-**	-

(c) Trade receivables are not secured, non interest-bearing and are generally on 30-60 days term.

13 STATED CAPITAL

		Number of shares	Ordinary shares MUR'000	Share premium MUR'000	Total MUR'000
(a)	**Issued shares**				
	At December 31, 2016 & 2015	109,653,349	1,096,534	1,056,861	2,153,395

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

14 REVALUATION AND OTHER RESERVES

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
The movements in each category are as follows:				
Revaluation reserve				
At January 1,	**1,375,992**	1,382,299	**-**	-
Transfer to retained earnings	**(7,914)**	(7,420)	**-**	-
Income tax relating to components of other comprehensive income	**1,187**	1,113	**-**	-
At December 31,	**1,369,265**	1,375,992	**-**	-
Translation of foreign operations				
At January 1,	**488,534**	128,310	**-**	-
Movement during the year	**(24,024)**	360,224	**-**	-
At December 31,	**464,510**	488,534	**-**	-
Actuarial losses				
At January 1,	**(41,871)**	(56,128)	**(12,159)**	(18,158)
Movement during the year	**(33,346)**	14,257	**1,069**	5,999
At December 31,	**(75,217)**	(41,871)	**(11,090)**	(12,159)
Total	**1,758,558**	1,822,655	**(11,090)**	(12,159)

(a) **Revaluation reserve**

Revaluation surplus relates to revaluation of freehold land net of any applicable deferred taxes.

(b) **Translation of foreign operations**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(c) **Actuarial losses**

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

15 BORROWINGS

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Non-current				
Loans - USD	**1,397,191**	1,207,922	**-**	-
- EUR	**313,321**	159,249	**-**	-
- MUR	**2,440,389**	2,158,543	**940,389**	997,659
Finance lease liabilities	**31,831**	30,264	**14,805**	10,564
	4,182,732	3,555,978	**955,194**	1,008,223
Current				
Bank overdrafts	**514,644**	396,003	**69,840**	64,011
Loans - USD	**253,820**	540,750	**-**	-
- EUR	**38,202**	41,355	**-**	-
- MUR	**291,001**	153,001	**199,000**	95,000
Finance lease liabilities	**18,857**	20,518	**5,807**	6,651
	1,116,524	1,151,627	**274,647**	165,662
Total borrowings	**5,299,256**	4,707,605	**1,229,841**	1,173,885

(a) Finance lease liabilities - minimum lease payments:

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Not later than 1 year	**21,785**	23,503	**7,055**	7,786
Later than one year and not later than two years	**17,145**	17,550	**8,376**	4,734
Later than two years and not later than five years	**15,103**	13,119	**8,334**	7,110
After five years	**3,249**	2,567	**-**	-
	57,282	56,739	**23,765**	19,630
Future finance charges on finance leases	**(6,594)**	(5,957)	**(3,153)**	(2,415)
Present value of finance lease liabilities	**50,688**	50,782	**20,612**	17,215
The present value of finance lease liabilities may be analysed as follows:				
Not later than one year	**18,857**	20,518	**5,807**	6,651
Later than one year and not later than two years	**15,106**	15,300	**7,213**	4,070
Later than two years and not later than five years	**13,656**	12,717	**7,592**	6,494
After five years	**3,069**	2,247	**-**	-
	50,688	50,782	**20,612**	17,215

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

15 BORROWINGS (continued)

(b) Bank and other borrowings are secured on the assets of the Group including inventories, property, plant and equipment. The rates of interest rates on these loans vary between 4.8% and 9.0%.

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

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
After one year and before two years	**668,647**	515,940	**57,267**	54,070
After two years and before three years	**602,611**	583,750	**55,209**	50,000
After three years and before five years	**1,076,510**	784,211	**102,383**	104,269
After five years	**1,834,964**	1,672,077	**740,335**	799,884
	4,182,732	3,555,978	**955,194**	1,008,223

(e) The carrying amounts of borrowings are not materially different from their fair values.

The fair values are based on cash flows discounted using the borrowing rates and are within level 2 of the fair value hierarchy.

