# LUX ISLAND RESORTS

## INTEGRATED ANNUAL REPORT 2020

LUX ISLAND RESORTS LTD AND ITS SUBSIDIARIES

## Dear Stakeholder

Your Board of Directors is pleased to present the Integrated Annual Report of Lux Island Resorts Ltd for the year ended 30 June 2020. This report was approved by the Board of Directors on 30 October 2020.

JEAN-CLAUDE BÉGA
Chairman

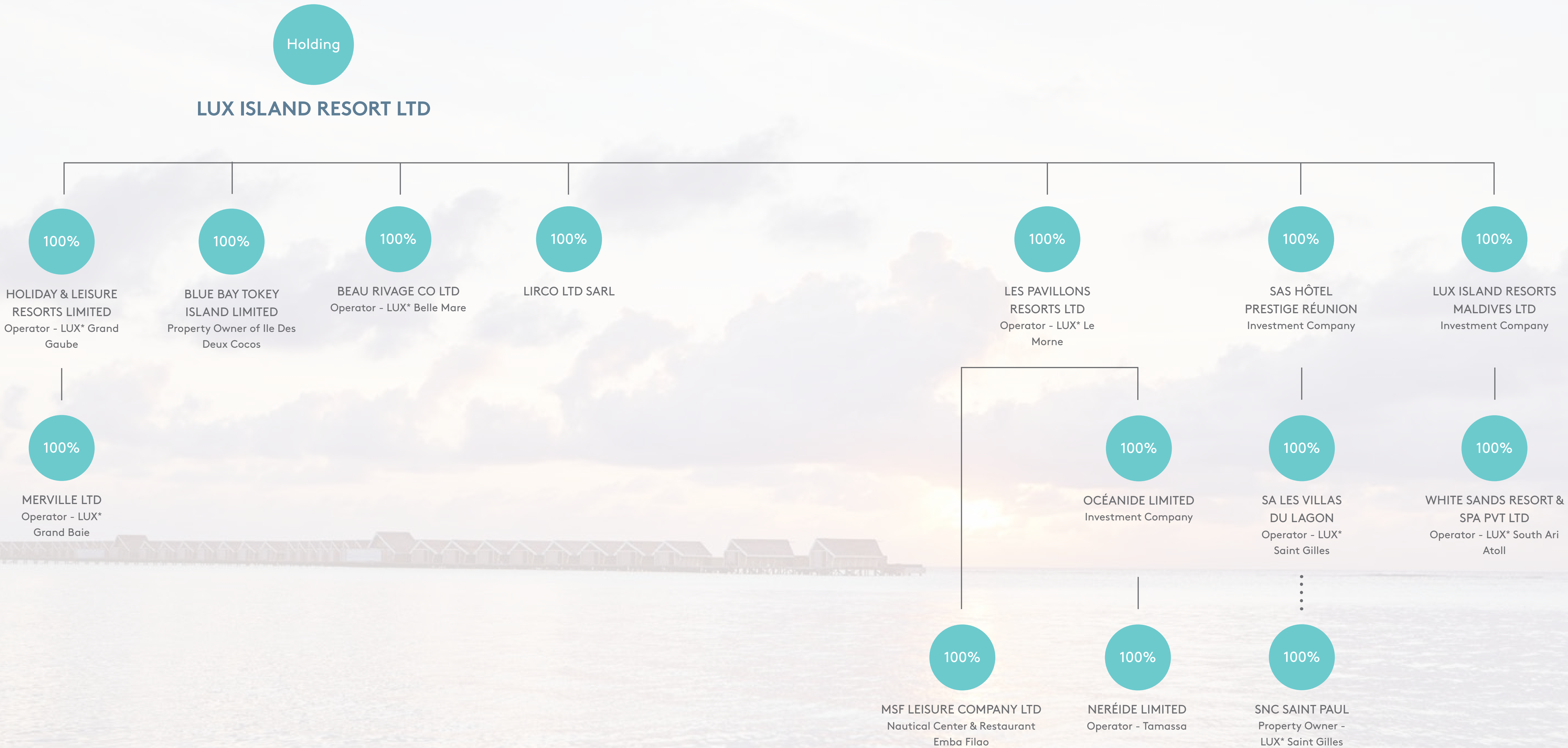
# Contents




We help you celebrate life by making each moment matter.
Because we care. Our collection of beautiful hotels rewrites the rules of resort life as you know it.

# Group Structure

As at a Reporting Date



# Board and Committees

## Board of Directors

**Directors**
Jean-Claude Béga *(Chairperson)*
Désiré Elliah *(Chief Executive Officer)*
Jan Boullé
Laurent de la Hogue
Pascale Lagesse
Thierry Lagesse
Reshan Rambocus
Maxime Rey

**Audit and Risk Committee**
Reshan Rambocus *(Chairperson)*
Laurent de la Hogue
Maxime Rey

**Corporate Governance and Nomination Committee**
Pascale Lagesse *(Chairperson)*
Jean-Claude Béga
Jan Boullé

**Remuneration Committee**
Pascale Lagesse *(Chairperson)*
Jean-Claude Béga
Jan Boullé
Reshan Rambocus

**Company Secretary**
IBL Management Ltd

# Management and Administration

**Head Office**
Désiré Elliah – Chief Executive Officer
Hurrydeo Ramlagun – Chief Financial Officer
Riad Chonee – Group Development and Asset Manager

**Hotels**
Stephan Anseline – General Manager – Tamassa
Jérémie de Fombelle – General Manager – LUX* Le Morne
Frits Hannenberg - General Manager – LUX*Grand Gaube
Patrice Hudebine – Acting General Manager – LUX* Saint Gilles
Mohammed Mamoun – Resort Manager – LUX* South Ari Atoll
Ashish Modak – Regional General Manager – LUX* Belle Mare, LUX* Grand Gaube, LUX* Grand Baie
Steven Philipps - General Manager - LUX* Grand Baie

**Chief Internal Auditor**
Pritila Joynathsing-Gayan

**Legal Advisors**
Clarel Benoit
André Robert
Hervé Duval

**Communication Advisor**
Blast Communications Ltd

**Auditors**
PricewaterhouseCoopers Ltd
Chartered Accountants

**Registered Office**
Pierre Simonet Street
Floréal
Mauritius

**Notary**
Jean Pierre Montocchio

**Registry and Transfer Office**
Pierre Simonet Street
Floréal
Mauritius

**Bankers**
ABC Banking Ltd
AfrAsia Bank Ltd
Bank One Limited
Absa Bank (Mauritius) Ltd
Bank of Ceylon
Banque Française Commerciale Océan Indien
Caisse d'Epargne-Provence-Alpes-Corse
HSBC Limited (Mauritius, UK, Germany, Maldives)
Maubank Ltd
Mauritius Commercial Bank (Seychelles) Ltd
State Bank of Mauritius Ltd
Standard Bank (Mauritius) Ltd
State Bank of India (Mauritius) Ltd
The Mauritius Commercial Bank Ltd

# Directorship

AS AT 30 JUNE 2020

| | BEAU RIVAGE CO LTD | BLUE BAY TOKEY ISLAND LIMITED | FMM LTEE | HOLIDAY & LEISURE RESORTS LIMTED | HOTEL PRESTIGE RÉUNION SAS | LIR PROPERTIES LTD (FORMERLY LUX RESORTS LTD) | LES PAVILLONS RESORTS LTD | LTK LTD | LUX ISLAND RESORTS FOUNDATION | LUX ISLAND RESORTS LTD | | LUX ISLAND RESORTS MALDIVES LTD | LES VILLAS DU LAGON SA | LE RÉCIF SAS | MERVILLE BEACH HOTEL LTD | MERVILLE LIMITED | MSF LEISURE COMPANY LTD | NAIADE HOLIDAYS (PROPRIETARY) LIMITED | NÉRÉIDE LIMITED | OCÉANIDE LIMITED | WHITE SANDS RESORT & SPA PVT LTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Béga Jean-Claude | x | x | x | x | | x | x | x | | x | | | x | | x | x | x | | x | x | x |
| Boullé Jan | | | | | | | | | | x | | | | | | | | | | | |
| De La Hogue Laurent | | | | | | | | | | x | | | | | | | | | | | |
| Elliah Désiré | x | x | x | x | x | x | x | x | x | x | | x | x | x | x | x | x | x | x | x | x |
| Germain Stéphanie | | | | | | | | | | | | x | | | | | | | | | |
| Hoareau Daniella | | | | | | | | | | | | x | | | | | | | | | |
| Lagesse Pascale | | | | | | | | | | x | | | | | | | | | | | |
| Lagesse Thierry | | | | | | | | | | x | | | | | | | | | | | |
| Liu Léon | | | | | | | | | | | | | | | | | | | | | x |
| Rambocus Reshan | | | | | | | | | | x | | | | | | | | | | | |
| Ramlagun Hurrydeo | x | x | x | x | | x | x | x | | | | | x | | x | x | x | | x | x | x |
| Rey Maxime | | | | | | | | | | x | | | | | | | | | | | |
| Bernadette Suzanne Julie (Alternate to Daniella Hoareau and Stéphanie Germain) | | | | | | | | | | | | x | | | | | | | | | |

# Board of Directors

From left to right:
Reshan Rambocus, Jan Boullé, Pascale Lagesse, Jean-Claude Béga, Désiré Elliah, Thierry Lagesse, Maxime Rey, Laurent De La Hogue

# Directors' Profiles

### Reshan Rambocus

Reshan Rambocus has significant industry expertise by virtue of his directorships on a number of boards – listed and unlisted companies – and his membership on various investment committees. Reshan is a former partner with Ernst & Young Mauritius. Prior to that, he was the Chief Financial Officer for HSBC Mauritius. Reshan returned to Mauritius in 1996 after spending a number of years with KPMG Tax Advisers in London. He is a member of the Institute of Chartered Accountants in England & Wales and the Chartered Institute of Taxation (UK).

He was appointed as Director of the Company and as Chairman of the Audit and Risk Committee in July 2018 and as member of the Remuneration Committee in January 2019.

*Directorship in other listed companies: Phoenix Beverages Ltd and Compagnie Immobilière Limitée.*

### Jan Boullé

Jan Boullé is an 'Ingénieur Statisticien Economiste', France and pursued post graduate studies in Economics at Université Laval, Canada.
He worked for the Constance Group from 1984 to 2016 and occupied various executive positions and directorships, his latest position being Group Head of Projects and Development.
He was appointed Non-Executive Chairman of IBL Ltd on 01st July 2016 and is also a member of the Board of Directors of several major companies of IBL Group.
He was appointed Director of the Company and as member of the Audit and Risk Committee in April 2018. He then resigned as member of the Audit and Risk Committee (in January 2019) and was appointed as member of the Corporate Governance and Nomination Committee and of the Remuneration Committee in January 2019.

*Directorships in other listed companies : Alteo Ltd, Bluelife Limited, IBL Ltd, Phoenix Beverages Limited, Phoenix Investment Company Limited, The Bee Equity Partners Ltd and The United Basalt Products Ltd.*

### Pascale Lagesse

Pascale Lagesse is an experienced lawyer who handles domestic and international matters for large corporations. She has been a Partner with the Paris law firm Bredin Prat since 2008 where she advises international corporate clients on a wide range of legal issues, with a particular focus on the employment aspects of mergers and acquisitions and corporate restructurings.
Pascale graduated from the University of Paris II Panthéon-Assas with a "Maîtrise en Carrières Judiciaires." She also holds a "DEA en Droit Privé" from the University Paris I Panthéon-Sorbonne.
A member of the Paris Bar since 1989, she has had an illustrious legal career having worked at some of the city's most prestigious law firms, including the Paris office of a Magic Circle firm.
A frequent speaker and author of legal publications, she is recognised as one of the leading labour and employment lawyers on the French market. In 2013, she was the recipient of the "Outstanding Contribution to the Legal Profession Award" by Chambers Europe.
She is involved in a variety of international legal organisations and associations. She holds numerous officer-level positions with the International Bar Association and is presently a member of the Management Board and a LPD Council member. She was the Chair of the Employment and Industrial Relations Law Committee from 2010-2011.
Pascale plays an active role in the development of the legal profession in France, and is presently the "Responsable Pédagogique du Parcours de Droit Social" at the Paris Bar School and a Member of the "Conseil Académique et Commission de la Recherche du Conseil Académique" of the University of Paris II Panthéon Assas. She was elected to the National Bar Council of France in 2005.
She was appointed as Director of the Company in April 2017 and as Chairman of the Corporate Governance and Nomination Committee and of the Remuneration Committee in January 2019.

*Directorships in other listed companies: None*



### Jean-Claude Béga

Born in 1963, Jean-Claude Béga is a Fellow of the Association of Chartered Certified Accountants.
Jean-Claude Béga joined IBL Ltd – formerly known as GML - in 1997 and is currently the Group Head of Financial Services and Business Development and an Executive Director of IBL Ltd. He currently leads IBL Group's financial services and business development activities including Mergers & Acquisitions (M&A).

He was appointed Director and member of the Audit and Risk Committee of the Company in June 2004, but resigned as member of same in January 2019 given his appointment as Chairman of the Company and as member of the Corporate Governance and Nomination Committee and of the Remuneration Committee. He is also the Non-Executive Chairman of Eagle Insurance Limited, The Bee Equity Partners Ltd, DTOS Ltd and Anglo African Investments Ltd and a Non-Executive Director of Phoenix Beverages Limited and some other companies.

*Directorship in other listed companies : Executive Director of IBL Ltd, Non-Executive Chairman of The Bee Equity Partners Ltd, Non-Executive Director of Phoenix Beverages Limited and of Blue Life Limited.*

### Désiré Elliah

Désiré Elliah has been appointed as Chief Executive Officer of Lux Island Resorts Ltd (LIR) on 01st January 2019. He joined the Company in 2003 as Chief Financial Officer and has been a Director on the Board since October 2004. During his career with LIR, Désiré has gained significant executive experience in numerous aspects of the tourism industry. He is the senior executive responsible for managing the financial and corporate activities of the Group and has been closely involved with its development including equity and debt financings, and a wide range of other corporate transactions comprising acquisitions, disposals and restructurations. Prior to joining the Group, he worked at De Chazal Du Mée from 1984 to 2002, where he became a partner in the Audit and Business Advisory Department, in charge of a portfolio of prestigious clients operating in the main sectors of the Mauritius economy. He also acted as financial adviser on a number of World Bank funded projects in mainland Africa.
He has served for seven years as non-executive Director of Golden Agri Resources Ltd, listed on the Stock Exchange of Singapore. He is currently the Vice Chairman of the Association des Hôteliers et Restaurateurs de l'île Maurice and is a member of its Finance Commission. He is also the Chairman of the IBL Pension Fund.
Désiré Elliah is a Fellow of the Association of Chartered Certified Accountants.

*Directorship in other listed companies: None*

### Thierry Lagesse

Thierry Lagesse holds a 'Maîtrise des Sciences de Gestion' from the University of Paris Dauphine. He was the non-executive Chairman of IBL, Alteo Limited, Phoenix Beverages Limited and The United Basalt Products Ltd. Thierry Lagesse is presently a director of several well-known companies listed on the Stock Exchange of Mauritius namely: Alteo Limited, IBL Ltd, Lux Island Resorts Ltd, Phoenix Beverages Limited, The United Basalt Products Ltd and Phoenix Investment Company Limited. He is also the Executive Chairman of Parabole Group (direct to home satellite TV broadcaster). He was appointed as Director of the Company in July 2016.

*Directorship in other listed companies: Alteo Limited, IBL Ltd, Phoenix Beverages Limited, Phoenix Investment Company Limited and The United Basalt Products Ltd*

### Maxime Rey

Born in 1952, Maxime Rey qualified as an accountant and started his career in 1973 in Mauritius in auditing before joining the Sugar Industry. He moved to South Africa in 1981 where he worked for Kuehne and Nagel (Pty) Ltd, the South African arm of a leading global provider of innovative and fully integrated supply chain solutions. He was appointed Group Financial Controller in 1989 and Director in 1992. Back in Mauritius in 1993 he joined SWAN, one of the market leaders in the local Insurance sector, becoming Senior Manager - Group Finance, Loans & Legal until he retired in 2016. He is a director of a number of companies listed on the Stock Exchange of Mauritius and operating in the commercial, investment, sugar and tourism sectors.

He was appointed as Director of the Company in September 2012 and is a member of the Audit & Risk Committee.

*Directorship in other listed companies: Belle Mare Holding Ltd, Constance La Gaieté Company Ltd, IBL Ltd, MFD Group Ltd and Tropical Paradise Company Ltd.*

### Laurent De La Hogue

Laurent de la Hogue holds a Master degree in Management and Finance from the "Ecole Supérieure de Gestion et Finance" in Paris, France. He joined GML Management Ltée in 2001 as Treasurer for the setting up of the group central treasury management unit and then occupied the position of Finance Executive - Corporate & Treasury in 2011 where he was involved in project development. He was appointed Head of Financial Services of IBL Ltd in July 2016. He is currently the Chairman of IBL Treasury Ltd, AfrAsia Capital Management Ltd and LCF Securities Ltd. He also serves as Director on a number of organisations operating in the industrial, commercial, financial and investment sectors.

He was appointed as Director of the Company in February 2011 and as member of the Audit and Risk Committee in January 2019.

*Directorship in other listed companies : The United Basalt Products Ltd and Eagle Insurance Limited.*

# Management Profiles

**Désiré Elliah**

*Chief Executive Officer*

See profile page 15.

**Jérémie De Fombelle**

*General Manager – LUX* Le Morne*

Passionate hotelier and experienced General Manager for luxury and iconic hotel brands in over 6 countries (Asia and Indian Ocean), Jérémie de Fombelle joined the Group in 2014 as General Manager of LUX* Le Morne, one of the luxury leading resort of the West Coast of Mauritius.

Born in 1976, Jérémie graduated in 1998 from the University of Law, Paris II Pantheon-Assas and holds also a Master Degree with specialisation in Hotel Management from the International Hotel Management School of Institut Vatel in Paris. He successfully completed the prestigious General Management Program (GMP) and Professional Development Program (PDP) certifications at Cornell University (New York) in 2017 and 2018.

Prior to joining the LUX* Le Morne, Jérémie held successively the positions of General Manager in Shanghai, in Cambodia, in Laos, in Thailand and in Indonesia with well-renowned hospitality groups.

**Frits Hannenberg**

*General Manager – LUX* Grand Gaube*

Born in 1969, Frits graduated in 1996 from the School of Hospitality Management in Netherlands where he majored in Business Management. He has over 20 years' experience in managing some of the world's finest privately-owned islands, villa estates and resorts in highly exclusive locations such as Malaysia, Seychelles and the Caribbean.

Experienced Property Manager with a demonstrated history of working in the hospitality industry and skilled in Hotel Management, Catering, Food & Beverage, Operations Management, Coaching and Private Asset Management, Frits comes also with very robust experience in property openings.

Before joining us, Frits was the opening General Manager of the flagship of the Hartling Group Resorts, The Shore Club in Providenciales, Turks & Caicos Island. He is since August 2019, the General Manager of LUX* Grand Gaube.

**Stephan Anseline**

*General Manager – Tamassa*

Before joining the group in 2014, Stephan was the Director of Food and Beverage of Sofitel So Mauritius. He was appointed as Resident Manager of LUX* Grand Gaube with not less than 10 years of experience in the hospitality industry having worked for renowned resorts like The Oberoi, Taj Exotica Resort & Spa and Movenpick Resort & Spa. Positive and result oriented having a thorough knowledge of food and beverage, Stephan was appointed as General Manager of Tamassa and Ile des Deux Cocos in 2018.

A native of Mauritius, he got a Specialisation in Restaurant and Bars from l'Ecole Hoteliere Sir Gaetan Duval before leaving for India where he obtained a post-Graduation Hotel Management Diploma from The Oberoi Center of Learning and Development. After graduating in 2004 in India, he continued his learning with Cornell University where he graduated in 2010 with a Masters in Essential of Hospitality Management and then he completed his General Management Program from ESSEC Business School in 2016

**Ashish Modak**

*Regional General Manager – LUX* Belle Mare, LUX* Grand Gaube, LUX* Grand Baie*

Ashish has had a robust career of 24 years in overall hospitality management in finest hotels in Asia, Middle East and Africa with a substantial experience in pre-openings, operations and complete refurbishments.
Ashish's academic achievements include an Executive MBA from the National University of Singapore and a Master of Business Administration from the University of Northampton, U.K in 2018. He also holds a Diploma in Hotel Management and a Bachelor of Arts, Economics Honours from India. His other professional certifications include Rooms Management from Cornell University, New York in 2005; General Management Program from ESSEC Business School, Paris in 2013-2014 and Hotel Real Estate Investments & Asset Management Program from Cornell University in 2020.
Ashish joined the group in 2009 as Resort Manager of Diva Maldives. He then moved to Mauritius as Resort Manager of LUX* Belle Mare where he was promoted in 2012 to the position of General Manager. Self-motivated and an extremely passionate hotelier, Ashish has been responsible for the successful repositioning of LUX* Belle Mare, producing excellent customer satisfaction and financial results and a strong social reputation for the hotel. In January 2019, he was appointed as the Regional General Manager responsible for LUX* Belle Mare, LUX* Grand Gaube and LUX* Grand Baie.

