LUX ISLAND RESORTS LTD
AND ITS SUBSIDIARIES.

The group audited results for the year ended 30th June 2020 are as follows:

GROUP ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 30th June 2020	Year ended 30th June 2019
		Rs 000 (Audited)	Rs 000 (Audited)
CONTINUING OPERATIONS			
Total revenue		4,837,605	6,189,878
EBITDA before impairment and write offs		1,028,522	1,368,010
Impairment of goodwill		(667,177)	-
Other impairment and provision for doubtful debts		(165,277)	(2,107)
EBITDA		196,068	1,365,903
Depreciation and amortisation		(568,519)	(470,022)
Operating (loss)/profit		(372,451)	895,881
Finance income		337	388
Finance charges		(448,523)	(274,017)
(Loss)/profit before tax		(820,637)	622,252
Income tax expense		(57,006)	(91,889)
(Loss) / Profit before discontinued operations		(877,643)	530,363
Results from discontinued operations		-	195,167
(Loss) /profit for the period		(877,643)	725,530
Non-controlling interest		-	(173)
(Loss) / Profit attributable to the group		(877,643)	725,357
Other comprehensive income			
Movement for the period		436,463	(238,784)
Total recognised income		(441,180)	486,573
Basic and Diluted - Earnings per share			
- From continuing operations	Rs.	(6.40)	3.87
- From continuing and discontinued operations	Rs.	(6.40)	5.29
SEGMENTAL INFORMATION			
Segment revenue:			
Mauritius		2,937,984	3,704,925
Maldives		1,109,799	1,537,996
Reunion		789,822	946,957
Total revenue		4,837,605	6,189,878
Segment results:			
Mauritius		706,852	823,065
Maldives		223,739	406,514
Reunion		97,931	138,431
EBITDA before impairment and write-offs		1,028,522	1,368,010

GROUP ABRIDGED STATEMENT OF FINANCIAL POSITION

		30th June 2020 Rs 000	30th June 2019 Rs 000 Re-stated
ASSETS			
Non current assets		10,083,786	9,090,461
Property, plant & equipment		3,429,232	-
Rights of use assets		467,316	1,825,231
Intangible assets		82,212	82,212
Investment property		137,771	201,491
Deferred tax assets		14,200,317	11,199,395
Current assets		874,789	1,093,970
Assets classified as held for sale		528,945	-
TOTAL ASSETS		15,604,051	12,293,365
EQUITY AND LIABILITIES			
Shareholders' interest		5,565,860	6,007,040
Non-current liabilities		2,856,877	3,842,466
Finance lease liabilities in respect of right of use assets		2,730,306	-
Current liabilities		4,247,096	2,443,859
Liabilities associated with assets held for sale		203,912	-
TOTAL EQUITY AND LIABILITIES		15,604,051	12,293,365
Net Assets per Share	Rs.	40.59	43.81

GROUP ABRIDGED STATEMENT OF CASH FLOWS

	30th June 2020 Rs 000	30th June 2019 Rs 000 Re-stated
Net cash flows from operating activities	464,240	1,015,596
Net cash flows used in investing activities	(831,850)	(428,986)
Net cash flows used in financing activities	297,781	(605,040)
Net decrease in cash & cash equivalents	(69,829)	(18,430)
Cash and bank balance		
Other movement	(97,989)	-
At beginning of period	(31,786)	(13,356)
At end of period	(199,604)	(31,786)

GROUP ABRIDGED STATEMENT OF CHANGES IN EQUITY

	30th June 2020 Rs 000	30th June 2019 Rs 000
At beginning of period	6,007,040	6,010,297
Other movement	-	(29,291)
Total recognised income	(441,180)	486,746
Dividend	-	(460,712)
At end of period	5,565,860	6,007,040

Comments

The Covid-19 pandemic has triggered an unprecedented crisis and even more so for the hospitality industry. The global lockdown in the fourth quarter of the financial year ended 30 June 2020 led to a sudden and severe drop in global tourism. The three destinations in which the Group operates, namely Mauritius, the Maldives and Reunion Island, have not been spared.

Prior to the crisis, Lux Island Resorts was on track for a record-breaking performance in Mauritius. From July 2019 to February 2020, occupancy was up by 6% compared to the same period in the previous year. ARR and RevPAR were up respectively by 2% and 11% year on year, and forward bookings looked very promising.

The Covid-19 pandemic began to affect our results in February 2020. Tourist arrivals in Mauritius declined by 13% year-on-year for the quarter ending 31st March 2020, while arrivals to the Maldives shrank by 21% during the same period. From mid-March onwards, all our hotels were closed.

Our two properties in Reunion reopened in July 2020, while our Maldives operations reopened in August 2020. In Mauritius, only LUX* Grand Gaube, LUX* Belle Mare and Tamassa are currently re-opened.

As a result of the global health emergency, the closure of our hotels in the fourth quarter of the financial year, impairment charges, and bad debt expenses, our results are significantly lower than expected. EBITDA before impairment and write-offs amounted to Rs 1bn, down from Rs 1.4bn last year representing a 28% decline.