16 RETIREMENT BENEFIT OBLIGATIONS

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Amounts recognised in the statement of financial position:				
Defined pension benefits (note (a)(ii))	**137,122**	97,689	**49,055**	47,428
Other post retirement benefits (note (b)(i))	**784**	1,249	**-**	59
	137,906	98,938	**49,055**	47,487
Analysed as follows :				
Non-current liabilities	**137,906**	98,938	**49,055**	47,487
Amounts charged to profit or loss:				
- Defined pension benefits (note (a)(v))	**22,804**	23,067	**9,697**	10,150
- Other post retirement benefits (note (b))	**160**	168	**15**	-
	22,964	23,235	**9,712**	10,150
Amounts charged to other comprehensive income:				
- Defined pension benefits (note (a)(vi))	**39,679**	(16,696)	**(1,234)**	(7,117)
- Other post retirement benefits (note (b))	**(448)**	(75)	**(24)**	59
	39,231	(16,771)	**(1,258)**	(7,058)

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

(a) **Defined pension benefits**

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

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out at December 31, 2016 by Swan Life Ltd. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Present value of funded obligations	**319,964**	274,137	**112,277**	109,683
Fair value of plan assets	**(182,842)**	(176,448)	**(63,222)**	(62,255)
Liability in the statement of financial position	**137,122**	97,689	**49,055**	47,428

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
At January 1,	**97,689**	101,272	**47,428**	48,199
Charged to profit or loss	**22,804**	23,067	**9,697**	10,150
Charged/(credited) to other comprehensive income	**39,679**	(16,696)	**(1,234)**	(7,117)
Contributions paid	**(23,050)**	(9,954)	**(6,836)**	(3,804)
Balance at December 31,	**137,122**	97,689	**49,055**	47,428

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
At January 1,	**274,137**	271,618	**109,683**	109,642
Current service cost	**14,093**	13,411	**5,727**	5,828
Interest expense	**19,327**	19,538	**7,772**	7,875
Actuarial losses	**36,624**	(18,583)	**(2,156)**	(7,724)
Benefits paid	**(24,217)**	(11,847)	**(8,749)**	(5,938)
At December 31,	**319,964**	274,137	**112,277**	109,683

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

	THE GROUP		THE COMPANY	
	2016 **MUR'000**	2015 MUR'000	**2016** **MUR'000**	2015 MUR'000
At January 1,	**176,448**	170,346	**62,255**	61,443
Return on plan assets	**13,052**	11,789	**4,570**	4,204
Actuarial losses	**(3,055)**	(1,887)	**(922)**	(607)
Scheme expenses	**(864)**	(396)	**(268)**	(150)
Cost of insuring risk benefits	**(1,572)**	(1,511)	**(500)**	(501)
Contributions by the employer	**23,050**	9,954	**6,836**	3,804
Benefits paid	**(24,217)**	(11,847)	**(8,749)**	(5,938)
At December 31,	**182,842**	176,448	**63,222**	62,255

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

	THE GROUP		THE COMPANY	
	2016 **MUR'000**	2015 MUR'000	**2016** **MUR'000**	2015 MUR'000
Current service cost	**14,093**	13,411	**5,727**	5,828
Scheme expenses	**864**	396	**268**	150
Cost of insuring risk benefits	**1,572**	1,511	**500**	501
Net interest expense	**6,275**	7,749	**3,202**	3,671
Total included in employee benefit expense	**22,804**	23,067	**9,697**	10,150

The current service cost, scheme expenses, cost of insuring risk benefits, net interest expenses for the year is included in administrative expenses in the statement of profit or loss.

	THE GROUP		THE COMPANY	
	2016 **MUR'000**	2015 MUR'000	**2016** **MUR'000**	2015 MUR'000
Actual return on plan assets	**9,997**	9,902	**3,648**	3,597

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

	THE GROUP		THE COMPANY	
	2016 **MUR'000**	2015 MUR'000	**2016** **MUR'000**	2015 MUR'000
Liability experience losses/(gains)	**34,754**	(5,803)	**(2,153)**	(1,731)
Actuarial losses arising from changes in financial assumptions	**1,870**	(12,780)	**(3)**	(5,993)
Actuarial losses/(gains)	**36,624**	(18,583)	**(2,156)**	(7,724)
Return on plan assets excluding interest income	**3,055**	1,887	**922**	607
	39,679	(16,696)	**(1,234)**	(7,117)

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

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

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

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

	2016	2015
	%	%
Discount rate	**6.0**	7.0
Future salary growth rate	**4.0**	5.0
Future pension growth rate	**-**	-

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

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	MUR'000	**MUR'000**	MUR'000
December 31,				
Discount rate (1% movement)	**32,320**	28,192	**11,060**	10,276
Future long term salary (1% movement)	**37,100**	34,127	**12,941**	12,315

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

The sensitivity above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the projected unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

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

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

(xii) The Group expects to pay MUR 20.1 million in contributions to its post-employment benefit plans for the year ending December 31, 2017.