## Management Profiles

**Riad Chonee**

*Group Development and Asset Manager*

Riad graduated with distinction in Quantity Surveying from the University of Cape Town and is a Chartered Member of the Royal Institution of Chartered Surveyors (UK) and a Professional Member of the Professional Quantity Surveyors Council of Mauritius.

He spent the initial years of his career as an Associate at a leading quantity surveying consultancy firm in Mauritius, where he advised corporate clients on multi-billion rupee construction projects spanning various sectors of activities. He joined the ENL Group as Senior Project Manager, and has actively contributed to the project implementation pipeline of Ascencia and ENL Property. He later moved to Terra and contributed to the setting-up of Novaterra, the Group's property arm, and led the conception and implementation of various projects within the Terra Group's Smart City development.

Riad joined Lux Island Resorts as the Group Development and Asset Manager in August 2019 and has been responsible for driving the development of hotel projects and to strategically manage the assets of the Group.

**Hurrydeo Ramlagun**

*Chief Financial Officer*

Hurrydeo Ramlagun is a Fellow of the Association of Chartered Certified Accountants. He has been appointed as Chief Financial Officer of Lux Island Resorts Ltd (LIR) on 01st January 2019. He joined the Company in 2008 as Financial Reporting Manager and Group Treasurer. Prior to joining LIR Group, he worked at De Chazal Du Mée (DCDM), Chartered Accountants, from 1988 to 2004. At DCDM he was in charge of a large portfolio of customers, listed and non-listed, engaged in various sectors of the economy. He was also in charge of various World Bank funded projects in Africa, namely, Rwanda, Burundi, Tanzania, Tchad, Kenya, Madagascar, Comoros. He then joined Ernst & Young Mauritius up to June 2006 as a Senior Manager in the Audit and Business Advisory Services. In July 2006, he joined the Sugar Investment Trust as Financial Controller and Head of Corporate and Legal Affairs. Presently Hurrydeo is also acting as Director and Company Secretary for various subsidiaries of Lux Island Resorts Ltd.



**Steven Phillips**

*General Manager - LUX* Grand Baie*

Born in England in 1963, Steven holds a BTEC Advanced Diploma in Hotel & Institutional Operations from United Kingdom as well as a Diploma in Wine from the UK Guild of Wine & Spirits.

He is an accomplished hotelier who has held senior positions in luxury properties with very strong preopening and operational management experience having successfully opened five luxury properties during his career. He was the Regional General Manager of Constance Halaveli & Moofushi from 2007 to 2011, the Island General Manager of three properties of Minor Hotels in Abu Dhabi from 2011 to 2013 and the General Manager of Gili Lankanfushi from 2014 to 2017.

Prior to joining the group in March 2020 as General Manager of LUX* Grand Baie he was, since October 2017, the Area General Manager of Joali, Maldives.

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**Patrice Hudebine**

*Acting General Manager - LUX* St-Gilles*

Patrice is graduated in Economics and Management from the University of Paris 13th, then trained as a chartered accountant.

He began his career with UTA, a French airline company, as an internal auditor in Management on the five continents.

He then joined the ACCOR Group as Chief financial Officer on behalf of shareholders from the Middle East where he was in charge of the management and operations of five 4 stars hotels in France and in Canada.

Passionate about Hotel Business, he joined the LUX* team in 2009 on Reunion Island.

**Mohammed Mamoun**

*Resort Manager – LUX* South Ari Atoll*

Born in Egypt, Mamoun has over 30 years of experience in the hospitality industry. He has been the Resort Manager of LUX* South Ari Atoll resort in the Maldives since May 2013.

Mamoun comes with a robust background in Food & Beverage and has worked in Egypt, Abu Dhabi and Dubai for international hospitality brands such Novotel, Sofitel and Meridien. Prior to joining the group, Mamoun was the Executive Assistant Manager from 2008 to 2013 of the Baron Resort in Sharm El Sheikh, Egypt.

In his capacity of Resort Manager, Mamoun is responsible for all operational departments of the resort and is in charge of the property in the absence of the General Manager. Mamoun always strives for world class service, operational excellence and the satisfaction of our guests at all times.

# Business Model of Lux Island Resorts Ltd

## Capital

### Financial

**Actions**

- Manage cashflow and treasury operations
- Minimise foreign currency exposure
- Improve operational efficiency
- Ensure operational efficiency and compliance using internal control systems
- Identify and mitigate risks and control solutions
- Develop a solid Investment and Relations Plan

**Results**

- Growth in Equity Value
- Increased revenue and profitability
- Expansion and growth of global footprint
- Growth in Earnings per Share
- Decrease in debts
- Rise in investment income

### Human

**Actions**

- Equip employees with adequate skills to carry out operations
- Foster an ethical environment
- Establish a culturally diverse workforce
- Establish a gender-balanced workforce
- Acquire & retain skilled People
- Initiate a rotation scheme with our global talent pool
- Effectively manage employee performance
- Protect human rights and dignity
- Implement health and safety measures
- Initiate ongoing training and development

**Results**

- Engaged Team Members
- High-quality service and enhanced guest satisfaction
- Increased loyalty
- Grooming of talented leaders
- Increased productivity
- Skilled workforce to maintain sustainable and profitable growth
- Reduced training costs
- Reduce turnover

### Natural

**Actions**

- Physical location
- Ensure energy efficiency
- Reduce water use
- Increase resource productivity
- Lessen carbon footprint
- Reduce and manage waste

**Results**

- Efficient utilisation of resources
- Optimised costs
- Enhanced corporate reputation as Responsible Business
- Maximised positive impact
- Sustainable growth
- Light footprint

**Key Business Processes**

- HOTEL OPERATIONS
- FOOD AND BEVERAGES OUTLETS
- HOTEL MANAGEMENT
- SOCIAL RELATIONSHIP MANAGEMENT

## Capital

### Products and Services

**Actions**

- Carefully select destinations
- Curate innovative design and architecture
- Train and empower dedicated teams to provide services
- Establish efficient and streamlined operations & processes
- Maintain assets efficiently
- Conceive inventive packages
- Adopt modern Information Technology
- Create innovative and differentiated experiences

**Results**

- High quality locations
- World-class resorts
- Outstanding products and services
- Improved Guest Satisfaction
- Maintenance of Brand Loyalty
- Boost in revenue
- Enhanced guest experience with technology and comfort
- Increased local and international guest loyalty

### Intellectual

**Actions**

- Trademarks
- Propriety knowledge
- Systems and Operations
- Leadership expertise

**Results**

- Positive brand reputation
- Innovation-driven culture
- Efficient operations with relevant policies and procedures
- Development of a culture rooted in trust and respect

### Social

**Actions**

- Build and nurture trust within various teams
- Deliver exceptional design and architecture experience to guests
- Develop strong relationships with suppliers
- Create lasting relationships with business partners
- Consistently create value for investors and shareholders
- Purposeful interactions with the community

**Results**

- Top-rated guest satisfaction
- Loyal supplier base
- Empowered community
- Increased industry participation and engagement
- Positive corporate reputation and brand loyalty
- Inclusive business

**Key Business Processes**

- FINANCE
- MAINTENANCE & ENGINEERING
- HUMAN RESOURCES
- INFORMATION TECHNOLOGY
- LEGAL AND SECRETARIAL
- SALES AND MARKETING / REVENUE MANAGEMENT
- PROPERTY DEVELOPMENT
- SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY
- OPERATIONS

# Financial Highlights & Ratios

Year ended 30th June

| | 2020 Rs 000 | 2019 Rs 000 | 2018 Rs 000 | 2017 Rs 000 | 2016 Rs 000 |
|---|---|---|---|---|---|
| **STATEMENT OF PROFIT OR LOSS** | | | | | |
| Revenue | **4,837,605** | 6,189,878 | 5,711,786 | 5,260,500 | 5,158,256 |
| EBITDA before impairment and write offs | **1,028,522** | 1,368,010 | 1,146,954 | 1,089,020 | 1,123,926 |
| Impairment of goodwill | **(667,177)** | - | - | - | - |
| Other impairment and bad debts written off | **(165,277)** | (2,107) | - | - | - |
| EBITDA | **196,068** | 1,365,903 | 1,146,954 | 1,089,020 | 1,123,926 |
| Depreciation and amortisation | **(568,519)** | (470,022) | (492,371) | (442,214) | (427,472) |
| Operating (loss)/profit | **(372,451)** | 895,881 | 654,583 | 646,806 | 696,454 |
| Net finance charges | **(448,186)** | (273,629) | (236,428) | (241,831) | (215,524) |
| Exceptional item | - | - | 75,677 | 177,884 | - |
| (Loss)/profit before tax | **(820,637)** | 622,252 | 493,832 | 582,859 | 480,930 |
| Income tax expense | **(57,006)** | (91,889) | (78,460) | (75,123) | (62,451) |
| (Loss)/profit before discontinued operations | **(877,643)** | 530,363 | 415,372 | 507,736 | 418,479 |
| Results from discontinued operations | - | 195,167 | (731) | - | - |
| (Loss)/profit for the year | **(877,643)** | 725,530 | 414,641 | 507,736 | 418,479 |
| Non-controlling interest | - | (173) | 74 | 7,213 | 125 |
| (Loss)/profit attributable to the group | **(877,643)** | 725,357 | 414,715 | 514,949 | 418,604 |
| **DIVIDEND DECLARED** | | | | | |
| - Cash | - | 185,107 | 171,395 | 171,381 | 157,390 |
| - In specie | - | 275,605 | - | - | - |
| Total | - | 460,712 | 171,395 | 171,381 | 157,390 |
| **STATEMENT OF FINANCIAL POSITION** | | | | | |
| Total Assets | **15,604,051** | 12,311,657 | 12,922,926 | 11,538,159 | 12,223,202 |
| Equity | **5,565,860** | 6,007,040 | 6,008,774 | 5,794,057 | 6,010,852 |
| Total Liabilities | **10,038,191** | 6,304,617 | 6,912,629 | 5,744,102 | 6,212,350 |
| Interest bearing loans net of cash balances | **5,004,358** | 4,269,376 | 4,587,237 | 3,712,064 | 3,639,019 |
| **FINANCIAL RATIOS** | | | | | |
| Earnings per share | **(6.41)** | 3.87 | 3.03 | 3.75 | 3.06 |
| Dividend per share | - | 3.36 | 1.25 | 1.25 | 1.15 |
| Net Assets per share | **40.59** | 43.81 | 43.82 | 42.26 | 43.90 |
| EBITDA margin (Note a) | **21%** | 22% | 20% | 21% | 22% |
| Interest Cover (Note a) | **2.29** | 4.99 | 5.17 | 4.50 | 5.21 |
| Dividend cover | **N/A** | 3.92 | 2.42 | 3.00 | 2.66 |
| Return on Equity | **-16%** | 12% | 7% | 9% | 7% |
| Debt to Equity (Note b) | **0.90** | 0.75 | 0.81 | 0.68 | 0.68 |

Note a. EBITDA margin and Interest cover have been calculated using EBITDA before impairment and write offs. Finance charge in 2020 includes interest on lease liabilities arising on adoption of IFRS 16.
Note b. Debt used to calculate the ratio excludes lease laibilities arising upon adoption of IFRS 16.



# Financial Status at a Glance

Year ended 30 June 2020

**Consolidated Cash Flow Statement Year ended 30th June 2020**

| | | Rs 000 |
|---|---|---|
| Net cash flows from operating activities | | 464,240 |
| Net cash flows from investing activities | 1 | (831,850) |
| Net cash flows from financing activities | 2 | 297,781 |
| Net decrease in cash & cash equivalents | | (69,829) |
| Other movement | | (97,989) |
| Cash and Cash equivalents on 30th June 2019 | | (31,786) |
| Cash and Cash equivalents on 30th June 2020 | | (199,604) |

**Statement of Financial Position As at 30th June 2019**

| Assets | Rs 000 |
|---|---|
| Cash and Cash Equivalents | - |
| Current Assets | 942,303 |
| Investment & Other | 283,703 |
| Intangible assets | 1,825,231 |
| Right-of-Use Assets | - |
| Property Plant and Equipment | 9,090,461 |
| Total Assets | 12,141,698 |
| **Liabilities & Equities** | |
| Cash and Cash Equivalents | 31,786 |
| Current liabilities | 2,260,406 |
| Non Current liabilities | 3,842,466 |
| Share Capital. Premium & Reserves | 4,070,273 |
| Retained Earnings | 1,936,767 |
| | 12,141,698 |

**Consolidated Income Statement Year ended 30th June 2020**

| | | Rs 000 |
|---|---|---|
| Total Revenue | | 4,837,605 |
| Loss for the period | 8 | (877,643) |
| Actuarial losses through Equity | | (44,713) |
| Loss attributable to the group | | (922,356) |

**Share Capital & Reserves As at 30th June 2020**

| | Rs 000 |
|---|---|
| Balance at 30th June 2019 | 4,070,273 |
| Foreign exchange and other reserve | 481,176 |
| Balance at 30th June 2020 | 4,551,449 |

**Retained Earnings As at 30th June 2020**

| | Rs 000 |
|---|---|
| Balance at 30th June 2019 | 1,936,767 |
| Total Loss for the year | (922,356) |
| Dividend declared | - |
| Balance at 30th June 2020 | 1,014,411 |

**Statement of Financial Position As at 30th June 2020**

| Assets | | Rs 000 |
|---|---|---|
| Cash and Cash Equivalents | | - |
| Current Assets | | 1,246,900 |
| Investment & Other | | 219,983 |
| Intangible assets | 3 | 467,316 |
| Right-of-Use Assets | 4 | 3,429,232 |
| Property Plant and Equipment | 5 | 10,083,786 |
| Total Assets | | 15,447,217 |
| Liabilities & Equities | | |
| Cash and Cash Equivalents | | 199,604 |
| Current liabilities | 6 | 4,094,570 |
| Non Current liabilities | 7 | 5,587,183 |
| Share Capital, Premium & Reserves | | 4,551,449 |
| Retained Earnings | | 1,014,411 |
| | | 15,447,217 |

Notes
1. Net cash flows from investing activities include mainly construction in progress in respect of the redevelopment of LUX* Grand Baie project.
2. Net cash flow from financing activities is in respect of loan received for financing the redevelopment of LUX* Grand Baie project.
3. Decrease in intangible assets is mainly due to impairment of goodwill and transfer of leasehold rights to Right-of-Use assets
4. Following the adoption of IFRS 16, the Group has recognized a Right-of-Use asset with respect to all long term leased assets
5. The increase in property, plant and equipment comprises mainly of the surplus arising on the revaluation of property and construction in progress for LUX* Grand Baie project
6. The increase in current liabilities is the classification of some long term loans to short term due to failure to meet some financial covenants which were waived by the banks after year end.
7. Increase in non-current liabilities is due to lease liabilities recognized following the adoption of IFRS 16.

# Value-Added Statements

Year ended 30 June 2020

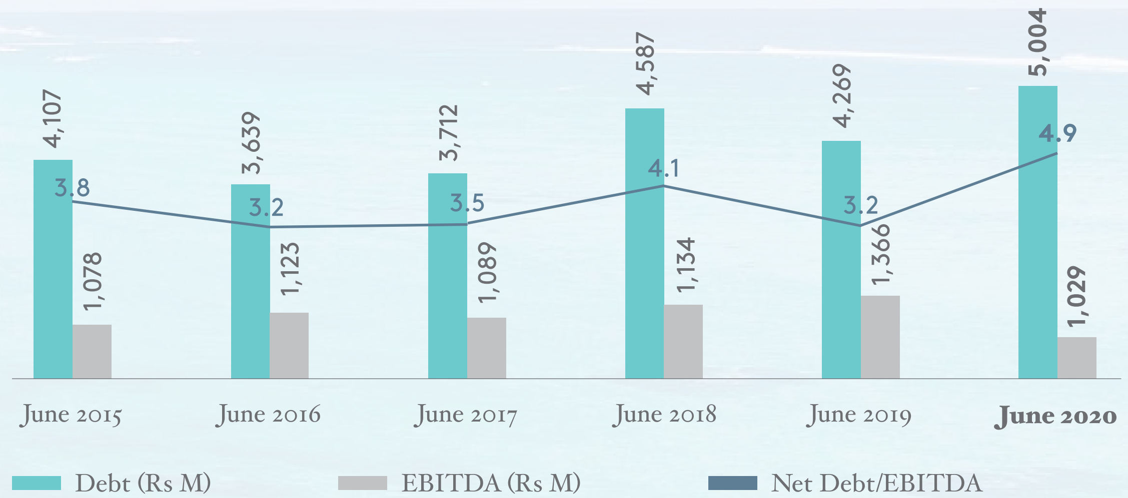
| | **Year ended 30 June 2020** | Year ended 30 June 2019 |
|---|---|---|
| | **Rs000** | Rs000 |
| Revenue | **4,837,605** | 6,189,878 |
| Value Added Tax | **601,517** | 635,140 |
| Total revenue | **5,439,122** | 6,825,018 |
| Paid to suppliers for materials and services | **2,411,175** | 3,012,017 |
| Value added | **3,027,947** | 3,813,001 |
| Impairments and write offs / Results from discontinued operations | **(832,454)** | 195,167 |
| Total wealth created | **2,195,493** | 4,008,168 |
| **Distributed as follows:** | | |
| *Members of staff* | | |
| Salaries and other benefits | **1,372,756** | 1,648,294 |
| *Providers of capital* | | |
| Dividends to ordinary shareholders | **-** | 460,712 |
| Interest paid on borrowings | **448,186** | 273,629 |
| Profit attributable to non-controlling interests | **-** | 173 |
| | **448,186** | 734,514 |
| *Government and parastatal corporations* | | |
| Value Added Tax | **601,517** | 635,140 |
| Income tax (Current and deferred) | **57,006** | 91,889 |
| Environmental Protection fee | **21,119** | 41,919 |
| Licences, permits and levies | **4,033** | 10,742 |
| Lease costs (Note (a)) | **-** | 119,144 |
| | **683,675** | 898,834 |
| *Reinvested in the Group to maintain and develop operations* | | |
| Depreciation and amortisation | **568,519** | 470,022 |
| Retained profit | **(877,643)** | 256,504 |
| | **(309,124)** | 726,526 |
| **Total Wealth Distributed and Retained** | **2,195,493** | 4,008,168 |

Note a. Long term lease payments are no more charged to profit or loss following adoption of IFRS 16.