Group's results

Impairments due to Covid-19

In its assessment of goodwill, the Group had to take into account the impact of Covid-19 on the amount recoverable from each business unit, based on that unit's cash flow projections. These projections were based on certain assumptions and current market conditions. The cost of capital used to discount future cash flows was also adjusted, taking into account the specific circumstances of each operating unit, country of operation and business risks. As a result, the Group booked Rs 667m as impairment of goodwill.

IFRS 9 requires the Group to estimate the probability of defaults in respect of receivables based on collections over the last 36 months. Due to lockdowns in Mauritius and other main markets, the Group has been unable to collect debts on their due dates. This has led to a significant deterioration to the ageing profile of debtors . By applying probability of default in the current context, in line with IFRS 9, the Group booked an additional impairment of Rs 165m on its financial and non-financial assets for the year under review.

The loss for the year consequently amounted to Rs 877m compared to a profit of Rs 530m last year.

The Group has not satisfied some of the financial covenants under a few loan agreements and the Banks have waived those covenants after the financial year-end. However, as the waiver letters were received after 30th June 2020, all the loans representing an amount of Rs 1.24 billion repayable after one year have therefore been classified as short term under current liabilities.

Adoption of IFRS 16

The new standard for leases (IFRS 16) came into effect on 1st January 2019. It requires the recognition of nearly all leases on the lessee's balance sheet, reflecting their right to use that asset for a period of time as well as the liability associated with it.

The Group has adopted the modified retrospective approach across its entire lease portfolio, which mainly concerns leasehold lands. We have therefore recognised a new lease asset of Rs 2.6bn as at 1st July 2019 and transferred Rs 750m from Intangible Assets to Right of Use Assets. A lease liability of Rs 2.8 bn based on the discounted payments required under the leases, taking into account the lease terms as determined by the standard, has also been recognised.

The rental lease payments for the current year previously charged to the Income statement were apportioned between Interest and finance lease payments. The overall impact on the Income Statement is a decrease in the profit for the year by Rs 77m representing the difference between the depreciation charge on the lease assets (+Rs 155m) and finance charges on liabilities (+Rs 234m) less rental lease payments.

Revaluation of properties

In line with its established policy to revalue its properties every three years, the Group revalued all its properties at 30th June 2020. The valuation was carried out by a professional valuer who used as basis the Open Market Value by reference to recent market transactions at arm's length as well as the cash flow generated by each property. The revaluation exercise resulted in a net increase in the value of properties of Rs 483 m which has been accounted as a movement in Other Comprehensive Income.

Responding to Covid-19

Lux Island Resorts moved quickly and decisively to mitigate the impact of Covid-19 on the business. In addition to significantly reducing our operating expenses, a number of measures were taken to strengthen the Group's financial position, including rescheduling debts by extending their average maturities, significantly reducing cash outlays. Hôtel le Recif in Reunion, a non core asset, was disposed in August 2020 for Euro 9m .

Lux Island Resort has also entered in the following financing arrangements:

- A moratorium of one year on all capital repayments, which would otherwise have come due between 1st July 2020 and 30th June 2021, in addition to the original three-month extension from April to June 2020.
- Banking facilities of Rs 480m to meet the working capital requirements of our Mauritius and Maldives operations; and
- A Eur 2m term loan sponsored by the French government to finance the working capital requirements of our remaining Reunion operation.

The Board of Directors also approached the Mauritius Investment Corporation Ltd ("MIC") in order to obtain funding for our Company. On 18th September 2020, Lux Island Resorts Ltd and MIC signed a binding term sheet, pursuant to which MIC committed to subscribe to redeemable and convertible secured bonds. These Bonds have a nominal value of Rs 10m and are to be issued by the Company for a total subscription amount of Rs 1bn. The terms and conditions of the bonds will be detailed in a memorandum that will be circulated for approval to the Company's shareholders.

The Board believes that this injection of MUR 1bn, alongside term loans from commercial banks and other initiatives taken by the Board to protect our business, should ensure that Lux Island Resorts has enough liquidity to meet its financial commitments.

Outlook

The global outlook is uncertain, and at this stage it is not possible to assess the impact Covid-19 on the industry and on our business. We are however encouraged by the improvement in demand for our Maldives property as of October and by the steady occupancy rates we have seen in Reunion since the reopening. At the time of writing, we await a policy decision from the Mauritian government on the resumption of free travel in and out of the country, without travellers being subject to quarantine measures. The strategic choices made to upgrade our portfolio and tailoring of our offer and service and focus on health and safety, lead to us being ideally placed once borders are opened.

In view of current circumstances, the Board will not be recommending the payment of a dividend this year.

By order of the Board

IBL Management Ltd
Company Secretary

30th October 2020

Note to the above:

- The above Financial Highlights have been prepared in accordance with International Financial Reporting Standards(IFRSs).
- The Financial Highlights are issued pursuant to Listing Rule 12.20 and published according to the Securities Act 2005.
- The Financial Highlights have been prepared on the same basis of the accounting policies set out in the statutory Financial Statements of the Group for the year ended June 30, 2020.
- Copies of the Financial Highlights and the statement of direct and indirect interests of officers of the Company required under Rule 8 (2) (m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 are available free of charge, upon request, from the Company Secretary, at the Company's registered office, Lux Island Resorts Ltd, Pierre Simonet Street, Floréal.
- The Board of Directors of Lux Island Resorts Ltd accepts full responsibility for the accuracy of the information contained in the Financial Highlights.