(xiii) The weighted average duration of the defined benefit obligation is 10-16 years at the end of the reporting period for the Group (2015: 10-15 years).

16 RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) **Other post retirement benefits**

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

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Present value of unfunded obligations	**784**	1,249	**-**	59

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
At January 1,	**1,249**	1,156	**59**	-
Charged to profit or loss - (note (a))	**160**	168	**15**	-
(Credited)/charged in other comprehensive income	**(448)**	(75)	**(24)**	59
Benefits paid	**(177)**	-	**(50)**	-
	784	1,249	**-**	59
(a) Included in profit or loss				
- Current service cost	**74**	81	**12**	-
- Net interest expense	**86**	87	**3**	-
	160	168	**15**	-

17 TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Trade payables	**300,172**	230,178	**40,731**	13,322
Payable to group companies:				
- Subsidiary companies	**-**	-	**186,250**	166,560
- Associated companies	**20,938**	21,665	**20,938**	21,665
Other payables	**424,136**	471,574	**47,585**	42,064
	745,246	723,417	**295,504**	243,611

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

18 DIVIDEND

	THE GROUP AND THE COMPANY	
	2016	2015
	MUR'000	MUR'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend declared and payable for the year ended December 31, 2016 of MUR 0.15 per share (2015: MUR 0.25 per share)	**16,448**	27,413
Interim dividend declared and paid for the year ended December 31, 2016 of MUR 0.50 per share (2015: MUR 0.50 per share)	**54,827**	54,827
	71,275	82,240

19 INCOME TAX

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	MUR'000	**MUR'000**	MUR'000
(a) **Amounts recognised in the statements of financial position are as follows:**				
Current tax liabilities	**92,644**	91,394	**1,493**	-

Current tax liabilities is on adjusted profit for the year at 15% (2015: 15%).

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

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	MUR'000	**MUR'000**	MUR'000
Current tax on the adjustment profit for the year at 15% (2015: 15%)	**49,484**	54,612	**1,493**	-
Withholding tax	**18,131**	19,710	**-**	-
Penalty and interest	**12,734**	16,516		
Under provision in previous years	**7,113**	11,877	**-**	-
Deferred income tax (Note 10(c))	**(20,869)**	(23,739)	**3,122**	(1,654)
Charged/(credited) to profit or loss	**66,593**	78,976	**4,615**	(1,654)

(c) **Withholding tax**

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

19 INCOME TAX (continued)

(d) Tax reconciliation

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Profit before taxation	**69,470**	308,875	**73,316**	307,096
Add : Loss of associates	**62,401**	34,879	**-**	-
	131,871	343,754	**73,316**	307,096
Tax calculated at a rate of 15% (2015: 15%)	**19,781**	51,563	**10,997**	46,064
Expenses not deductible for tax purposes	**27,157**	21,984	**836**	827
Withholding and foreign tax	**7,729**	9,020	**-**	-
Income not subject to tax	**(27,830)**	(43,774)	**(4,542)**	(38,023)
Deemed tax credit	**248**	300	**-**	-
Utilisation of previously unrecognised tax losses	**(2,676)**	(10,522)	**(2,676)**	(10,522)
Penalty interest	**12,733**	16,515	**-**	-
Under provision in previous years	**7,113**	11,877	**-**	-
Tax losses for which no deferred income tax was recognised	**6,782**	5,804	**-**	-
Other adjustments and timing differences	**15,556**	16,209	**-**	-
Charged/(credited) to profit or loss	**66,593**	78,976	**4,615**	(1,654)

20 OPERATING PROFIT

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
The operating profit is arrived at:				
after crediting:				
Other operating income	**2,511**	2,077	**-**	-
Interest income	**14,301**	13,321	**-**	-
Net foreign exchange transaction gains	**27,347**	47,766	**28,988**	195,276
after charging:				
Assets written off	**10,509**	-	**-**	-
Cost of sales	**1,209,817**	1,212,078	**-**	-
Operating expenses	**1,245,121**	1,206,947	**-**	-
Administrative expenses (net of allocation)	**717,589**	763,987	**363**	-