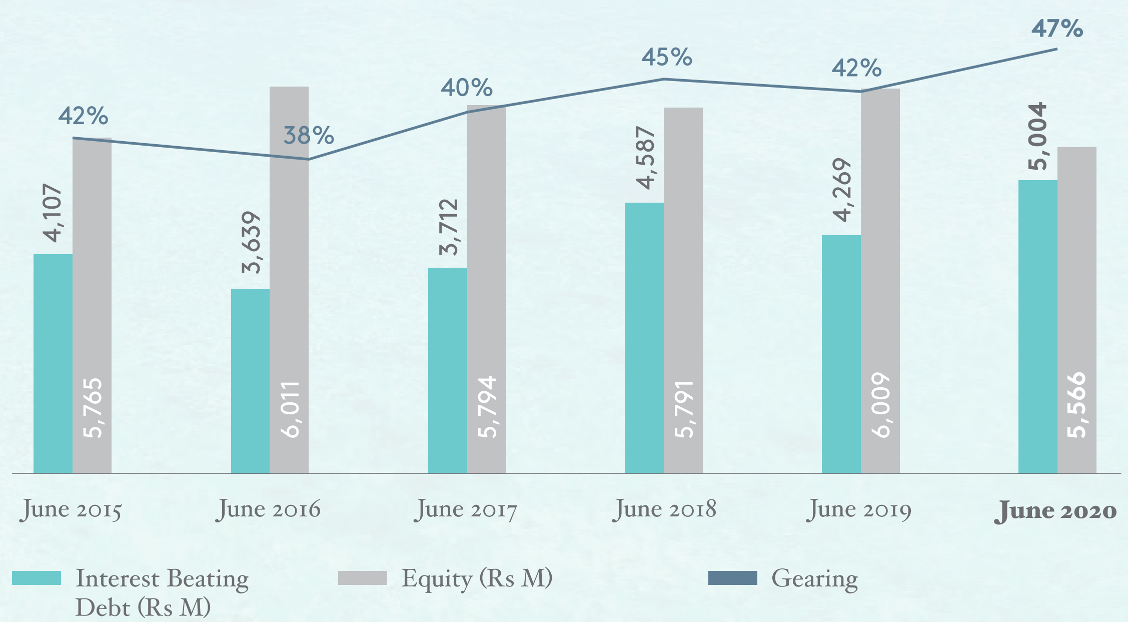


# Financial Highlights

## Evolution of Debt, Ebitda & Debt/Ebitda Ratio




## Evolution of Equity, Debt and Gearing Ratio



# Our Strategic Plans

## Connectivity of Material Elements

### The Value Drivers

| Material Capital | Financial | Human | Products and Services | Natural | External Links |
|---|---|---|---|---|---|
| Objectives | Optimise project development costs<br>Grow revenue | Put People's welfare first | Brand strength and optimal distribution | Environmental sustainability | Elevate the experience |
| Outcomes | Profitable growth Earnings per share<br>Capital and cost efficiencies | Human resources<br>Company culture | Best in class hotel operators<br>Sustain and enhance a well established brand name | Energy<br>Water<br>Waste and effluents<br>Emissions<br>Biodiversity | Guests<br>Government and environmental bodies<br>Tour operators<br>Suppliers<br>Corporate social investment |

### Material Capital Management

**Financial**

| | Profitable growth Earnings per share | Capital and cost efficiencies |
|---|---|---|
| Short Term | Manage exchange rate impact | |
| Short Term | Optimal level of working capital | |
| Medium Term | Grow the number of hotels by acquisition or joint venture | Efficient capital structure |
| Medium Term | Improve international competitiveness | Cost optimisation and cost reduction programs |
| Long Term | Strategic acquisitions into new territories<br>Optimal funding sources | |

**Human**

| | Human resources | Company culture |
|---|---|---|
| Short Term | Employ highly talented and fully engaged people | |
| Short Term | Continuous investment in management time to give the best education to our Team | |
| Medium Term | Core skills and talent management | Develop and adopt 'one company' culture |
| Medium Term | Retention of talented staff through training initiatives and provision of competitive remuneration package | |
| Long Term | "Engage professional services firm committed to create value through leadership and talent as well as aligning organisation capability" | |

**Products and Services**

| | Best in class hotel operators | | Sustain and enhance a well established brand name |
|---|---|---|---|
| Short Term | Effective communication of values, mission and vision to Team Members and guests | New, refreshed, reinvented properties with enhanced amenities and a continuous focus on guest experience and the LUX Standards | Positive feedback on platforms such as TripAdvisor (high guest satisfaction) |
| Medium Term | | | Higher promotion and marketing Win industry awards |
| Long Term | | | Superb and unique experience to each and every guest |

**Natural**

| | | | | |
|---|---|---|---|---|
| Short Term | Full implementation of an energy management system to reduce energy consumed by heating and air conditioning | Optimise use of fresh water and ensure efficient consumption | Reduce paper use (Online Management System) | Continuous deployment of the "Tread Lightly" initiative |
| Medium Term | | | Reduce waste | Invest in technologies aiming to reduce carbon footprint |
| Long Term | Invest in technologies to reduce energy and water consumption, including renewable energy projects for all hotels | Continual compliance with legislations to perform regular water quality testing | | |

**External Links**

| | Guests / Government and environmental bodies | Tour operators | Suppliers | Corporate social investment |
|---|---|---|---|---|
| Short Term | Guest-centered solutions | | | |
| Medium Term | Environmental initiatives via enhancement in Environment Management System | Consolidate relationships with tour operators | Supplier consolidation and management | Community investment through NGO support and empowerment |

# Stakeholder Inclusiveness

| Stakeholder Group | Our People and the Management | Shareholders and Investors | Guests | Tour Operators & Travel agents, Business sources | Local Community | Accredited Organisations, Legislations, Policies, Authorities & Government | Suppliers & Contractors |
|---|---|---|---|---|---|---|---|
| How we engage with our Stakeholders | • Internal newsletters<br>• Intranet Platform<br>• CEO roadshows<br>• Executive committees<br>• Regular updates via email / Memos<br>• Employee surveys<br>• Induction programs<br>• On-going training and education<br>• Performance management programs | • Regular presentations and roadshows<br>• External newsletters<br>• Integrated reports and financial statements<br>• Media releases and published results<br>• Annual General Meeting<br>• Dedicated analyst and investor presentation<br>• LUX* Resorts & Hotels website | • Online satisfaction surveys (e.g TripAdvisor)<br>• Reward programmes<br>• Dedicated customer relationship managers and call centres<br>• Active website, Twitter and Facebook engagement<br>• Personal, one-to-one interactions<br>• Live Chat | • Meet regularly<br>• Participate in forums<br>• Establish and maintain constructive relationships | • Events and sponsorships<br>• Corporate Social Responsibility programmes<br>• Donations<br>• Media channels | • Establish and maintain constructive relationships<br>• Comment on developments in legislation<br>• Participate in forums<br>• Regulatory surveillance, reporting and interaction<br>• Membership of industry bodies (e.g MTPA)" | • One-to-one meetings<br>• Tender and procurement processes<br>• Supplier forums |
| Their Contribution to Value Creation | Team Members are our most important asset and are the foundation of our business by their being productive and elevating guest experiences to LUX* Shining level. | Investors provide the financial capital necessary to sustain growth, development and innovation. | Their perceptions and behaviours help us to understand their needs and deliver relevant experiences, leading to brand enhancement and increase in revenue. | Tour operators and travel agents are essential to the success of our business since they are at the forefront of attracting guests and generating revenue. | The empowerment of local communities contributes to the long-term viability of our business | Government and other regulatory bodies provide us with our licence to trade and the regulatory frameworks within which we operate. | Suppliers are vital to the success of our business by enabling us to deliver consistent guest experience. |
| Our Stakeholders' expectations | Expectation Provide a safe, stimulating and rewarding work environment that offers opportunities for personal and career development.<br>Concern:<br>• Health and safety performance<br>• Job security<br>• Performance management<br>• Decent Work & Labour Practices<br>• Equal Opportunity<br>• Gender Equality<br>• Ongoing training programmes and education<br>• Open communication between<br>• Team Members and Management<br>• Provision of competitive remuneration and benefits packages | Expectation: Strategic growth opportunities, sustained returns on investment and good governance practices through sound risk management<br><br>Brand reputation (Responsible Business)<br>Concern:<br>• Deliver sustainable growth and returns<br>• Dividends<br>• Leadership and strategic direction<br>• Corporate governance and ethics<br>• Projects progression<br>• Capital expenditure plans for current and future periods (risks and opportunities of expansion)<br>• Liquidity and gearing<br>Expectation:<br>Provide consistent quality experiences that meet their expectations and needs.<br>Concern:<br>• Unique, consistent and quality experience<br>• Simple and quick interaction with Team Members<br>• Value offerings<br>• Recognition for loyalty<br>• Innovative products and services | Expectation:<br>Provide consistent quality experiences that meet their expectations and needs.<br>Concern:<br>• Unique, consistent and quality<br>• experience<br>• Simple and quick interaction with Team Members<br>• Value offerings<br>• Recognition for loyalty<br>• Innovative products and services | Expectation:<br>Provide exceptional service to guests and engage in favourable business deals<br>Concern:<br>• Guest Satisfaction<br>• Favourable terms<br>• Timely Payments | Expectation:<br>Help provide a better environment by offering job opportunities, organising social events and sponsorships.<br>Concern:<br>• Investment in disadvantaged communities (education, health, poverty and empowerment)<br>• Employment opportunities<br>• Sponsorships | Expectation:<br>Provide incentives for community empowerment through job creation, compliance with laws and regulations, and generate taxation revenue.<br>• Compliance with legislation and licence conditions<br>• Job creation<br>• Investment in public and tourism infrastructure<br>• Investment in disadvantaged communities<br>• Environmentally-friendly operations and reduction in energy and water consumption | Expectation:<br>Provide a framework for transparent supplier selection and effectuate payments in a timely manner.<br>Concern:<br>• Timely payment and favourable terms<br>• Fair treatment |
| Impact on Objectives and Strategy | Elevate Team Member engagement | • Growth revenue<br>• Cost optimisation<br>• Project development | Brand strength and optimal distribution | Elevate the experience | Environmental sustainability and Inclusive Business | Elevate the experience & Stakeholder relationship | Stakeholder Relationship |

# Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present the Integrated Annual Report of Lux Island Resorts Ltd (LIR) for the financial year ended 30 June 2020. This report has been prepared in accordance with the GRI Standards : Core option.

The Covid-19 pandemic has triggered an unprecedented crisis in the hospitality industry. The global lockdown in the fourth quarter of this year led to a sudden and severe drop in tourism worldwide, with the UN World Tourism Barometer showing a 56% year-on-year drop in tourist arrivals between January and May 2020.

The three destinations in which Lux Island Resorts Ltd and its subsidiaries operate – Mauritius, the Maldives and Reunion Island – have not been spared. Yet despite these very difficult conditions, I am pleased to report that our results confirm the resilience of both our business model and our people.

## 2020 Performance

Lux Island Resorts entered this crisis in a position of strength. We put in an outstanding performance for the first two quarters of the current financial year, demonstrating the resilience of our new operating model as a standalone hospitality real estate business following our separation from The Lux Collective, our sister management company, in 2018-19. We also went into the crisis with sufficient liquidity reserves and relatively limited debt.

The impact of the Covid-19 pandemic began to make itself felt as of the end of February 2020, with an abrupt year on year decline in tourist arrivals in each of our destinations. By March 2020, all of our destinations were in lockdown. Our hotels remained closed for the rest of the financial year. We reopened our Reunion properties in July and our Maldives hotels in August, while Tamassa and LUX* Grand Gaube in Mauritius resumed operations at the beginning of August and end of August 2020 respectively.

The impact on our Group's revenue, profit and cash reserves has been substantial. No revenue was recorded during the quarter ended 30 June 2020. For the sake of comparison, Lux Island Resorts generated Rs 1.3bn in revenue over the same period last year.

Chairman's Statement

### Our Covid-19 response

As the magnitude of the Covid-19 pandemic became clear, the Board of Directors and Lux Island Resort Ltd management acted swiftly and decisively to preserve jobs and shareholder value. Our focus has always been firmly on protecting our team members and guests while ensuring that our Group has sufficient liquidity to weather this unprecedented financial storm.

The management team immediately convened a joint Covid-19 crisis management committee with The Lux Collective, rapidly developing and implementing responses ranging from new safety and health protocols to extensive cutbacks in expenses.

As Chairman of the Board, I also provided regular support to Lux Island Resort's CEO, Désiré Elliah, and convened a number of extraordinary Board meetings to sign off key decisions and inform the Directors of ongoing discussions with national authorities, commercial banks and the Mauritius Investment Corporation.

Our operating context remains extremely volatile, requiring new levels of agility and flexibility from the Group's Board and management as well as from its people. In light of this uncertainty, the Board has made the difficult decision not to pay a dividend this year.

### Strategic measures taken to safeguard our business

Alongside these efforts to safeguard our Group's financial stability, Lux Island Resorts' management also sought to strengthen the business' strategic positioning ahead of a future recovery in the hospitality industry. These measures include strategic capital expenditure on essential maintenance, more substantial works to preserve our properties' standards and the disposal of certain less profitable assets. We disposed of Hôtel le Recif in Reunion in August 2020 for Euro 9m and received Euro 7m at the time of sale. Of the balance outstanding, Euro 1m is payable in June 2024 with the final Euro 1m coming due in December 2024. The latter amount is conditional on the achievement of a performance target agreed by both parties. The Lux Collective also signed a marketing agreement with the buyer for a mutually renewable four-year period.

### Strategic measures taken to safeguard our business

Lux Island Resorts Ltd is going ahead with the redevelopment of LUX* Grand Baie in Mauritius, which was already underway last year and was temporarily put on hold during the country's lockdown. The new hotel is expected to open in October 2021 and I am confident it will prove a draw for our guests.

In collaboration with The Lux Collective, the Group has sought to improve service standards and create attractive new commercial offers, the better to excite and inspire our guests when they start to travel again.

The Board fully supports this strategy and is confident that everything is being done to position the Group for a recovery in the near future.

### Outlook

The global outlook is very uncertain, and it is impossible to determine how much of an impact Covid-19 will ultimately have on the industry and on our business. While we are preparing for a range of potential outcomes, I am convinced that our business fundamentals are robust, and that demand for our product remains strong.

I am encouraged by the improvement in demand for our Maldives properties as of September and by the steady occupancy rates we have seen in Reunion since our hotels reopened.

At the time of writing, we were still awaiting an announcement from the Mauritian government about the resumption of free movement in and out of the country, without travellers being subject to stringent quarantine measures.

Thanks to the strategic choices we have made to upgrade and streamline our portfolio and our efforts to improve our offer and service while managing health and safety concerns, we are ideally placed to welcome our guests back, safely and securely, when they start travelling again.

### Acknowledgements

On behalf of the Board, I would like to thank Lux Island Resorts' CEO, Désiré Elliah, and his management team for the leadership that they have shown throughout this crisis. I have every confidence in their ability to steer the business back to growth in the future. Thanks also to the team at The Lux Collective, under the leadership of Paul Jones, with whom we have worked closely to mitigate the impact of the Covid-19 crisis. I would also like to express my appreciation to the authorities in each of our destinations for their ongoing support during this difficult period.

Finally, the Board and I extend our heartfelt thanks to every member of the Lux Island Resorts team. Their extraordinary commitment and solidarity is what has allowed our Group to navigate this year's uniquely challenging circumstances.

**Jean-Claude Béga**
Chairman of the Board

30 October 2020

# Chief Executive Officer Report

Dear Stakeholder,

The past few months have been unlike anything the hospitality industry has ever experienced. The Covid-19 pandemic has created global upheaval, profoundly impacting our business and the lives of our guests, team members and other stakeholders.

This crisis has tested Lux Island Resorts' resilience and demonstrated the unity of our teams in the face of this unique challenge. I am very proud of how Lux Island Resorts continues to deal with the impact of the Covid-19 outbreak.

## Performance

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 6% compared to the same period the previous year. Average Room Rate (ARR) and Revenue Per Available Room (RevPAR) were up respectively 2% and 11% year on year, while costs remained below budget and forward bookings were looking very promising. We also won a number of awards and accolades during the 2019-20 financial year, as set out on page 60.

The Covid-19 pandemic began to affect our results in February 2020. Tourist arrivals in Mauritius declined 13% year-on-year for the quarter ended 31 March 2020, while arrivals in the Maldives shrank 21% over the same period. Average occupancy for March across the Group was 40%, down from 76% a year ago. From mid-March onwards, all three of the destinations in which the group operates – Mauritius, Reunion and the Maldives – were in lockdown, and our hotels were closed.

LUX* Saint Gilles 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 had reopened at the time of writing.

## Financial results

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 1,028bn, down from Rs 1,368bn last year – a 25% decline. Results broken down by country are available on 201 of the financial statements.

Chief Executive Officer Report

## Financial 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 themselves based on certain assumptions and current market conditions.

We also reviewed the cost of capital used to discount future cash flows, taking into account the specific circumstances of each operating unit as well as country and business risks. As a result, our Group had to book Rs 667m as impairment of goodwill, as detailed in note 30 of the financial statements.

Likewise, we had to reassess the fair value of our investments in all of our subsidiaries in light of the deteriorating medium-term outlook. This reassessment resulted in an impairment of Rs 1.2bn in the accounts of the holding company, mainly in relation to LUX* South Ari Atoll in the Maldives and Tamassa in Mauritius.

IFRS 9 requires us to estimate the probability of default on our financial assets. Due to lockdowns in Mauritius and our other main markets, the group has been unable to collect debts on their due dates. This has led to a significant deterioration in our aged debtors list, as explained in note 12. By applying the probability formula prescribed by IFRS 9, the Group booked an additional impairment of Rs 126m for the year under review.

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 30 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.

*Revaluation of properties*
In line with our policy of revaluing our properties every three years, we revalued all of Lux Island Resorts group's properties as at 30 June 2020. The valuation exercise was carried out by a Independent External Valuer based on the open market value, and drawing on recent arms-length market transactions as well as the cash flow generated by each property. The revaluation exercise resulted in a Rs 483m net increase in the value of our properties. The corresponding entry is shown as movement in the 'other comprehensive income'.

*Adoption of IFRS 16*
The new standard for leases (IFRS 16) came into effect on 01 January 2019. This new standard 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 01 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.

## Responding to Covid-19

Lux Island Resorts moved quickly and decisively to mitigate the impact of Covid-19 on our 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, and disposing of certain non-core assets.

Lux Island Resort has also agreed the following terms with our principal bankers :

- A moratorium of one year on all capital repayments, which would otherwise have come due between 01 July 2020 and 30 June 2021, in addition to the original three-month extension from April to June 2020.
- A Rs 160m Covid-19 sponsored loan at an interest rate of 1.5% per annum. The first repayment of the Covid-19 sponsored loan is scheduled for July 2021;
- A term loan of USD 8m to meet the working capital requirements of our Maldives operations; and
- A Euro 2m french government-sponsored term loan to finance the working capital requirements of our Reunion operation.

The Board of Directors also approached the Mauritius Investment Corporation Ltd ("MIC") in order to obtain funding for our Company. On 18 September 2020, Lux Island Resorts Ltd and MIC signed a binding term sheet, pursuant to which MIC has committed to subscribe to redeemable and convertible secured bonds. These bonds have a nominal value of Rs 10m each 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.

### Covid-19 protocols

The **safety and wellbeing of our guests and team members** in each of our destinations remains a top priority. Working with The Lux Collective, we have developed health and safety protocols to achieve the highest standards of cleanliness, disinfection and hygiene across our hotel portfolio. We have also provided our teams with information about how to identify COVID-19 symptoms and mitigate its transmission. To date, there have been no cases of Covid-19 in any of our resorts or offices, but our teams remain vigilant and continue to adhere to strict hygiene standards. We also continue to comply with sanitary and regulatory measures in each of our countries of operation.

When lockdown began in Mauritius, we enacted a work from home protocol for head office staff. We sought to communicate with our teams and provide as much clarity as possible in order maintain engagement and morale. We also offered our staff online workshops on how to manage stress and anxiety as well as remote consultations with a psychologist.

At this difficult time, we remained committed to supporting our community by donating stocks of food, cooking meals from perishable items and distributing them to those living in the vicinity of our hotels. We also offered complimentary hotel stays to Mauritian front-liners, and handed over Tamassa in Mauritius and Hôtel le Récif in Reunion to the authorities for use as quarantine centres.

Finally, in partnership with The Lux Collective, we implemented more flexible booking and cancellation policies, to give guests peace of mind as they plan future stays

### Responding to Covid-19

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

### Preparing for recovery

Our Group also made the most of this enforced period of inactivity to carry out a number of strategic development projects. The aim is to ensure that Lux Island Resorts is ideally placed to welcome our guests once they are ready and able to travel again.

We carried out light refurbishment work at LUX* Le Morne and LUX* Belle Mare, while addressing residual snagging issues at LUX* Grand Gaube and completing essential maintenance and repairs across the rest of our portfolio. We are also going ahead with the development of LUX* Grand Baie, which began in 2018-19. Construction work was halted during the lockdown in Mauritius, between March and June 2020, and the property is now due to open in October 2021, in time for the Mauritian high season. We have successfully kept to budget despite the lockdown and the recent depreciation of the Mauritian rupee. I am delighted with how this property is taking shape and am convinced it will be a wonderful surprise for our guests.

Lux Island Resorts has always had a strong digital strategy, and we are maintaining our investments in our communications, systems and customer service in order to build brand recognition and loyalty. Finding new ways to reach and care for our guests will be of critical importance in the next few months, as travel restrictions ease and our clients start to regain confidence. We continue to work with The Lux Collective to perfect our customer service and develop exciting new commercial offers including LUX* Collectable Moments. During the lockdown, we also offered our teams online training tutorials and webinars on topics ranging from French language to product knowledge, to help them build new skillsets.

### Taking forward our commitment to sustainability

The importance of economic, social and environmental sustainability has never been clearer. While sustainability has always been at the heart of both Lux Island Resorts and The Lux Collective's strategies, our stakeholders now expect us to adopt better, more sustainable habits and ways of working. We are working harder than ever to create a work environment that prioritises our people's health and wellbeing, and are also pursuing our Tread Lightly programme to mitigate climate change and protect the natural environment in each our destinations. Failing to do so would not only endanger our group's recovery and our long term prospects, but be at odds with our commitment to responsible management. Our sustainability approach is set out on pages 94-115 of this report.

### Outlook

The road to recovery is likely to be challenging and take some time. International travel is likely to be subject to regulatory and sanitary restrictions for a prolonged period. Yet while it is impossible to know how long this crisis will last, I am confident that Lux Island Resorts' future prospects remain strong. Our performance prior to the Covid-19 pandemic demonstrates the strength of our offer and business model, while our teams' response to the crisis is proof of their solidarity, commitment and resilience.

Starting in July, we have seen a slow but steady recovery in Reunion and the Maldives. These trends, if they persist, offer hope for our business and the travel industry overall. We continue to monitor the situation in all of our destinations closely.

It is not yet clear when the Mauritian authorities will reopen the country's borders to international travel. While this is a difficult decision that has sanitary implications and requires careful consideration, our prospects for 2020-21 – and those of the Mauritian hospitality industry as a whole – depend on the timing of the reopening. The future of the national carrier, Air Mauritius, is also something we are examining closely.





Looking ahead, our priorities are clear – to look after our people and our guests, strengthen our relationships with key stakeholders including national authorities and the local community, and move ahead with our strategy while maintaining financial discipline and liquidity.

When the world emerges from this crisis, I believe that our guests will be more eager to travel than ever, and that Lux Island Resorts will be ready to welcome them with the quality of service and the property standards that are at the heart of our brand.

### Acknowledgements

Above all, I would like to thank our team members for their commitment, resourcefulness and indefatigable efforts – in taking care of our guests, of our community and of each other – during the arduous past few months. Witnessing them at work gives me confidence that our guests will soon look to our hotels again for the holiday of a lifetime.

I am grateful to The Lux Collective and its CEO Paul Jones for our rich and fruitful partnership and for keeping our teams' morale high. I also thank my Chairman and Lux Island Resorts' Board members for their confidence in my team as we navigate this difficult challenge.

This year, I would particularly like to express my gratitude to our financial partners and our shareholders for their trust and their patience, and to the authorities in each of our destinations for working with us as we find a way forward.

To all of our stakeholders – on behalf of everyone at Lux Island Resorts, I hope you and your loved ones are keeping safe and well in these extraordinary times.

**Désiré Elliah**
Chief Executive Officer

30 October 2020

# LUX* LE MORNE RESORT

Sheltered at the foot of rugged, majestic Le Morne, this is where to tune in with nature. Wildlife is all around, as is the most dramatic of backdrops and it's only a few steps from bed to relaxing under a palm tree by the sea. Set on one of Mauritius' most attractive lagoon-facing spots, this five-star hotel is on the wilder UNESCO-protected south-west side of the island, with a lookout celebrated for the spectacular sunsets.

Fringed by miles of sandy beaches, this is the best address for climbing Le Morne, exploring Black River Gorges National Park, and for barefoot walks and bicycle rides. Feeling lazy? Don't feel guilty about staying anchored at this resort it has five pools, a tempting spa and chalets dotted around the tropical gardens.

Exotic flavours from around the world will enthral epicureans in the restaurants, while easy living is assured with beach barbecues and island-inspired cuisine paired with award-winning wines. Unforgettable experiences are assured: go horseriding along empty beaches, seek close encounters with marine life or discover exhilarating wave-riding destinations nearby One Eye is the ultimate kitesurfing coordinates. Or just soak up the sunshine and salt air, and do absolutely nothing but relax.

## Discover a five-star hotel in Mauritius sheltered at the foot of a dramatic mountain.

# LUX* SOUTH ARI ATOLL RESORT & VILLAS

## A luxury resort in the Maldives made for peaceful off-the-grid retreats.

Whether seeking a peaceful hideaway or active adventure, the picture-perfect island of Dhidhoofinolhu is home to LUX* South Ari Atoll, a luxury resort where your fantasy of a laid-back, desert island paradise is about to come true.

Here, you'll discover 193 private villas, dotted at the water's edge along two miles of powder fine beaches and perched on stilts above a crystal lagoon. On land or above water, sunset facing or sunrise, these super spacious rooms and suites bring an entirely original vibe of coastal, beach house chic to the Maldives.

With a 5-Star PADI dive centre, the resort's limpid waters are a diver's nirvana but there's an equal abundance of snorkelling and opportunities to visit the resident whale sharks.

LUX* South Ari Atoll also offers two infinity pools, floodlit tennis courts and a Technogym fitness centre while the LUX* Me spa is host to a wellness concierge and a menu of indulgent and stimulating treatments.

LUX* South Ari Atoll boasts eight eateries and five bars. East Market is a sophisticated take on a bustling local night market. Umami offers fine dining from separate sushi, teppanyaki and robata counters as well as the Maldives' largest selection of sakes and Japanese whiskeys. Allegria, Senses and MIXE stimulate international palettes and the new Beach Rouge introduces the dolce vita of a fashionable beach club to the island.

LUX* wouldn't be LUX* without a few surprises. Expect island-roasted coffee in Café LUX*, impromptu screenings at Cinema Paradiso and the chance to hang your hopes on our magical tree of wishes.

# LUX* GRAND GAUBE RESORT & VILLAS

A pioneering vision from designer Kelly Hoppen delivers an eclectic retro-chic lifestyle that's effortlessly sophisticated, yet blissfully informal.

Amidst lush tropical gardens, LUX* Grand Gaube is enveloped by undulating coves, the calmest of lagoons and is blessed with two tranquil beaches and two spectacular swimming pools.

From generously proportioned rooms with balconies or terraces, to romantic junior suites and showstopper villas with private pools and gardens - all come complete with Indian Ocean vistas and our legendary LUX* hospitality.

A global culinary journey leads to live cooking stations at the Palm Court, Peruvian and Argentinian cuisine at INTI, authentic Creole flavours at Banyan and a Turkish twist at Bodrum Blue.

Add our famous Café LUX*, the Beach Rouge dining club plus a host of surprises at every turn - and resort living has never looked or tasted so good.

As a true destination resort, we also spoil you with space. There's an abundance of places to relax or refuel and extensive sports and wellness facilities featuring a sensational new spa, fitness, tennis academy, golf and water sports. To tempt you from your lounger, we also invite you to join us at inspirational classes and expert-led workshops.

With an easy living, smile-inducing personality - LUX* Grand Gaube is the best of every world. Fresh from LUX*, it's an entirely new way to savour the island of Mauritius.



**This Luxury Resort in Mauritius is a clever balance of contrasts and fresh design on the island's northern coast.**

## LUX* BELLE MARE RESORT & VILLAS

# A luxury hotel in Mauritius, shining with the vibrant energy and hospitality of authentic island life.

Fresh and forward-looking, LUX* Belle Mare promises a stylish contemporary spin on luxury hospitality. Tucked away in beautifully landscaped tropical gardens near the sleepy village of Belle Mare, this modern Mauritius boutique resort lives on a glorious stretch of the east coast. Designer Kelly Hoppen breathed inspiration into the interiors, and it's as seductive to honeymooners as fun for multi-generational and family escapes.

Uninterrupted soul-stirring sea views, powder-soft sands, beryl-blue waters and coconut palms swaying gently in the breeze and the island's largest swimming pool where the terrace gently buzzes by day and feels Balearic by night. Expect Chinese street-food flavours prepared with fine-dining flair, while Amari by Vineet sets new standards for modern Indian cuisine.

Instagram enthusiast adore the ice-cream parlour, the rustic rum shack, beer academy and DJ-soundtracked cocktails at Beach Rouge or switch off and indulge in sweet-scented LUX* Me spa treatments, work on your swing at one of three world-class golf courses or explore the marine life waiting in the lagoon. If it sounds like one of the most charming spots on the island, it is. Vibrant cosmopolitan personality, authentic island life, every five-star perk and plenty of surprises.

# LUX* SAINT GILLES

Located on the western coast of this lush volcanic island, LUX* Saint Gilles faces a shimmering expanse of aqua-blue waters, fringed by a stretch of immaculate sands. Tucked away in acres of beautiful tropical gardens, Creole villas sit in the shade of coconut palms and filao trees, just steps from the coral-sheltered lagoon at L'Hermitage.

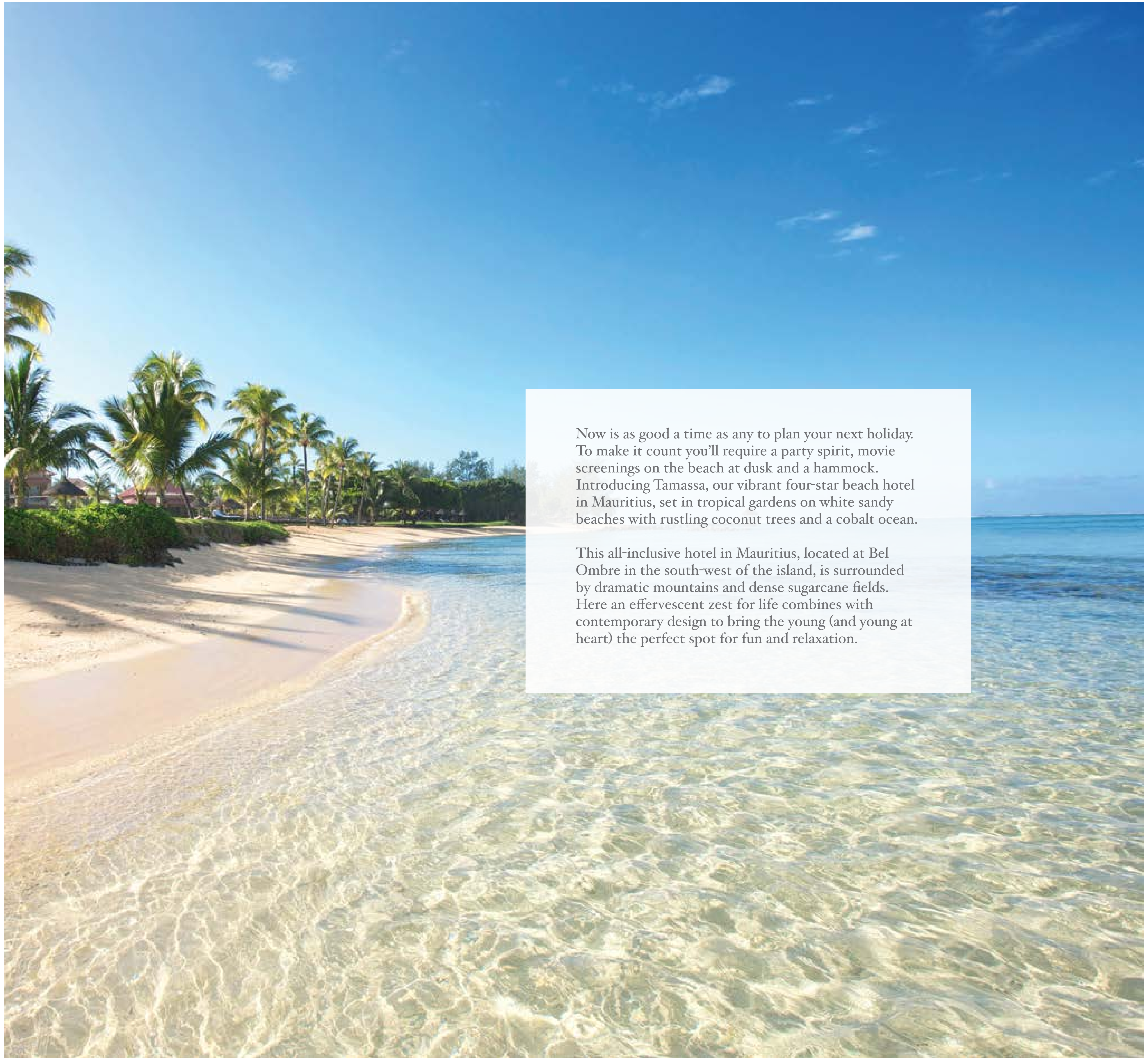
The white-sand beach may call for idle lounging by the emerald-blue pool – it's the largest one in Reunion Island – but there's plenty here for thrill-seekers, too. Try a spot of tennis or volleyball in the grounds, or venture further afield to experience the rugged, dramatic beauty of the island's volcanic peaks and tumbling waterfalls at this World Heritage Site.

Once you've worked up an appetite, sample the day's catch at our beachfront bars and restaurants. Float away with a zen yoga session in the gardens or a private in-room spa treatment – a peaceful end to an unforgettable day on this majestic island.

**The only five-star hotel on Reunion Island, blessed with a flawless beach.**

## TAMASSA

# An all-inclusive hotel in Mauritius.



Now is as good a time as any to plan your next holiday. To make it count you'll require a party spirit, movie screenings on the beach at dusk and a hammock. Introducing Tamassa, our vibrant four-star beach hotel in Mauritius, set in tropical gardens on white sandy beaches with rustling coconut trees and a cobalt ocean.

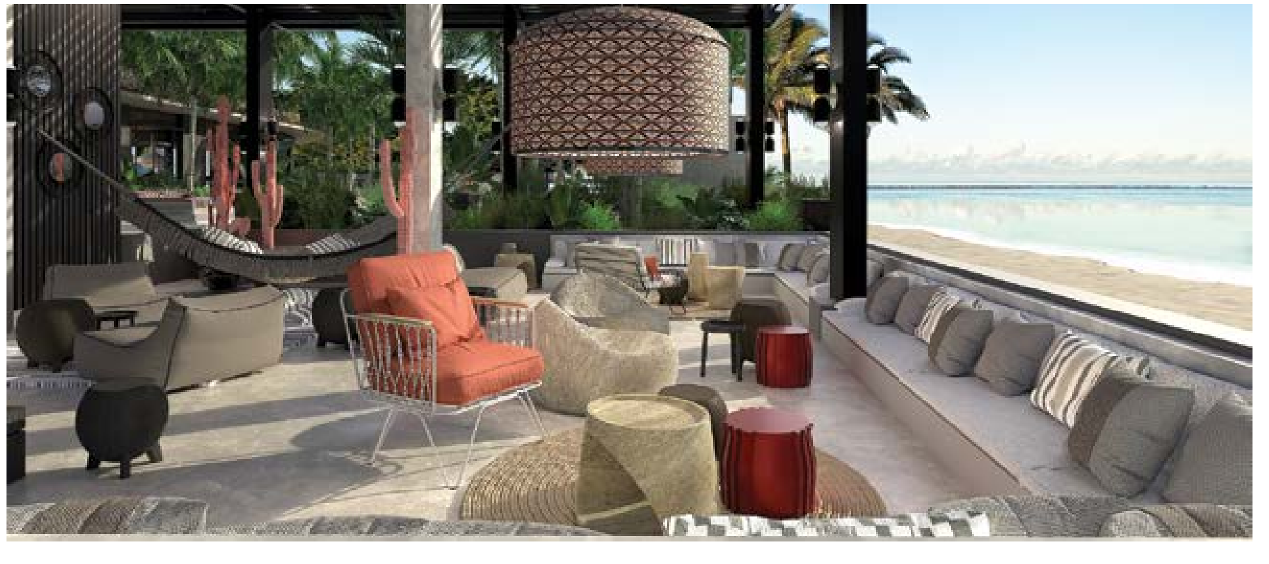
This all-inclusive hotel in Mauritius, located at Bel Ombre in the south-west of the island, is surrounded by dramatic mountains and dense sugarcane fields. Here an effervescent zest for life combines with contemporary design to bring the young (and young at heart) the perfect spot for fun and relaxation.



Integrated Annual Report 2020

# LUX* GRAND BAIE RESORT & RESIDENCES

Located on the iconic sunkissed beach of Grand Baie on the island's north coast, LUX* Grand Baie redefines modern luxury. The resort, actually under renovation is a rare find: deeply stylish interiors by Kelly Hoppen, a contemporary architecture that blends seamlessly into the tropical surroundings, forward-thinking dining and wellness, and a spirited vibe that blends seductively with next-generation luxury. There is truly no more distinctive or celebratory place to be than right here at LUX* Grand Baie.



A Serene tropical hotel at the heart of Grand Baie, Mauritius, where sophisticated, laid-back beachside living is taken to new heights.

# EMBA FILAO

## Situated next to LUX* Le Morne.

Emba Filao is the only beachside public restaurant on the west coast of the island. The restaurant sits directly on Le Morne public beach and offers gorgeous panoramic views on the azure lagoon. Popular to both local residents and tourists, it offers a menu filled with fresh seafood and local specialties. Our clients can take advantage of our sunbed rental services as an ideal choice to enjoy a sun-soaked experience and can benefit from our car park facilities. The spot is ideal for events such as family parties, birthday celebrations and corporate events during the whole year.

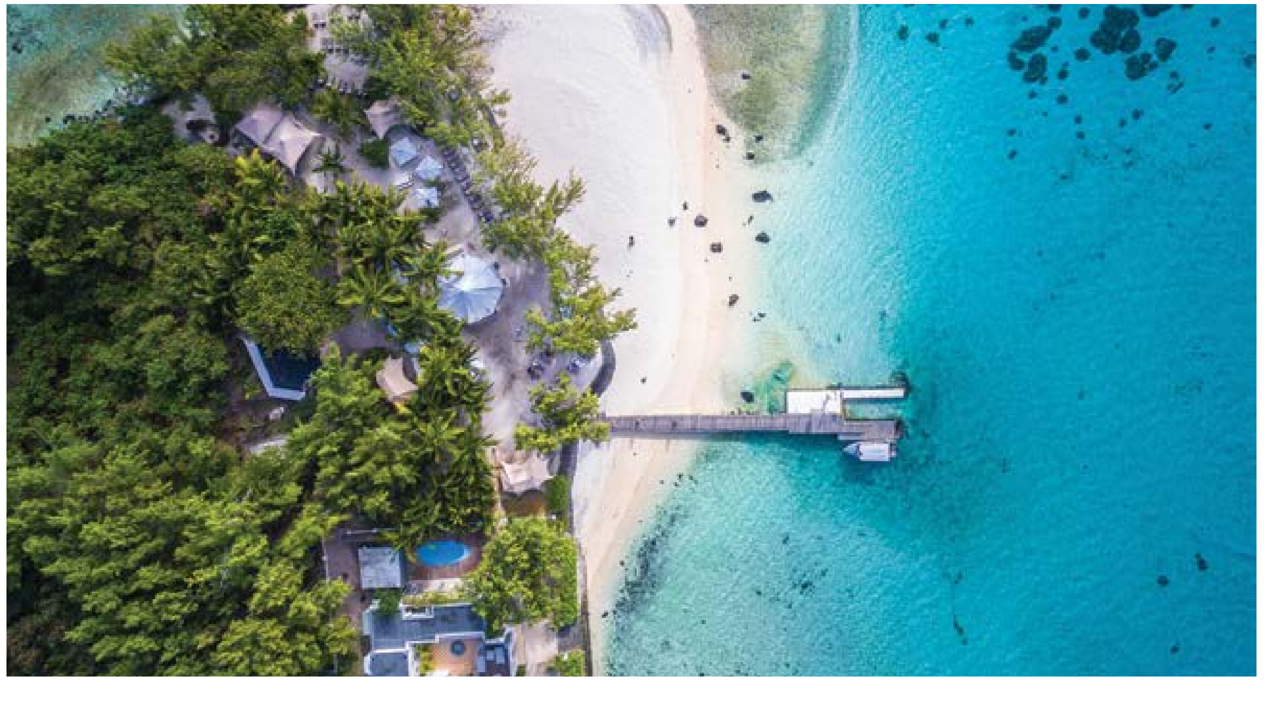
# ILE DES DEUX COCOS

Ile des Deux Cocos, a sun-soaked hideaway, is a good as it gets. Whatever it is you want to celebrate, our team is here to give you a hand.