20 OPERATING PROFIT (continued)

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

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Depreciation - owned assets	**379,720**	375,757	**2,063**	2,597
- leased assets	**18,398**	19,700	**5,129**	6,580
Amortisation of intangible assets	**47,175**	46,332	**2,704**	2,910
Staff costs - Note 1	**907,676**	889,494	**-**	-

Note 1:

Staff costs for the Company amounting to MUR 158.3 million for the year ended December 31, 2016 have been allocated to other companies in the Group (2015: MUR 153.4 million) .

21 CLOSURE COSTS

	2016 MUR'000	2015 MUR'000
Staff costs	**33,978**	-
Operating expenses	**18,832**	-
	52,810	-

This represents closure costs incurred due to extension and major renovation of Constance Belle Mare Plage Hotel.

22 FINANCE COSTS

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Interest expense:				
- Bank overdrafts	**37,491**	15,641	**3,610**	1,772
- Bank and other borrowings repayable by instalments	**264,826**	263,985	**71,412**	74,951
- Other interests	**11,846**	2,493	**11,489**	2,852
	314,163	282,119	**86,511**	79,575
Less: amount included in the cost of qualifying assets	**(5,131)**	-	**-**	-
Total borrowing costs	**309,032**	282,119	**86,511**	79,575

23 EARNINGS PER SHARE

		THE GROUP		THE COMPANY	
		2016	2015	**2016**	2015
(Loss)/profit attributable to equityholders	MUR'000	**(14,380)**	208,193	**68,701**	308,750
Number of ordinary shares in issue (thousands)		**109,653**	109,653	**109,653**	109,653
(Loss)/earnings per share	MUR	**(0.13)**	1.90	**0.63**	2.82

24 NOTES TO THE STATEMENTS OF CASH FLOWS

		THE GROUP		THE COMPANY	
		2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
(a)	**Bank balances and cash**				
	Cash and cash equivalents	**73,162**	92,110	**9,210**	11,986
	Bank overdrafts (Note 15)	**(514,644)**	(396,003)	**(69,840)**	(64,011)
		(441,482)	(303,893)	**(60,630)**	(52,025)

		THE GROUP		THE COMPANY	
		2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
(b)	**Non-cash transactions**				
	Rights issue financed by amount due by holding company	**-**	-	**725,000**	-
	Acquisition of property, plant and equipment using finance lease	**20,912**	18,295	**10,100**	11,684
		20,912	18,295	**735,100**	11,684

25 COMMITMENTS

		THE GROUP	
		2016 MUR'000	2015 MUR'000
(a)	**Capital commitments**		
	Capital expenditure contracted for at the end of the reporting date but not recognised in the financial statements is as follows:		
	Property, plant and equipment	**31,677**	40,626

25 COMMITMENTS (continued)

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

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

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

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

	THE GROUP	
	2016	2015
	MUR'000	MUR'000
Not later than one year	**177,871**	170,393
Later than one year and not later than five years	**915,891**	831,236
Later than five years	**3,658,528**	3,897,104
	4,752,290	4,898,733

26 CONTINGENCIES

	THE GROUP		THE COMPANY	
	2016	2015	**2016**	2015
	MUR'000	MUR'000	**MUR'000**	MUR'000
(a) **Contingent liabilities**				
Bank guarantees to third parties	**1,046**	276	**1,046**	96

27 RELATED PARTY TRANSACTIONS

	Sales of goods and services		Purchase of goods and services		Management fees/ Financial income/ (charges)		Amount due (to)/from	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000	**2016 MUR'000**	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
THE GROUP								
Enterprises with common shareholders	**-**	-	**(50,752)**	(26,815)	**(3,685)**	(2,667)	**(14)**	(27)
Associated companies	**1,552**	1,572	**-**	-	**101,168**	107,097	**293,190**	390,276
THE COMPANY								
Subsidiaries	**-**	-	**-**	-	**131,202**	117,715	**1,557,232**	2,037,648
Enterprises with common shareholders	**-**	-	**(964)**	(920)	**(1,610)**	-	**-**	-
Associated companies	**-**	-	**-**	-	**(30,727)**	(28,551)	**(20,915)**	(8,178)

	THE GROUP		THE COMPANY	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
Key management personnel compensation:				
Short term employee benefit	**124,237**	114,424	**91,462**	81,893
Post-employment benefit	**4,983**	2,374	**4,949**	2,341
Retirement benefit	**3,614**	-	**3,614**	-
	132,834	116,798	**100,025**	84,234

The amounts receivable and payable in respect to related parties have maturity within one year.
No provisions are held against receivables from related parties.