Whoever said life is about the journey, not the destination, probably didn't own a private tropical island retreat. With the unobstructed views, a picturesque villa and a dedicated team, you are guaranteed to live out your ultimate castaway fantasy on Île des Deux Cocos.

This beautiful jewel surrounded by turquoise ocean lies just off the south east coast of Mauritius. Reserve this island resort in Mauritius for an overnight stay, visit for day trips, or host your own exclusive party or special event, including weddings and anniversaries.

To the south of this island retreat in Mauritius, the dramatic ocean is an ever-changing spectacle of waves pounding against the coral reef. In contrast, to the north, tranquil, sandy white beaches border the Blue Bay Marine Reserve, one of the most stunning spots for snorkelling in Mauritius.





Infuse a little magic into your life. Make our private island your home for the day.

# Awards

### LUX* South Ari Atoll Resort & Villas

- 2019 Maldives Leading Eco-friendly Resort by South Asian Travel Award
- 2019 Indian Ocean Best Wellness Retreat by World Spa Awards
- 2019 Maldives Best Wellness Retreat by World Luxury Spa Awards
- 2019 Indian Ocean Best Luxury Resort Spa by World Luxury Spa Awards
- 2019 Best Luxury Island Resort – Continent Winner: Indian Ocean by World Luxury Hotel Awards
- Ranked in 29th place in the Indian Ocean – Resorts Category by  Conde Nast Traveler's Readers' Choice Award 2020
- British Airways Customer Excellence Award 2019 (9.4 out of 10)

### LUX* Le Morne Resort

- 2019 Best Luxury Hotel in Africa by The International Hotel Awards
- 2019 Best Luxury Hotel in Mauritius by The International Hotel Awards
- Ranked 12th out of 25 hotels in Africa by TripAdvisor Traveller's Choice Awards 2019
- Ranked 6th out of 10 hotels in Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 5th out of 10 hotels for Best Romantic Hotels in Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 6th out of 25 in Africa by TripAdvisor Traveller's Choice Awards 2020
- British Airways Customer Excellence Award 2019 (9.6 out of 10)

### LUX* Belle Mare Resort & Villas

- Ranked 2nd out of 10 hotels in Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 3rd out of 10 hotels in Top 10 Luxury Hotels – Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 2nd out of 10 hotels in Top 10 Hotels for Service – Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 3rd out of 25 in Top 25 All-Inclusive Resorts in the World by TripAdvisor Traveller's Choice Awards 2019
- Top 25 Hotels in the World by TripAdvisor Traveller's Choice Awards 2020
- Top 25 Luxury Hotels in the World by TripAdvisor Traveller's Choice Awards 2020
- Ranked 2nd out of 25 in Africa by TripAdvisor Traveller's Choice Awards 2020
- Ranked 4th out of 25 in the World for All-Inclusive Resorts by TripAdvisor Traveller's Choice Awards 2020
- Ranked in 22nd place in the Indian Ocean – Resorts Category by Conde Nast Traveler's Readers' Choice Award 2020

### LUX* Grand Gaube Resort & Villas

- Ranked 3rd out of 10 hotels in Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 4th out of 10 hotels in Top 10 Luxury Hotels – Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 3rd out of 10 hotels in Top 10 Hotels for Service – Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 4th out of 25 in Africa by TripAdvisor Traveller's Choice Awards 2020
- British Airways Customer Excellence Award 2019 (9.5 out of 10)

### Tamassa Bel Ombre

- World's 5th Best All-Inclusive Resort by TripAdvisor Travellers Choice Awards 2020
- Ranked 5th in the Top 10 Hotels – Mauritius by TripAdvisor Travellers Choice Awards 2019
- Ranked 6th out of 10 hotels in Top 10 Hotels for Service – Mauritius by TripAdvisor Traveller's Choice Awards 2019
- Ranked 12th out of 25 in Africa by TripAdvisor Traveller's Choice Awards 2020
- Ranked 15th out of 25 in the World for All-Inclusive Resorts by TripAdvisor Traveller's Choice Awards 2020

# Corporate Governance Report

## Statement of Compliance by the Board

Lux Island Resorts Ltd ('the Company' or 'LIR') and its subsidiaries (together 'the Group') have always been committed to observing high standards of Corporate Governance, promoting corporate transparency and enhancing shareholder value.

The introduction of The National Code of Corporate Governance for Mauritius 2016 ('NCGG) has brought considerable changes, from a Corporate Governance reporting perspective.

We are pleased to confirm that we have complied with all of the requirements and provisions for the year ended 30 June 2020 except for:

- the composition of the Board : Following the restructuration exercise which involved the separation of the real estate cluster and hotel operation Company, LIR, from its management company, The Lux Collective Ltd (TLC), the Board is actually composed of only one executive director. The Board is of the view that a strong management presence is important and is currently considering to appoint another executive director.

- the composition of its committees : The Board is currently considering the recruitment of additional independent directors who will also sit on its committees, thus ensuring the compliance in its composition in respect of the number of independent directors, as per the recommendations contained in the NCCG

- Other directorships of the Board : The Board has decided not to disclose the other directorships of the Directors as this information is available upon request at the registered office of the Company.

This report, along with the Annual Report, is published in its entirety on the Company's website.

## Relations with Shareholders and Key Stakeholders

### Company Constitution

A copy of the Constitution is available at the registered office of the Company and on its website:www. luxislandresorts.com.

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

### Shareholding

The directors regard IBL Ltd as the ultimate holding company and as at 30 June 2020, four directors were common to the Company and IBL Ltd, namely Messrs Jean-Claude Béga, Jan Boullé, Thierry Lagesse and Maxime Rey.

As at 30 June 2020, the Company's share capital was Rs 1,371,159,430 (137,115,943 shares) and 4,742 shareholders (30 June 2019: 4,698) present on the shareholder's registry. There has been no change in the share capital during this financial year.

The following shareholders had more than 5% of the capital of the Company at 30 June 2020:

| | |
|---|---|
| IBL Ltd | 56.47% |
| Swan Group | 6.72% |
| National Pension Fund | 5.63% |
| Other shareholders (less than 5% each) | 31.18% |
| **Total** | **100.00%** |





## Relations with Shareholders and Key Stakeholders (continued)

### Shareholding profile (continued)

The Company's shareholding profile as at 30 June 2020 was as follows:

| Defined Brackets | Number of Shareholders | Number of Shares Owned | Percentage % |
|---|---|---|---|
| 1-500 | 2,373 | 314,551 | 0.229 |
| 501-1,000 | 460 | 361,121 | 0.263 |
| 1,001-5,000 | 993 | 2,463,968 | 1.797 |
| 5,001-10,000 | 330 | 2,405,114 | 1.754 |
| 10,001-50,000 | 428 | 9,294,908 | 6.779 |
| 50,001-100,000 | 67 | 4,745,359 | 3.461 |
| 100,001-250,000 | 56 | 8,947,736 | 6.526 |
| 250,001-1,000,000 | 26 | 12,216,594 | 8.910 |
| 1,000,001-1,500,000 | 4 | 5,071,803 | 3.699 |
| Over 1,500,000 | 5 | 91,294,789 | 66.582 |

### Summary of Shareholder Category

| Category of Shareholders | Number of Shareholders | Number of Shares Owned | Percentage % |
|---|---|---|---|
| Individuals | 4,327 | 19,261,053 | 14.047 |
| Insurance and assurance companies | 17 | 5,678,698 | 4.142 |
| Pension and provident funds | 118 | 24,065,497 | 17.551 |
| Investment and trust companies | 26 | 359,124 | 0.262 |
| Other corporate bodies | 254 | 87,751,571 | 63.998 |

### Share Price Information

As at 30 June 2020, the share price of the Company was around Rs 28 compared to Rs 58 as at 30 June 2019.

### Shareholder Rights

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that the Company's shareholders are treated fairly and equitably, and that their rights are protected.

The Directors are committed to providing shareholders with adequate, timely, and sufficient information pertaining to the Company's and the Group's business which could have a material impact on the Company's share price.

# Relations with Shareholders and Key Stakeholders (continued)

## Shareholder Rights (continued)

All shareholders of the Company are entitled to attend and vote at shareholders' meetings, in person or by proxy. Shareholders also receive the annual reports of the Company and the notice of Annual Meeting of shareholders, which is also published in the newspapers. However, this year, the Company has decided to take advantage of the Practice Direction No 5 of 2020 issued by the Registrar of Companies in respect of the sending of annual reports. The Company will therefore inform its shareholders by a communique in at least 2 newspapers and/or on its website, that the annual report is available. All shareholders will receive by registered post the notice of meeting and the proxy form only. The shareholders will however retain their right to receive a hard copy of the annual report and same shall be sent to them within 2 working days.

## Communication with shareholders and stakeholders

Engagement with the shareholders and wider stakeholder groups plays a vital role throughout the business, therefore the Company actively engages with its shareholders and stakeholders to promote regular, effective and fair communication.

The Board recognises the importance of two-way communications with its shareholders and stakeholders. In addition to giving a balanced report of results and progress at each annual meeting, the board ensures that transparency and disclosure are at the centre of the Company's communication with the shareholders. The Company is committed to delivering thorough and updated information to the global investing community, in order to support informed investment decisions. The Company does not practice selective disclosure of material information. The Company conveys material information in its quarterly results through published announcements, and is required to comply with the provisions of the Listing Rules under the continuous disclosure obligations. Results and annual reports are announced and issued within the specified period. All announcements are posted immediately on the Company's website.

The Company conducts regular analysts and media meetings. For the results announcements, the Company provides materials, including financial statements and Management discussions and analysis in the form of presentation slides and press releases. During these meetings, the Chairman and the Chief Executive Officer review the most recent performance, analysis, business key-value drivers and metrics, and share the Company's and the Group's insights and business strategy. During those meetings, analysts, fund managers and reporters have the opportunity to ask questions to the Chairman and the Chief Executive Officer. Any figures or information presented during the media meetings are simultaneously posted on the Company's website.

## Dividend Policy

The amount of dividends declared and paid depends on many factors, including the results of the operations, cash flow, capital expenditure, working capital requirements, future projects, and other factors deemed relevant by the Board.

However, subject to internal cash-flow requirements and the need for future capital investments, it is the Company's policy to declare 50% dividends out of recurring profits for the year available for distribution, in accordance with the Mauritian Companies Act 2001. The Audit & Risk Committee and the Board ensure that the Company satisfies the solvency test before declaring any dividend

Following the Covid-19 outbreak followed by significant reduction in air travel and its impact on the hotel industry globally, the Board has decided not to declare any dividend with respect to the year ended 30 June 2020 (2019: Rs 3.36 including a dividend in specie of Rs 2.01 per share).





# Relations with Shareholders and Key Stakeholders (continued)

## Dividend Policy (continued)

Summary of dividend per share paid over the past five years in Mauritian rupees:

| Period | Final paid |
|---|---|
| Year ended 30 June 2016 | 1.15 |
| Year ended 30 June 2017 | 1.25 |
| Year ended 30 June 2018 | 1.25 |
| Year ended 30 June 2019 | 1.35 |
| Year ended 30 June 2019 (Note 1) | 2.01 (representing the dividend in specie – The Lux Collective (TLC) shares) |
| Year ended 30 June 2020 | - |

*Note 1 : represents the carrying value of the investment in TLC distributed as dividend in specie.*

## Conduct of Shareholder Meetings

During the Annual Meeting of shareholders, which is held in Mauritius, Shareholders are given the opportunity to share their views and to discuss with the Board and Management of the Company, with regard to the Company's and the Group's business activities and financial performance.

Directors are encouraged to attend Shareholders' meetings.

The external auditors are also present at such meeting.

The Constitution also allows a shareholder of the Company to appoint a proxy (in the case of an individual shareholder) or a representative (in the case of a body corporate which is a shareholder of the Company, by way of a written resolution), whether a shareholder or not, to attend and vote on their behalf.

At a Shareholders' meeting, each item is proposed in a separate resolution:

- The approval of the audited financial statements
- The Annual Report
- The election or re-election of Directors of the Board
- The appointment or re-appointment of Auditors under section 200 of the Mauritian Companies Act 2001
- The ratification of the remuneration paid to the Auditors
- The approval of Non-Executive Directors remuneration
- Any other matter which may require the Shareholder's approval

# Relations with Shareholders and Key Stakeholders (continued)

## Director's Interests Register

The table below outlines each Director's respective direct and indirect interests and number of other directorships in listed companies as at 30 June 2020.

| Directors | Direct Interest | | Indirect Interest | Number of Other Directorships in Listed Companies |
|---|---|---|---|---|
| | Shares | % | % | |
| Jean-Claude Béga | 79,651 | 0.06 | 0.04 | 4 |
| Jan Boullé | - | - | 0.05 | 7 |
| Laurent de la Hogue | 25,000 | 0.02 | - | 2 |
| Désiré Elliah | 759,977 | 0.55 | - | - |
| Pascale Lagesse | - | - | - | - |
| Thierry Lagesse | 1,378 | 0.00 | 0.05 | 5 |
| Reshan Rambocus | - | - | - | 2 |
| Maxime Rey | 4,000 | 0.00 | - | 5 |

Other than having shares in the Holding company, none of the directors have any interest in the subsidiaries of the Company as at 30 June 2020.

During the financial year under review, there were no share dealings by directors.

The Company complies with Appendix 6 (Model Code for Securities transactions by Directors of Listed Companies) of the Listing Rules established by the Stock Exchange of Mauritius Ltd and ensures that all dealings in which a Director is or is deemed to be interested is conducted in accordance with the model code.

The Company keeps an Interests Register in accordance with the Mauritian Companies Act 2001 and an Insider Register pursuant to the Securities Act 2005. The registers are regularly updated with the information submitted by the directors and/or other insiders as applicable.

# Calendar of Important Events with respect to the forthcoming Financial period

| | |
|---|---|
| Publication of 1st quarter results | November 2020 |
| Annual Meeting of Shareholders | December 2020 |
| Declaration/payment of interim dividend (if applicable) | November/December 2020 |
| Publication of half-yearly results | January 2021 |
| Publication of 3rd-quarter results | April 2021 |
| Declaration/payment of final dividend (if applicable) | June 2021 |
| Financial year-end | June 2021 |
| Publication of abridged end-of-year results | August 2021 |



Corporate Governance Report

# Governance Structure

Lux Island Resorts Ltd is a public interest entity, as defined by law.

The primary function of the Board of Directors of the Company ("Board") is to provide effective leadership and direction to enhance the long-term value of the Company to its shareholders and other stakeholders as enumerated in the Board Charter as approved by the Board and which is published on the Company's website. The Board has, inter alia, the responsibility to fulfil its role, which entails the following:

- Ensure that the long-term interests of the Company and its shareholders are being served, and to ensure proper safeguard of the Group's assets;
- Assess major risk factors relating to the Company's and the Group's operations and review measures, including internal controls, to address and mitigate such risks;
- Review and approve Management's strategic and business plans, including understanding the business and questioning the assumptions upon which plans are based, in order to reach an independent judgement and determine the feasibility of the plans and/or forecasts being realised;
- Monitor the performance of the group regarding budgets and forecasts prepared by Management;
- Monitor the execution of the strategy by the Management
- Review and approve significant corporate actions and major transactions;
- Assess the effectiveness of the Board in accomplishing its function and meeting out its objectives;
- Ensure ethical behaviour and compliance with laws and regulations, auditing and accounting principles and the company's own governing documents;
- Identify key stakeholder groups and acknowledge that their perceptions affect the Company's reputation;
- Consider sustainability issues, e.g environmental and social factors, as part of its strategic formulation; and
- Perform such other functions as prescribed by law, or assigned to the Board in the Company's governing documents.

The Board has approved a 'Statement of Accountabilities', under its Board Charter, describing the major accountabilities within the organisation.

The Board Charter is reviewed on an annual basis.

## Chairman of the Board

The Board is headed by the Chairman and there is a clear separation of responsibilities between the leadership of the Board and the Executives responsible for managing the Company's business. The Board notes that the Chairman plays an instrumental role in developing the business of the Company and the Group and that he provides the Company and the Group with strong leadership and vision. The Chairman of the company is Mr Jean-Claude Béga. Mr Jean-Claude Béga is responsible, inter alia, for:

- Leading the Board to ensure its effectiveness in all aspects of its role;
- Setting the agenda and ensuring that adequate time is granted to discuss all agenda items particularly strategic issues;
- Ensuring that the Directors receive complete, adequate information in a timely manner;
- Ensuring effective communication with shareholders;
- Encouraging constructive relations within the Board and between the Board and Management;
- Facilitating the effective contribution of non-executive directors in particular; and
- Promoting high standards of Corporate Governance

## Governance Structure (continued)

### Code of Ethics

The Company has a commitment to moral conduct, to ethical behavior and to operations within the letter and spirit of the law. In carrying out their duties, Officers of the Group should adhere to local and all other applicable laws, regulations, principles and standards, in everything that they do and be aware that compliance with such laws, regulations, principles and standards is the basis of sound business conduct.

The Code of Ethics of the Group is approved by the Board and distributed to all Team Members of the Group.

The Audit & Risk Committee (ARC) annually monitors and evaluates compliance with its Code of Ethics. Appropriate actions are taken in case of non-compliance.

## Structure of the Board

### Board Size and composition

The Board is a unitary board that currently consists of 8 directors as shown below, along with their membership on the Committees of the Company:

Each year, the Board examines the size, composition, skills and core competencies of its members to ensure there is an appropriate balance and diversity of gender, skills, experience and knowledge. The Board includes Directors from different industries and backgrounds, with business and management experience, who, collectively, provide the core abilities for the leadership of the company. Taking into account the scope and nature of the Group's operations, the Board considers that the current Board of 8 Directors is appropriate for enabling effective decision-making. The directors of the Company and their functions in the various Committees are as follows:

| Name | Gender | Country of Residence | Board Appointment | Board Committee Appointment |
|---|---|---|---|---|
| Jean-Claude Béga | M | Mauritius | Non-Executive Chairperson of the Board | Member of the Corporate Governance and Nomination Committee and of the Remuneration Committee |
| Désiré Elliah (Chief Executive Officer) | M | Mauritius | Executive Director | Non applicable |
| Jan Boullé | M | Mauritius | Non-Executive Director | Member of the Corporate Governance and Nomination Committee and of the Remuneration Committee |
| Laurent de la Hogue | M | Mauritius | Non-Executive Director | Member of the Audit and Risk Committee |
| Pascale Lagesse | F | France | Independent Director | Chairperson of the Corporate Governance and Nomination Committee and of the Remuneration Committee |
| Thierry Lagesse | M | Mauritius | Non-Executive Director | Non applicable |





## Structure of the Board (continued)

### Board Size and composition (continued)

| Name | Gender | Country of Residence | Board Appointment | Board Committee Appointment |
|---|---|---|---|---|
| Reshan Rambocus | M | Mauritius | Independent Director | Chairperson of the Audit & Risk Committee and Member of the Remuneration Committee |
| Maxime Rey | M | Mauritius | Non-Executive Director | Member of the Audit & Risk Committee |

All Board members are non-executive, except:
- the Chief Executive Officer

### Director's independence review

Having 2 independent directors play a crucial role in ensuring that we have a strong and impartial element on the Board. The objective is to facilitate the exercise of independent and objective judgement on corporate affairs, and to ensure that discussion and review of key issues takes place in a critical yet constructive manner.

The Board evaluates, on an annual basis, and as and when the circumstances require, whether or not a director is independent, bearing in mind the provisions of the NCCG, and any other salient factors.

Additionally, rigorous review are conducted, and particular consideration is given to Directors that have served on the Board for more than nine consecutive years, from the date of their first election. However, the Board considers that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time and that a director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging should also be considered. Managing the interests of the Company and the Group, as well as the performance of their duties in good faith, are more critical measures in ascertaining a director's independence than the number of years on the Board.

The Board considers that the following Directors are regarded as Independent Directors of the Company:
- Mrs Pascale Lagesse
- Mr Reshan Rambocus

Mrs Pascale Lagesse was appointed as an Independent Director on the Board on 20 April 2017 and Mr Reshan Rambocus was appointed as an Independent Director on the Board on 01 July 2018.

We believe that the Independent Directors have and will demonstrate a high commitment to their roles as Directors.

### Non- executive Directors

Our non-executive Directors meet and/or hold discussions at least annually without the presence of other executive directors and Management.

# Structure of the Board (continued)

## Delegation by the Board

To assist the Board, the Board has delegated certain functions to 3 Committees, namely the Audit & Risk Committee (ARC), the Remuneration Committee (RC) and the Corporate Governance and Nomination Committee (CGNC). Each committee has its own written terms of reference, which are available on the Company's website.

## Directors' time, commitment, and multiple directorships

The NCCG recommends that Directors collectively come to a consensus on the maximum number of listed companies Boards that each Director may serve on, in order to properly address time commitment that may arise due to one individual serving on multiple Boards.

The Board believes that each Director who already serves on several Boards, when accepting yet another appointment, has the individual responsibility to personally determine the demands of his competing directorships and obligations, and ensure that he can allocate sufficient time and attention to the affairs of each Company.

The Board considers that setting a limit on the number of listed companies directorships a Director may hold, is arbitrary, given that time requirements for each person vary. Therefore, the Board prefers not to be prescriptive. As a safeguard, the CGNC reviews each Director's ability to devote sufficient time and attention to the affairs of the Company during the CGNC's annual assessment process. The CGNC is currently satisfied with the time committed by each Director to meeting attendance.

## Company secretary

Since the 01 January 2019, the role of the Company Secretary is carried out by IBL Management Ltd in replacement of The Lux Collective Ltd (previously LUX Hospitality Ltd).
IBL Management Ltd comprises a team of experienced company secretaries providing support and services to the Company. As governance professionals, the Company Secretary guide the Board on corporate governance principles and on its statutory duties and responsibilities.
In its advisory role, the Company Secretary provides support and advice to the Company on corporate transactions/projects.
The Company Secretary is responsible for the efficient administration of the Company, particularly with regard to ensuring compliance with statutory and regulatory requirements and for ensuring that the Board's decisions are implemented.

Directors may separately and independently contact the Company Secretary or its nominee who attends and prepares minutes for all Board meetings. The Company Secretary's role is defined, and includes the responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are abided by.

The appointment and dismissal of the Company Secretary are matters requiring the Board's approval.

## Audit & Risk Committee (ARC)

The ARC is governed by a Charter in line with the provisions of the NCCG. The Charter of the ARC is available on the website of the Company and has been approved by the Board and the ARC. The Charter is reviewed on an annual basis.

The Board considers that the members of the ARC are appropriately qualified to discharge the responsibilities of the ARC. The ARC has the explicit authority to investigate any matter within its terms of reference. In addition, the ARC has full access to, and co-operation of the Management as well as full discretion to invite any Director or executive officer to attend its meetings. Reasonable resources are made available to enable the ARC to discharge its functions properly.





# Structure of the Board (continued)

## Audit & Risk Committee (ARC) (continued)

In addition to its statutory functions, the ARC considers and reviews any other matters as may be agreed to by the ARC and the Board. The duties of the ARC includes amongst others:

a. Reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group and any formal announcement relating to the Company's and the Group's financial performance;
b. Reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Company's and the Group's internal controls, including financial, operational, compliance and information technology controls;
c. Reviewing the effectiveness of the Company's and the Group's internal and external audit function;
d. Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and
e. Making recommendations to the Board on the proposals to the shareholders on appointment, re-appointment and dismissal of external auditors, and approving the remuneration and terms of engagement of the external auditors.

The ARC reviews with Management, and where relevant, the auditors, the results announcements, annual report and financial statements, interested person transactions and corporate governance, before submission to the Board for approval and adoption.

In performing its functions, the ARC meets with the internal and external auditors, and reviews the audit plans and overall scope of both internal and external audits, and the co-operation and assistance given by Management to the respective auditors. Where necessary, the ARC also meets separately with the internal and external auditors whereby any issues may be raised directly with the ARC, without the presence of Management. The internal and external auditors have unrestricted access to the ARC.

The ARC has discussed with external auditors and Management on matters of significance to the financial statements, which include the following:

- Impairment of goodwill and property, plant and equipment
- Impairment of investment in subsidiary companies
- Revaluation of land and buildings and investment property
- Basis of preparation-Impact of Covid-19

These matters as well as any other issues identified by the ARC are discussed with both the internal and external auditors. Depending upon the issue, independent expert advice are sought. The matters listed above have also been addressed by the auditors under the "Key Audit Matters" section in the Independent Auditor's Report. The ARC is satisfied that these matters have been appropriately addressed. The ARC recommended to the Board to approve the audited financial statements of the Group for the financial year ended 30 June 2020 ("FY 2020 Financial Statements"). The Board has approved the FY 2020 Financial Statements on 30 October 2020.

The ARC met 5 times during the year and has considered, inter alia, the following:

- Approval of the financial statements as at 30 June 2019
- Approval of the results for Q1, Q2 and Q3
- Review and determine the ARC role and responsibility
- Recommending to the Board the appointment of the new external auditor after the tender exercise done
- Meeting with the new auditors and planning of the audit
- Assessing the impact of the Covid-19 on the Company's and the Group's operations and business continuity plan
- Discussing about the financing options resulting from the pandemic of the Covid-19
- Taking cognisance of the internal and external audit reports issued

# Structure of the Board (continued)

## Audit & Risk Committee (ARC) (continued)

The members of the ARC are as follows:
- Reshan Rambocus (Chairperson) Independent Director
- Laurent de la Hogue Non-Executive Director
- Maxime Rey Non-Executive Director

The Board is taking appropriate actions to comply with the NCCG in terms of the number of independent directors constituting the ARC.

Profiles and qualifications of the members of the ARC are disclosed on pages 14 and 15.

## Corporate Governance and Nomination Committee (CGNC)

The CGNC is governed by a Charter that determines the objects and functions of the Committee.

The Charter of the CGNC is available on the website of the Company and has been approved by the Board and the CGNC. The Charter is reviewed on an annual basis.

The main role of the CGNC is to advise and make recommendations to the Board on all aspects of Corporate Governance which should be followed by the Company, so that the Board remains effective while complying with sound and recommended corporate practices and principles.

The members of the CGNC are :
- Pascale Lagesse – Independant Chairperson of the Committee
- Jean-Claude Béga – Non-Executive Chairperson of the Board
- Jan Boullé – Non-Executive Director

The Board is taking appropriate actions to better comply with the NCCG in terms of the number of independent directors constituting the CGNC.

Profiles and qualifications of the members of the CGNC are disclosed on pages 14 and 15.

## Remuneration Committee (RC)

The RC is governed by a Charter that determines the role and responsibilities of the Committee. The Charter of the RC is available on the website of the Company and has been approved by the Board and the RC. The Charter is reviewed on an annual basis.

The duties of the RC include, amongst others, the recommendation to the Board for approval of the following:
- The organisational chart of the Company;
- A general framework of remuneration for the key management personnel;
- Specific remuneration packages for each key management personnel; and
- The company's obligations in the event of the termination of an executive director or key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses that are not overly generous.

The RC may, during its annual review of remuneration of key management personnel, seek advice from external remuneration consultants as and when deemed necessary.





# Structure of the Board (continued)

## Remuneration Committee (RC) (continued)

None of the members of the RC are involved in deliberations regarding remuneration, fees, compensation, incentives or any other form of benefits granted to Directors. Emoluments of Directors are proposed by the CGNC.

The members of the RC are :
- Pascale Lagesse - Independent Chairperson of the Committee
- Jean-Claude Béga – Non-Executive Chairperson of the Board
- Jan Boullé – Non-Executive Director
- Reshan Rambocus – Independent Director

The Board views that the current composition is adequate, with a Chairperson qualified as Independent Director.

Profiles and qualifications of the members of the RC are disclosed on pages 14 and 15.

## Attendance

Below are details on the number of Board meetings and Board Committee meetings held during the last financial exercise, as well as the attendance of Directors and Board Committee members at those meetings:

| Name | Board Meetings | ARC Meetings | CGNC Meetings | RC Meetings |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Désiré Elliah | 6 | 5 (in attendance) | 1 (in attendance) | 1(in attendance) |
| **Non-Executive Directors** | | | | |
| Jean-Claude Béga | 6 | | 1 | 1 |
| Jan Boullé | 6 | | 1 | 1 |
| Laurent de la Hogue | 6 | 5 | - | - |
| Pascale Lagesse | 5 | - | 1 | 1 |
| Thierry Lagesse | 6 | - | - | - |
| Reshan Rambocus | 6 | 5 | | 1 |
| Maxime Rey | 6 | 4 | - | - |
| **Number of Meetings held** | **6** | **5** | **1** | **1** |

# Director Appointment Procedures

## Role of the CGNC in the Director's appointment

The CGNC is responsible for selecting and appointing new Directors.

All new Board members are first considered, and recommended by the CGNC, before being brought up to the Board for approval. Potential candidates for casual vacancies are sourced with recommendations from Directors, or the Shareholders as provided in article 13.1.5 of the Constitution of the Company. The CGNC then evaluates the suitability of potential candidates for the position, taking into account, inter alia, skills, knowledge, experience and ability to contribute to the Board's effectiveness.

Upon the CGNC recommendation, the Board approves the appointment of the new Director.

In accordance with the provisions of the NCCG governing the election and re-election of Directors, all Directors are to present themselves for re-election every year at the Annual Meeting of Shareholders. Newly-appointed Directors, during the year under review, are proposed for election at the forthcoming Annual Meeting of Shareholders.

Under Section 138 of the Mauritian Companies Act 2001, the office of a Director shall become vacant at the conclusion of the Annual Meeting of Shareholders commencing next after the Director attains the age of 70 years, and shall then be subject to yearly re-appointment. The Board is satisfied with the current practice.

This year, to comply with the provisions of the NCCG, Messrs Jean-Claude Béga, Désiré Elliah, Jan Boullé, Laurent de la Hogue, Pascale Lagesse, Thierry Lagesse, Reshan Rambocus and Maxime Rey will submit their re-election as Board Members at the forthcoming Annual Meeting of Shareholders.

The CGNC has recommended the re-election and/or election of the Board members listed above, after taking into consideration each one's attendance, participation, contribution and performance during the past year.

## Board orientation and training for new directors

A procedure has been put in place to ensure that newly-appointed Directors receive an induction and orientation upon joining the Board.

New Directors are provided with the Board Charter, which clearly outlines their duties and obligations. The Company's relevant governing documents are also handed over to the new Directors.

Newly-appointed non-executive directors who are not familiar with the Company's and the Group's business or the Hospitality Sector's activities are invited to visit each hotel and meet the General Manager to get acquainted with each resort's operations, strengths and weaknesses.

Management is also responsible for briefing new directors on the Company's and the Group's business. This process will ensure the creation of a well-informed and competent Board.





# Director Appointment Procedures (continued)

## Continuing development of Directors

The Chairperson regularly reviews and agrees with each Director, if necessary, on his or her training and development needs. The Chairperson ensures that all Directors have received proper training and the Company provides, as far as possible, the necessary resources for the Director to best develop his knowledge and capabilities.

The trainings normally comprise of:
- Externally conducted courses on audit/ financial reporting matters and other relevant topics;
- Quarterly management updates on operations and industry-specific trends and development; and
- Quarterly ongoing training on regulatory changes and updates, which includes briefings to ARC members or changes to accounting standards and issues.

## Succession Planning and Directors service contract

The Board believes that good succession planning is a key contributor to the delivery of the Company's and of the Group's strategy and its ability to create value in the long term. The Board is committed to recognising and nurturing talent across the Company's and the Group's executive and management teams in order to develop current and future leaders. Succession planning, which is reviewed on an annual basis, is within the purview of the Corporate Governance and Nomination Committee.

The contract of Mr Désiré Elliah is governed by the Mauritius labour law.

## Directors profile

Please refer to pages 14-15 to pages for the Directors profile.
A few directors are also Directors on the board of other companies which are not listed.
The Board believes that this information will be cumbersome and will not add any value to the Annual Report.
However, this information is available upon request at the Company's registry.

# Duties, Remuneration and Performance

## Key features of Board processes

To assist the Directors in planning their attendance at meetings, the dates of Board Meetings, Board Committee meetings, Annual Meetings together with the agenda of items or matters to be discussed, are schedule up to one year in advance, with Board Meetings occurring at least each quarter. In addition to the regular scheduled meetings, ad-hoc Committees are convened as and when circumstances warrant. Besides physical meetings, the Board and the Board Committees may also make decisions by way of written resolutions under the Company's Constitution and their respective Terms of Reference.

Board meetings are chaired in Mauritius, but the Company's Constitution permits Board Members to also participate by teleconference or other similar means of communication.

# Duties, Remuneration and Performance (continued)

## Key features of Board processes (continued)

From 01 July 2019 to 30 June 2020, the Board met 6 times for the purpose of considering and approving, amongst others, the following items:
- The audited financial statements for the year ended 30 June 2019 and relevant publications including the annual report for the year ended 30 June 2019;
- Discussion about the transformation of Merville Beach Hotel into LUX* Grand Baie;
- Approval of Q1 results;
- Approval of Q2 results;
- Approval of Q3 results;
- Approval of the new terms and conditions of the management agreements signed with The Lux Collective Ltd;
- Selection of the new external auditor;
- Sale of Hôtel Le Récif in Réunion Island ; and
- Assessing the impact of the Covid-19 on the Company's and the Group's operations and business continuity plan and discussion on the financing options

## Complete, adequate, and timely information

To ensure that the Board is able to fulfil its responsibilities, Management provides the Board with complete and adequate information in a timely manner. Such information extends to documents on matters to be brought up at Board and Board Committee meetings which, as a standard procedure, are circulated to Board and Board Committees members, in advance for their review and consideration.

Senior Management, Senior Executives of the Management Company (TLC), the Company's auditors and other professionals who can provide additional insights into matters to be discussed at Board and/or Board committee meetings are also invited to be present at these meetings, when necessary. As Directors may have further queries on the information provided, they have separate and independent access to the Company's Senior Management, which addresses individual Directors' requests for additional information/documents accordingly.

Management provides the Board with the Group's Financial Statements and Management Reports on a quarterly basis and upon request, as and when required. Explanations are given by Management for material variance (if any) between any projections in the budget and actual results.

There are no restrictions placed over the right of access to information for the directors.

## Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Company or the Group if they have the ability, directly or indirectly, to control the Company or the Group or exercise significant influence over the Company or the Group in making financial and operating decisions, or vice versa, or if they and the Company or the Group are subject to common control. Related party transactions are disclosed in note 36 on page 203 in the financial statements.
Related party transactions have been conducted at arm's length and in accordance with the laws.

## Conflicts of Interests

The Company's Code of Ethics, which includes a section on conflict of interest, is applicable to all employees and senior officers of the Company and the Group. The Whistleblowing Policy, which is an extension of the Code of Ethics, provides employees and other stakeholders a reporting channel on suspected misconduct or malpractice within the Company or the Group without fear of reprisal or victimisation. It also outlines the complaint handling and reporting processes to improve transparency.





# Duties, Remuneration and Performance (continued)

## Conflicts of Interests (continued)

All new employees and directors of the Company and the Group receive training on the Code of Ethics and the Whistleblowing policy. The Company secretary maintains an interest register and in case he/she notices any potential conflict of interest, timely reporting is made to the Board. The interest register is available for inspection upon written request from the shareholders.

The Company has a policy in place where a Board member shall immediately report to the Chairperson of the Board about any conflict of interest or potential conflict of interest and shall provide all information in that respect. This Board Member should not take part in any discussion or decision regarding such transaction.

All conflicts of interest have been dealt with in accordance with the Company's Code of Ethics.

## Board Evaluation Process

The CGNC is tasked with carrying out the processes implemented by the Board, assessing the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board on an annual basis.

The Company has established a system of Board Appraisal to assess the effectiveness/ performance of the Board and acts upon, when deemed appropriate. Feedbacks from Board members on improvement are welcome.

The Board Appraisal is conducted periodically by means of a questionnaire filled by each Director. The questions are categorised as follows:
- Company's relationship and communication with its shareholders;
- Board's functions, responsibilities and relationship with Executive Management;
- Size, composition and independence of the Board;
- Board Meetings and Chairman's appraisal;
- Board's committees; and
- Director's individual assessment / evaluation

The results are analysed and discussed at the CGNC and improvement actions are considered for implementation. For the year under review, the evaluation process confirmed that a majority of directors consider the Board to be effective and well-balanced.

During the annual evaluation process, each Director is required to complete the respective forms for self-assessment of the performance of the Board, based on predetermined and approved performance criteria.

## Board Evaluation Process

When deliberating on the performance of a particular Director who is also a member of the CGNC, that member abstains from the discussion in order to avoid any conflict of interests. The Board considers that the current assessment process of the Board and Individual Directors is sufficient for the Company.

## Independent Professional Advice

The Directors, either individually or as a group, in the discharge of their duties, may require professional advice. The Company Secretary can assist them in obtaining independent professional advice at the Company's expenses.

# Remuneration Matters

## Statement of Remuneration Philosophy

All directors receive a fixed fee and an additional fee for each board meeting attended. In addition, members of the ARC, of the CGNC and of the RC receive an annual extra fee for their attendance to their respective committee. As a gesture of solidarity to the executives who took a voluntary salary cut following the outbreak of the Covid-19 and its impact on our operations, the directors have agreed to a decrease of 30% in their emoluments for the period 01 January 2020 to 30 June 2021.
The table below summarizes the remuneration approved by the directors but does not include the 30% reduction.

| Board | Rs |
|---|---|
| Chairperson | 250,000 |
| Board Members' Fee | 200,000 |
| Meeting Fee | 20,000 |
| **Audit & Risk Committee** | |
| Chairperson | 150,000 |
| Member's Fee | 80,000 |
| **Corporate Governance and Nomination Committee** | |
| Chairperson | 75,000 |
| Members' Fee | 50,000 |
| **Remuneration Committee** | |
| Chairperson | 75,000 |
| Member's Fee | 50,000 |

One of the independent director who does not reside in Mauritius and needs to travel a long distance to attend the meetings has received a remuneration of Euro 20,000.

The level of Directors' Fees shall be reviewed periodically by the Board, taking into account factors such as contributions, regulatory changes, responsibilities and market benchmarks.

## Remuneration of Executives Directors and key management personnel

In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and suitable.

The remuneration structure for executive directors and key management personnel consists of (a) fixed remuneration (b) variable bonus and/ or (c) other benefits. The Executive Director does not receive directors' fees.

The level of remuneration is determined by various factors including group performance, industry practices and the individual's performance and contributions towards meeting conditions for the year under review.

## Executive Share Scheme – 'ESS'

The previous ESS was terminated last year and the Remuneration Committee is working on a 'phantom share scheme'. However, due to the Covid-19 pandemic, the Board has decided to delay the implementation of the said scheme.





# Remuneration Matters (continued)

## Directors Remuneration

Remuneration and benefits (including bonuses and commissions) paid and payable by the Company and its subsidiaries were as follows:

| | Year ended 30th June 2020 | | Year ended 30th June 2019 | |
|---|---|---|---|---|
| | **Executive** | **Non- Executive** | **Executive** | **Non- Executive** |
| | **Rs** | **Rs** | **Rs** | **Rs** |
| Directors of the company (Note a) | 11,883,813 | 3,235,000 | * 5,803,415 | 2,578,750 |
| Directors of subsidiaries | 9,001,759 | - | 34,408,880 | - |

* In 2019, executive directors emoluments of the company was for the period from December 2018 to June 2019.

Note (a) Details of fees received by directors of the holding company for the financial year ended 30 June 2020 are as follows:

| | 2020 |
|---|---|
| | Rs |
| **Emoluments received by Non-Executive directors of the company** | |
| Jean-Claude Béga | 490,000 |
| Jan Boullé | 420,000 |
| Laurent de la Hogue | 420,000 |
| Pascale Lagesse | 960,000 |
| Thierry Lagesse | 340,000 |
| Reshan Rambocus | 540,000 |
| Maxime Rey | 420,000 |
| | 3,590,000 |
| **Emoluments received by Executive director of the company:** | |
| Désiré Elliah | 11,883,813 |

No emoluments were received by directors of the holding company from subsidiaries.

At the time of reporting, the top Key Management Personnel, listed in alphabetical order, who are not directors of the Company ("KMP") are as follows:

List of Key Management Personnel
Stephan Anseline – General Manager – Tamassa
Riad Chonee – Group Asset Manager
Jérémie de Fombelle – General Manager – LUX* Le Morne
Frits Hannenberg - General Manager – LUX*Grand Gaube
Patrice Hudebine – (Acting Hotel Manager) – LUX* Saint Gilles & Hôtel Le Récif
Mohammed Mamoun – Resort Manager – LUX* South Ari Atoll
Ashish Modak – Regional General Manager – LUX* Belle Mare, LUX* Grand Gaube, LUX* Grand Baie
Steven Philipps - General Manager - LUX* Grand Baie
Hurrydeo Ramlagun – Chief Financial Officer

The job description of the above Executives has been approved by the Remuneration Committee.