Related party transactions have been made in the normal course of business.

28 ULTIMATE HOLDING COMPANY

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

29 SEGMENT REPORTING

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

(b) **Geographical information**

	Revenues from external customers		Non-current assets	
	2016 MUR'000	2015 MUR'000	**2016 MUR'000**	2015 MUR'000
THE GROUP				
Mauritius	**1,675,147**	1,715,111	**5,293,067**	4,619,189
Maldives	**1,957,443**	2,030,610	**4,224,357**	4,440,560
Total	**3,632,590**	3,745,721	**9,517,424**	9,059,749

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

Notice of Annual Meeting of Shareholders

Notice is hereby given that the Annual Meeting of the shareholders of the Company will be held on Wednesday, 7 June 2017, at 09.30 a.m. at 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, to transact the following business:

1. To consider the Annual Report for the year ended 31 December 2016
2. To receive the report of BDO & Co., the external auditors of the Company
3. To adopt the Audited Financial Statements of the Company and the Group for the year ended 31 December 2016
4. To authorise the Board of Directors to fix the remuneration of the external auditors, BDO & Co., who have expressed their willingness to continue to act as external auditors of the Company and will be automatically reappointed
5. To appoint Mrs Preetee Jhamna-Ramdin as a non-executive director of the Company
6. By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as directors of the Company:
    a. Mr Jean Ribet
    b. Mr Marc Freismuth
    c. Mr Jean Juppin de Fondaumière
7. Shareholders' questions.

By order of the Board

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

11 May 2017

Notes

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

The instrument appointing a proxy, any general power of attorney or written resolution appointing a representative should reach the Company Secretary, at the registered office of the Company, 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, not less than twenty-four hours prior to the time scheduled for the meeting, i.e. by 09.30 a.m. on Tuesday, 6 June 2017 (being the last business day before the meeting). In default, the instrument of proxy shall not be treated as valid.

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

For the purpose of this Annual Meeting, the directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend such meeting shall be those shareholders whose names are registered in the share register of the Company as at 12 May 2017.

Proxy Form

I/We

of

being a member of Constance Hotels Services Limited, hereby appoint

or failing him/her,

as my/our proxy to vote for me/us and on my/our behalf at the Annual Meeting of the Company to be held on Wednesday, 7 June 2017, at 09.30 a.m., and at any adjournment thereof.

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

		For	Against	Abstain
3	To adopt the Audited Financial Statements of the Company and the Group for the year ended 31 December 2016			
4	To authorise the Board of Directors to fix the remuneration of the external auditors, BDO & Co., who have expressed their willingness to continue to act as external auditors of the Company and will be automatically reappointed			
5	To appoint Mrs Preetee Jhamna-Ramdin as a non-executive director of the Company			
6	By separate resolutions and in accordance with article 21.2 (1) of the Constitution of the Company, to re-elect the following persons who, retiring by rotation, offer themselves for re-election as directors of the Company: a. Mr Jean Ribet b. Mr Marc Freismuth c. Mr Jean Juppin de Fondaumière			

Dated this day of 2017

Signature(s)

Notes

1. *Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes or whether or not he/she abstains from voting.*
2. *The instrument appointing a proxy, any general power of attorney or written resolution appointing a representative should reach the Company Secretary, at the registered office of the Company, 5th Floor, Labama House, 35 Sir William Newton Street, Port Louis, not less than twenty-four hours prior to the time scheduled for the meeting, i.e. by 09.30 a.m. on Tuesday, 6 June 2017 (being the last business day before the meeting). In default, the instrument of proxy shall not be treated as valid.*
3. *For the purpose of this Annual Meeting, the directors have resolved, in compliance with section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice of the meeting and attend such meeting shall be those shareholders whose names are registered in the share register of the Company as at 12 May 2017.*