The organisation chart of the Group can be consulted on the Company's website.

# Remuneration Matters (continued)

## Remuneration of the Non-Executive Directors

The Non-Executive Directors are not permitted to participate in any of the Company's incentives arrangements in line with the NCCG that stipulates that "they should not normally receive remuneration in the form of share options or bonuses associated with organisational performance".

The aim of a Non-Executive Director basic fee is to provide a fair remuneration, at a rate that attracts and retains high-calibre Non-Executive Directors, and that acknowledges the scope of their role and required time commitment.

# Risk Governance and Internal Control

## Responsibilities for Risk Management and Internal Controls

The Board, assisted by the ARC and the internal auditors, is responsible for risk governance by ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's and the Group's assets, and determines the nature and extent of the risks that the Board is prepared to take to achieve its strategic objectives.

## ARC processes regarding management of risks

The Board has the ultimate responsibility for the governance and oversight of the risk management process. The ARC assists the Board in their oversight of the process, financial reporting risk and the effectiveness of the Company's and the Group's internal control and compliance systems. Management is responsible for assuring the Board as to the adequacy and effectiveness of the risk management lifecycle and ensuring the quality and timeliness of information.

## Assurance from the Chief Executive Officer and the Chief Financial Officer.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that:

a. The financial records of the Company and the Group for the financial year ended 30 June 2020 have been properly maintained, and the financial statements give a true and fair view of the Company's and the Group's operations and finances in accordance with the applicable financial reporting framework that are free from material misstatement; and
b. The system of risk management and internal controls in place within the Company and the Group is adequate and effective in addressing the material risks that the Company and the Group may face in their current business environment including material financial, operational, compliance and information technology risks.

The Chief Executive Officer and the Chief Financial Officer have in turn obtained relevant assurance from Auditors of the Company and the Group.





# Risk Governance and Internal Control (continued)

## Opinion on adequacy and effectiveness of internal controls and risk management systems

The ARC is responsible for making the necessary recommendations to the Board such that the Board can form an opinion concerning the adequacy and effectiveness of the risk management and internal control systems of the Company and the Group.

The Board is satisfied by the ARC's review of the Company's and the Group's internal controls is adequate, including operational, compliance and information technology controls, financial risk and risk management policies and systems established by Management. In its review, the ARC was assisted by both the external and internal auditors. This review is conducted at least once a year.

Over the course of the audit, the external auditors have obtained 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 internal control.
Internal control deficiencies noted during the audit, together with the recommendations of the external auditors, are presented to the ARC.

Based on the framework established and maintained, the work performed by the ARC, and the internal audit function as well as the assurance received from the Chief Executive Officer and the Chief Financial Officer, the Board with the concurrence of the ARC, is of the opinion that the Company's and the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective in meeting the needs of the Company and the Group in their current business environment.

Based on its policies and as per its established standards, the Company monitors and evaluates the significant expenditures related to the information technology.

## Risk Factors

The Company's and the Group's corporate risk management policy is designed to effectively protect the interests of the Company and its stakeholders. Lux Island Resorts Ltd and its subsidiaries have embarked on a journey to introduce an enterprise risk framework in their operations in 2017, with the assistance of an expert in risk management. This resulted in a list of key risks categorised according to financial, environmental, technology and operational risks. This is updated at least annually, with the risk levels and mitigating measures also reviewed. This section presents the significant risks to which the Company and the Group are exposed as well as the mitigation measures in place to deal with them. Although the risks have remained structurally similar to that of a year ago, the context within which we operate has changed significantly. The outbreak of Covid-19 locally and globally has had a major impact on our business in all locations, with no clear visibility on recovery. Additionally, Mauritius was affected by an oil spill which affected the South-East of the island. Although we do not anticipate the spill to affect the beaches and lagoons where our resorts are located, the long-term effects of the spill cannot be predicted, nor its impact on our future hotel bookings.

# Risk Governance and Internal Control (continued)

## Risk Factors (continued)

C: heightened by COVID19
O: heightened by Wakashio oil spill

| Risk Ref | Risk Name | Risk Description | Risk Level | Mitigating measures |
|---|---|---|---|---|
| 1<br>C<br>O | Destination Disruption | Major natural or man-made catastrophes such as cyclones, floods, earthquakes, tsunami, oil spills, disease outbreaks and terrorist attacks in locations where we own properties could cause a decrease in demand for our properties, which could adversely affect our revenues.<br>Both COVID-19 and the Wakashio oil spill in Mauritius have had a direct impact on our business. The long-term effects of the oil spill on our operations in Mauritius are still unknown, but a decrease in bookings for this destination cannot be excluded.<br>The global pandemic, COVID-19 and closure of country borders have caused a halt in hotel activities for a prolonged period. We remain at the mercy of government policies in the countries where we operate to re-open borders and re-start our hotel activities. | H | • Insurance policies to cover operational losses caused by natural catastrophes.<br>• Cost reduction measures in place in all our resorts.<br>• Wage Assistance Scheme by the government<br>• Low gearing enables access to additional loans to finance any cash flow shortfall |
| 2<br>C | Air Accessibility | We are highly dependent on flights that come to the countries where we operate. Hence our growth is directly linked to air access in these countries and the policies of governments and airlines on air access.<br>The global pandemic has caused many airlines to stop or reduce their operations and this has a direct impact on our business.<br>In Mauritius, the uncertainty surrounding the future of our national carrier is a source of concern. | H | • Working with authorities via hotelier associations in countries where we operate. |
| 3<br>C | Competition in Hospitality Business | Increase in luxury hotel supplies and other types of accommodation (such as Airbnb), in the markets where we operate, may result in price competition, impacting on our revenues and profits , especially during low season due to the pricing pressure with lower level of occupancy.<br>The Company depends on the ability of its Manager, The Lux Collective, to adapt and react to these changing environments.<br>COVID-19 has heightened competition in a limited, price sensitive market. This could negatively impact our business performance in the near future. | H | • The focus on the quality of service has ensured that the Company's properties are ranked at the top among competitors in each of the markets.<br>• The LUX* brand is getting increased traction and its geographical diversification is increasing the 'brand awareness' which will benefit LIR properties. |





# Risk Governance and Internal Control (continued)

## Risk Factors (continued)

| Risk Ref | Risk Name | Risk Description | Risk Level | Mitigating measures |
|---|---|---|---|---|
| 4<br>C<br>O | Health & Safety Risk | The health and safety of our guests and Team Members is of utmost importance, in order to maintain our reputation and our revenue. However we still face the risk of our infrastructure not being legally compliant and up to standard, leading to casualties and spread of diseases in our resorts (e.g. legionella and COVID-19).<br>In addition, COVID-19 has forced us to implement costly health and safety measures in all our resorts, which may sometimes act as hindrance to both our guests and Team Members. | H | • COVID-19 safety certifications from trusted service providers such as SGS and Diversey.<br>• Audits by reputable international companies and action plan by each resort which is closely monitored.<br>• Regular trainings on health and safety to all our Team Members. |
| 5 | Reputation Risk | Negative comments made on social media could damage our reputation. In addition, monitoring and management of social media could be costly and force us to divert our resources. Failure to maintain and protect our reputation from social media damage could tarnish our brands and impair our business. | H | • Implementation of a Group-wide social media policy.<br>• Dedicated teams continually monitor the media and social networks to respond to guests and to activate a crisis management plan as needed. |
| 6<br>C | Macro-Economic Risk | Economic slowdowns in the regions where the Group trades, adversely affect demand for leisure activities, particularly vacation travel. This means that the Group is exposed to the consequences of economic crisis and declines in consumer spending, which affect our growth rates and margins.<br>The global pandemic has affected the spending power of our client base and their ability to spend on vacation travel. The cost of vacation travel is also likely to increase as Polymerase chain reaction (PCR) tests are requested in all destinations where we operate. This will continue to have an effect on us in the foreseeable future with no clear timeline on recovery of our main markets. | H | • Broadening our customer base<br>• Working with an experienced Manager<br>• Diverse geographical presence<br>• Flexible business model |
| 7 | Political Risk | An unstable political situation in our countries of operation could cause a decrease in demand for the destination and hence our properties. This in turn could adversely affect our revenues. | M | • Insurance cover on equity and expropriation<br>• Diversification of our operations to various countries |

# Risk Governance and Internal Control (continued)

## Risk Factors (continued)

| Risk Ref | Risk Name | Risk Description | Risk Level | Mitigating measures |
|---|---|---|---|---|
| 8 | Currency Risk | Our reporting currency is in MUR and our main revenue is in foreign currency (GBP, USD and EUR). Since our hotel rates are fixed at least 6 months before start of the new season and are in foreign currency, valid for the next 12 months, any fluctuations in these major currencies affect our revenue, EBITDA, cash flow and demand for our hotels. | M | • Hedging and treasury management, matching revenues and expenses in same currency as far as possible. |
| 9 C | Talent Management Risk | Our growth depends largely on our ability to retain and recruit talented Team Members (TMs) in key positions. If we are unable to recruit and retain sufficient numbers of TMs, our ability to manage and service our properties could be impaired, which could reduce guest satisfaction. A shortage of skilled labour could also require higher replacement wages, which increase our operating expenses.<br>The impact of COVID19 has been two-folds in the hospitality industry:<br>- Retention of TMs has been made easier due to a decrease in demand of man power in this industry; and<br>- On the other hand, the attractiveness of the industry has declined and there is the risk of a brain drain from key TMs to other sectors. | M | • Talent development and management plan in place to retain Team Members.<br>• Be known as the Employer of choice in our countries of operation.<br>• Engage with governments for work permits and marketing of industry. |
| 10 | Capital Expenditure Risk | Capital expenditure to develop, maintain and renovate our existing properties is critical to our business. If we are forced to spend in excess of cash from operating activities than anticipated, to operate or maintain existing properties, our ability to invest in renovation projects could be limited, which could impact our ability to compete effectively and maintain our brand standards. | M | Financial discipline and management of gearing ratio. |





Risk Governance and Internal Control (continued)

Risk Factors (continued)

| Risk Ref | Risk Name | Risk Description | Risk Level | Mitigating measures |
|---|---|---|---|---|
| 11 | Legal/ Regulatory | Due to the nature of its business and its international presence, the Group is subject to varied, changing and sometimes contradictory laws and regulations in numerous areas (safety, health, environment, tourism, transportation, taxation, human resources, etc.). The application of these laws and regulations including the new laws on data protection, can be a source of operating difficulty and can lead to disputes with suppliers, owners, staff and even local authorities. Changes in laws and regulations applicable to the Group's entities could, in some cases, limit the Group's business activities as well as its ability to grow. These may also involve significant compliance costs, which could negatively affect the Group's results and outlook. | M | • Work with reputable local law firms to understand laws in countries where we operate.<br>• Set up internal working groups and procedures to ensure compliance with all relevant regulations.<br>• International professional services firms have reviewed the processes impacted by data protection laws. |
| 12 | Technology Disruption Risk | We are not an IT company but technology is important if we want to be known as an innovator in our industry. We face the risk of losing our competitive edge due to obsolescence of our technology, which results in decreased customer loyalty and a loss in market share. | M | Our dedicated technology team works closely with international professional services firms to ensure that we anticipate and remain at the forefront of the latest trends in our industry. |
| 13 | Food Safety Risk | Food safety is a priority for the Group. However, the nature of our business exposes us to food safety risks in all our food outlets. Moreover, the increasing number of food allergens and people with allergic reactions to certain foods increases the risk of food poisoning or allergies in our resorts. | M | • Procedures in place based on Hazard Analysis and Critical Control Point (HACCP) to identify and follow-up on allergies our guests may have.<br>• Insurance cover against legal claims.<br>• Investment in temperature recording automation. |
| 14 | Third Party Risk | Some of the services provided at our resorts, such as the boathouse and diving services, are outsourced to third party service providers. Although we only work with trusted providers, our reputation is at risk if these providers use old obsolete equipment, if there are accidents at sea while guests are using the services offered by these providers or the third party staff are not adequately trained. | M | • Insurance cover against legal claims.<br>• We only work with reputable service providers who are licensed.<br>• We commission regular independent audits on third parties. |

# Risk Governance and Internal Control (continued)

## Risk Factors (continued)

| Risk Ref | Risk Name | Risk Description | Risk Level | Mitigating measures |
|---|---|---|---|---|
| 15 | Security Risk | Inappropriate behaviour on the part of our Team Members or suppliers, or the circulation in the media of damaging information could harm the Group's reputation, affect our guests' trust and cause an adverse impact on sales. | M | • Screening measures in place to recruit the right people.<br>• Training of our Team Members in ethics and our values<br>• Controls in place at operational level<br>• Insurance cover for wrongful acts by Team Members. |
| 16 | Succession Planning Risk | Our future success depends largely on the efforts of the senior management team at LIR and at The Lux Collective (TLC), which manages the operations of our hotels. Competition for such personnel is intense. We may not be prepared to deal with unexpected needs for succession planning of key management positions. | M | • Both the Boards of LIR and TLC work together to ensure there are measures in place for succession planning<br>• TLC moving its headquarters to Singapore gives them access to a greater pool of talents |
| 17 | Credit Risk | The Group's credit risk is primarily attributable to business transacted with its Tour Operators. We have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. | M | • Insurance cover on trade receivables (where applicable)<br>• Credit checks on Tour Operators<br>• Increased business via direct channels |
| 18 | Fraud Risk | The Group has policies and procedures in place aiming to limit the risk of fraud. However, we still face the risks of collusions between staff and suppliers to defraud the company or the intentional circumventing of controls by staff. | L | • Training of our Team Members in ethics and our values<br>• Controls in place at operational level<br>• Regular audits |
| 19 | Cyber Security Risk | Despite our efforts, information networks and systems may be vulnerable to threats such as system, network or internet failures, computer hacking or business disruption, cyber-terrorism, viruses, worms or other malicious software programs, employee error, negligence, fraud, or misuse of systems, or other unauthorised attempts by third parties to access, modify or delete our proprietary and personal information. | L | • Network security and internal controls measures in place.<br>• IT Security audits |





# Risk Governance and Internal Control (continued)

## Risk Factors (continued)

| Risk Ref | Risk Name | Risk Description | Risk Level | Mitigating measures |
|---|---|---|---|---|
| 20 | Sustainability Risk | There is increased scrutiny of our business by all stakeholders with respect to sustainability practices in place. We remain at risk of not being able to meet the increased demands and costs associated with sustainable growth and the speed at which these changes occur. This could expose us to loss of business and limitations in access to funds if we do not respond to the changes fast enough. | L | • Corporate sustainability management plan |
| 21<br>C | Liquidity Risk | The Group is exposed to liquidity risk where sufficient funds might not be available to meet financial commitments for loan and interest payments, to finance maintenance Capex as well as major renovation projects. | L | The Group maintains prudent investment decisions to ensure all covenants with financial institutions are met. Furthermore, the Group has unused overdraft facilities as well as unused short-term facilities which can be used to meet short-term commitments. |
| 22 | Interest Rate Risk | The Group is exposed to interest rate risk as it borrows at variable interest rates (LIBOR, PLR, EURIBOR) + a margin. Any increase in these rates will adversely impact the results of the Group. | L | The Group has been able to secure competitive interest rates for borrowings contracted over the past years. |

## IT Governance

The Company and the Group have an IT Security policy in place and relevant parts of this policy are communicated to its Team Members. This is regularly reviewed by the Board and Executive Management to ensure it is up to date with changes in technology and security standards. The Board also approves all major IT expenditures to ensure value is obtained from the investments in information technology.

The Company and the Group are also embracing technological change and are actively pursuing upgrades to their information systems to support their growth strategy across multiple locations. This is being done with data privacy and security at the forefront to ensure that we are compliant with all relevant data protection laws and regulations.

# Risk Governance and Internal Control (continued)

### Data Protection

Regulations on data protection, including the EU General Data Protection Regulation (GDPR), remain a focus area for the Company and the Group. Through their Management Company, The Lux Collective, the Company and the Group ensure that all their operations are compliant to the data protection regulations. Measures taken include:
- All employees of the Group have been given training on data protection and its implications;
- System controls have been enhanced to limit access to data on a need to know basis only;
- Consent requests from guests for all non-contractual communication; and
- Policies and procedures established for data flows.

## Insurance

### Overview of the Group's insurance policy

The Company's and the Group's risk management policy is part of a dynamic process: the systematic and centralised identification of risks, the implementation and coordination of insurance as part of worldwide activities, the organisation of preventive and protective measures of property and persons and the deployment of a crisis management structure, internationally.
The Company and the Group are considering additional insurance covers to cover the risks associated to the GDPR processes.

## Accountability and Audit

The Board should present a balanced and comprehensible assessment of the Company's and the Group's performance, position and prospects.

### Accountability

The Board reviews and approves the results announcements, before the release of each announcement. In presenting the annual and quarterly financial statements to the shareholders, the Board aims to provide shareholders with a balanced and clear Assessment of the Company's and the Group's performance, position and prospects.

For the financial year under review, the Chief Executive Officer and the Chief Financial Officer have provided assurance to the Board on the integrity of the financial statements of the Company and of its subsidiaries. For interim financial statements, the Board gives its approval for the publication of the said accounts.



Corporate Governance Report

## Internal and External Audit

### Internal Audit

The Company shares an in-house internal audit function with its management company, TLC. The primary role of the internal audit team is to assist the ARC to ensure that the Company maintains a sound system of internal control.

The Chief Internal Auditor ("CIA") is independent of Executive Management and reports to the ARC. On administrative matters, the CIA reports to the Chief Executive Officer of LIR & TLC. The ARC approves the hiring and dismissal of the CIA and ensures that the internal audit function is adequately staffed and has appropriate standing within the Company. The internal audit function works in accordance with the Standards for the Professional Practice of Internal Audit set by the Institute of Internal Auditors.

The annual internal audit plan is established in consultation with, but independently of, Management, and is reviewed and approved by the ARC. The CIA presents audit reports regularly to the ARC and discusses key issues contained therein.

There was no limitation of scope placed on the internal auditors in conducting the audits.

### External Audit Independence

The ARC reviews the independence of the external auditors. During this process, the ARC also reviews all non-audit services provided by the external auditors to ensure the nature and extent of such non-audit services do not affect their independence. The ARC confirms that after reviewing all non-audit services, if any, by the external auditors during the financial year, they do not, in the ARC's opinion, affect the external auditor's independence.

In appointing the audit firms for the Group, the ARC is satisfied by the Company's compliance with the provisions of the Listing rules of the Stock Exchange of Mauritius Ltd.

The former external auditors have performed their 7 consecutive years as external auditors as per the Financial Reporting Act. A new tender exercise was undertaken by the Company and PricewaterhouseCoopers Ltd (PwC) has been appointed as the new auditors of Lux Island Resorts Limited and some of its subsidiaries for the year ended 30 June 2020.

The fees paid to the auditors and other advisors, for audit and other services were as follows:

| | 30 June 2020 | 30 June 2019 | 30 June 2020 | 30 June 2019 |
|---|---|---|---|---|
| | **Rs** | **Rs** | **Rs** | **Rs** |
| **(a) PWC ( 2019 : Ernst & Young)** | | | | |
| Audit services | **3,735,000** | 2,965,000 | **1,100,000** | 785,000 |
| Other services – Taxation - EY | - | 200,000 | - | 25,000 |
| Other services – Review of GRI report | - | 350,000 | - | 350,000 |
| | **3,735,000** | 3,515,000 | **1,125,000** | 1,160,000 |
| **(b) Other Auditors** | | | | |
| Audit services | **2,306,132** | 2,369,750 | - | - |
| Other services – Tax EY | **282,655** | - | **25,000** | - |
| | **2,588,787** | 2,369,750 | **25,000** | - |
| | **6,323,737** | 5.884,750 | **1,150,000** | 1,160,000 |

## Other Disclosure

Donations other than contributions made under CSR projects made by the Group amounted to Rs 89,599 (2019: Rs 392,211) and political donation of Rs 2 million (2019: Nil).

The Company's and the Group's financial, environmental, social and governance position performance and outlook are detailed on pages 92 to 115.





## Statement of Directors' responsibilities in respect of the preparation of Financial Statements, Internal Control and Risk Management

For the year under review, the directors report that:

- the financial statements fairly present the state of affairs of the Group and the Company as at the end of the financial year and the result of operations and cash flows for that period;
- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
- the financial statements have been prepared in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001 and the Financial Reporting Act 2004;
- the financial statements have been prepared on the going concern basis;
- they are responsible for safeguarding the assets of the Group and of the Company;
- they have taken reasonable steps for the prevention and detection of fraud and other irregularities; and

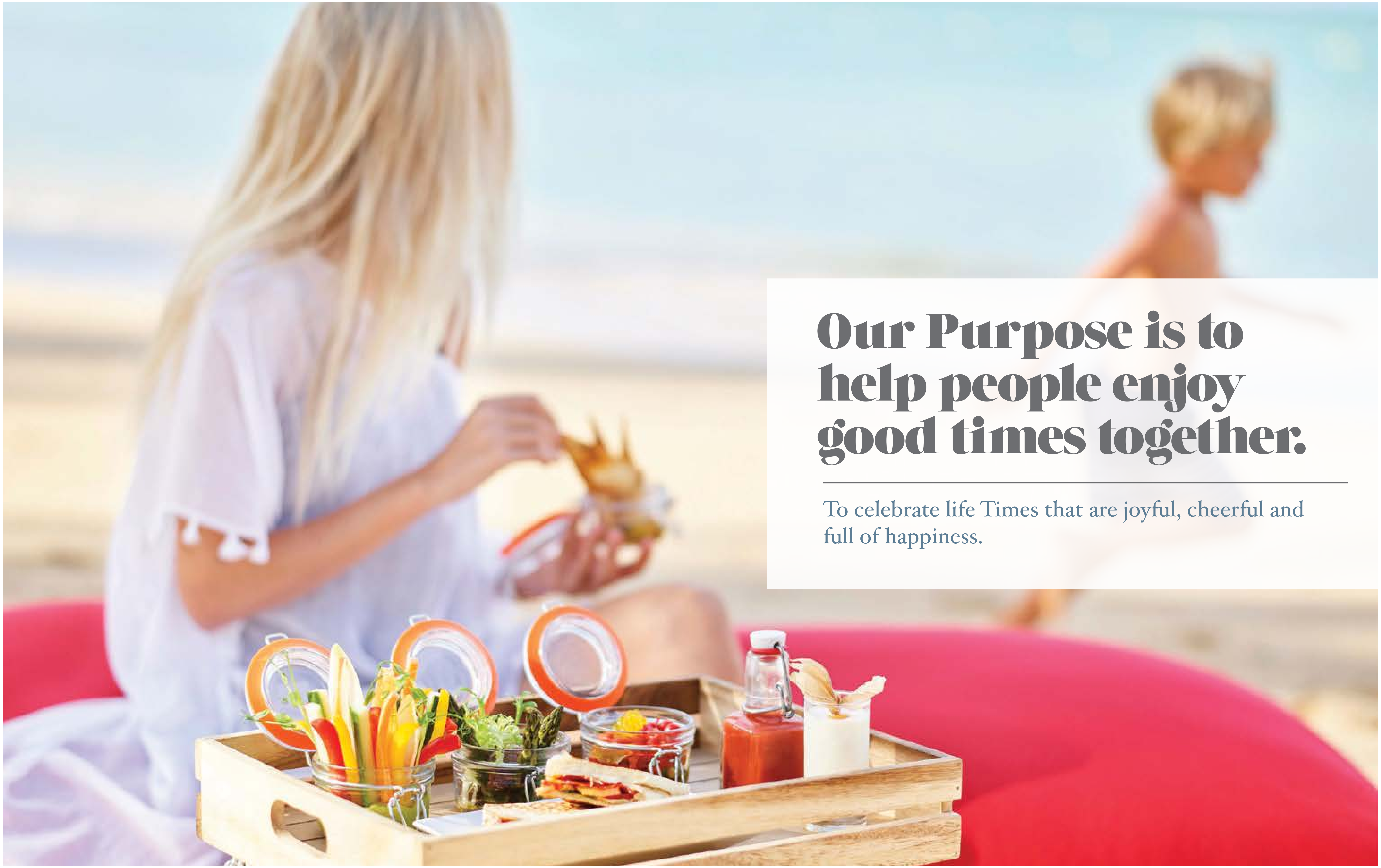
The external auditors are responsible for reporting on whether the consolidated and separate financial statements give a true and fair view of the financial position of Lux Island Resorts Ltd (the "Company") and its subsidiaries (together the "Group") and of the Company standing alone as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

Approved by the Board of Directors on 30 October 2020

and signed on its behalf by:

**Jean-Claude Béga**
Chairperson of the Board

**Pascale Lagesse**
Chairperson of the Corporate Governance & Nomination Committee



# Our Purpose is to help people enjoy good times together.

To celebrate life Times that are joyful, cheerful and full of happiness.

# Sustainable Development

## Milestones

### 1987-2010

NGO support through CSR as per legislation and beyond ( previous company Naiade Ltd )

### 2011-2012

- Naiade restructured into LUX Island Resorts (LIR)
- Begin Stakeholder Engagement process
- Creation of Tread Lightly for environmental projects
- Kickstart Earth & Dance, in-house water bottling project

### 2012-2013

- Introduction of Global Reporting Initiative (GRI) Sustainability reporting guidelines to the Board of Directors
- Launch internal sustainability workshops
- LUX* Sustainability Committee created with members in each resort
- Full-fledged implementation of Earth & Dance

### 2013-2014

- 1st Annual Report of LUX ISLAND RESORTS AND ITS SUBSIDIARIES using GRI G4 as disclosure guide
- Creation of LUX* Corporate Sustainability Management Plan Vision 2020 with key sustainability targets
- Introduce 100% Carbon free option for stays, deployed across all properties
- Establish Annual Report data collection process
- Adoption of external assurance for data reliability
- Strategic Sustainability Policies deployed

### 2014-2015

- 1st Integrated Annual Report (IAR) aligned with GRI G4 Standards
- Data collection and reporting exercise aligned with international norms
- Materiality coined
- Creation of Ray of Light for corporate social outreach projects

### 2015-2016

- 2nd IAR with GRI G4
- 1st hotel group listed on Sustainability Index of Stock Exchange of Mauritius
- Establish agreement with Carbon Finance expert AERA Group (ex Eco-Sur Afrique)
- LIR joins the Global Reporting Initiative's Gold Community to contribute to the shaping of sustainability reporting standards for companies worldwide

### 2016-2017

- 3rd IAR of LIR and its Subsidiaries using latest GRI Standards
- Projects map 17 UN Sustainable Development Goals
- Data collection and reporting exercise continue to be aligned with international norms such as International Integrated Reporting Council ( IIRC ) principles
- Partnership with The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism
- LUX* Saint Gilles restaurant La Plage achieves Green Key certification
- Deployment of off-grid photovoltaic plant at Ile des Deux Cocos

### 2017-2018

- 4th IAR aligned with GRI Standards
- LUX* South Ari Atoll floating photo-voltaic plant feasibility study
- Assessing renewable energy projects for Mauritius hotels

### 2018-2019

- 5th IAR using GRI Standards
- LUX* South Ari Atoll floating photo-voltaic plant deployed by Austrian firm Swimsol, world's largest floating photo-voltaic plant

### 2019-2020

6th IAR aligned with GRI Standards
- Considers GRI's covid-19 special 'A Culture of Health for Business' Standards
- 5th anniversary of LIR as member of GRI Community
- Earthcheck Sustainability certification for LUX* Belle Mare, LUX* Le Morne, LUX* Grand Gaube and Tamassa. More in pipeline

### 2020-2030

UN Decade of Action:
- Accelerate action and initiatives towards realising the UN SDGs for sustainable Profit and sustainable Natural Capital management to sustain livelihoods

Image source: Swimsol

## Principles Based Governance Approach


# LUX ISLAND RESORTS






### The Reporting Boundary

The reporting period is July 2019 to June 2020. The boundary for key performance indicators (KPIs) includes the head office of LUX Island Resorts Ltd (LIR), hotels of LIR in Mauritius, Maldives and Reunion Island. The properties are LUX* Belle Mare (Mauritius), LUX* Le Morne (Mauritius), LUX* Grand Gaube (Mauritius), Tamassa Bel Ombre (Mauritius), LUX* Grand Baie (Mauritius) (Opening October 2021), LUX* South Ari Atoll (Maldives), LUX* Saint Gilles (Reunion Island) and Hôtel Le Récif (Reunion Island), the latter was still under LIR ownership during the reporting year .

### The Management Approach to Governance & Ethics

This report has been prepared in accordance with the GRI Standards: Core option (content index on page 222), devised in line with the Principles of the International Integrated Reporting Council (IIRC). The content therefore follows all four principles of GRI Standards i.e. Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness. The quality of the report is ensured by following the principles of Accuracy, Balance, Clarity, Comparability, Reliability, Timeliness.

LIR is conscious of its operations spanning various countries therefore considers local, regional and international reporting guidelines and requirements in its strategy and reporting approach to corporate sustainable development. The sustainability strategy maps the United Nations' recommendations to align action in line with the 17 priority Sustainable Development Goals, critical for business and public sectors and civil society as we enter the United Nations Decade of Action. Key Performance Indicators (KPI) listed thereafter in the sustainability section serve to demonstrate how effectively we are achieving group targets. We have measured Energy Consumption, Water Usage, Wastewater Management, Waste Management and Carbon Footprint.

LIR maintains a constant dialogue with stakeholders both internal and external. This was enhanced during covid-19 through web conference and other virtual communication channels. In person contact with CSR Partners in Mauritius occurred post-lockdown to obtain insight into the country situation. Information was collected through one on one meetings in order to assess socioeconomic impact on the local community and the vulnerable groups. These informations will guide the CSR initiatives focus in order to mitigate covid-19-related economic conditions.

The oil spill in the south eastern region of Mauritius also garnered the attention of LIR, being already concerned with environmental capital conservation since its creation.

Response to environmental and social concerns are laid out in the Tread Lightly and Ray of Light sections.

The Financial information disclosure follows the International Financial Reporting Standards (IFRS) and the report takes into account the New Code of Corporate Governance ( NCCG ) of Mauritius, paying particular attention to Principle No.6 and Principle No.8 with specific integrity and transparency reporting requirements.

***NCCG Principle 6: Reporting with Integrity***
*The board should present a fair, balanced and understandable assessment of the organisation's financial, environmental, social and governance position, performance and outlook in its annual report and on its website.*

***Principle 8: Relations with Shareholders and Other Key Stakeholders***
*The board should be responsible for ensuring that an appropriate dialogue take place among the organisation, its shareholders and other key stakeholders. The board should respect the interests of its shareholders and other key stakeholders within the context of its fundamental purpose.*

LUX Island Resorts Ltd was the 1st hotel group to be listed on the SEM Sustainability Index

## The Management Approach to Governance & Ethics (continued)

The report also meets the material matters of Stock Exchange of Mauritius Sustainability Index listed companies. The SEMSI criteria was devised in 2015 using the Global Reporting Initiative (GRI) G4.

With regards to reliability of information within the Integrated Annual Report, the independent review of extra-financial data exercise will be resumed as from next reporting year, due to exceptional Covid-19 related disruptions in planning. LIR and subsidiaries have ensured on reliability and accuracy as per usual data logging procedures and vetting by Heads of Departments, across the data collection chain from resorts to corporate offices.

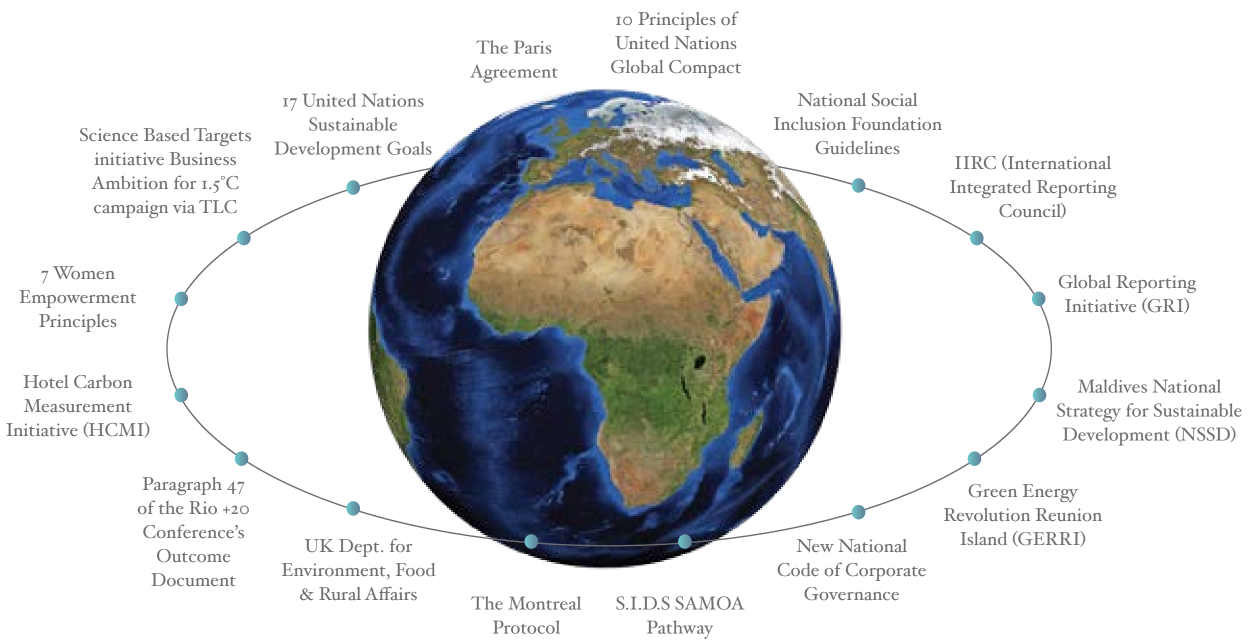
**UN SDG 17: Partnerships for the Goals**

A Corporate Sustainability Committee has been set up to ensure on Due Process and Transparency in matters concerning internal and external sustainability investment for both LUX Island Resorts and the management company The Lux Collective (TLC).

The owned properties continue to relay information on all sustainability KPIs to the Group sustainability & CSR Executive via their respective Sustainability Representatives.

At strategic level, LIR celebrated its 5th Anniversary as member of GRI Community. We reinforce our position with regards to positive and sustainable tourism being a force for global sustainable development, especially within current health, economic and climate crisis.

## Approach follows Local, Regional and International Frameworks

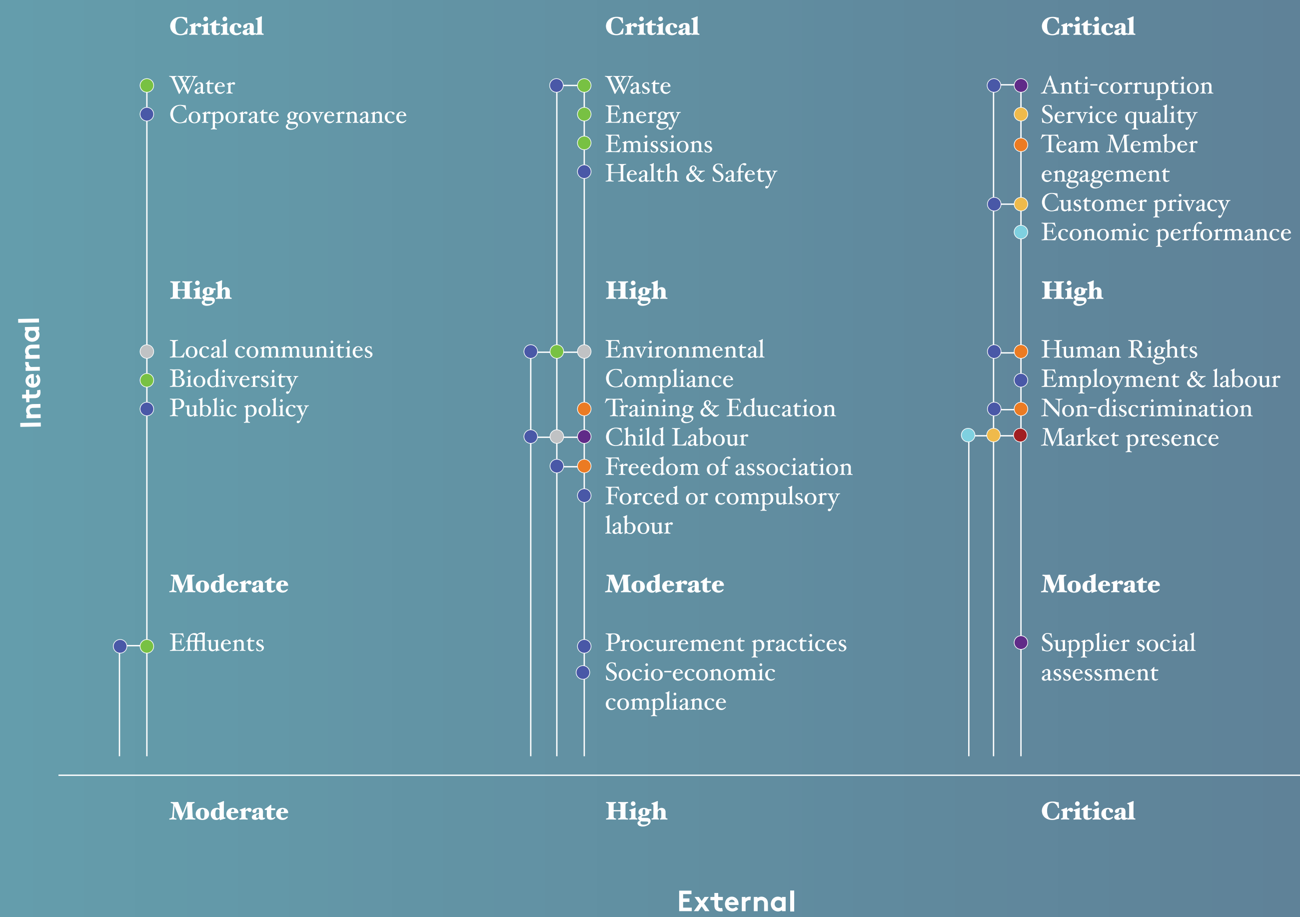







## Materiality Matrix

The Materiality assessment below highlights areas of significant global, regional and national impact for both operations and corporate. The 2D matrix defined by value-chain mapping and multi-criteria analysis (MCA) processes consider external and internal material topics, reflected in the following extra-financial KPIs performance.




- Environment
- Guests
- Team Members and Management
- Shareholders and Investors
- Tour Operators, Travel Agents & Business Partners
- Accredited Organisations, Legislations, Policies, Authorities & Government
- Suppliers
- Local Community

# Extra-Financial Performance

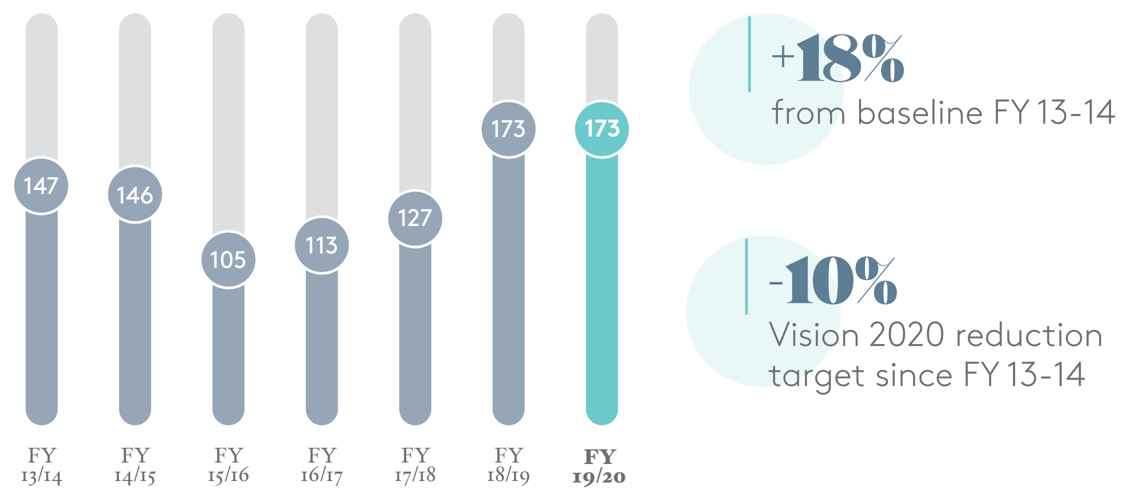
**The following extra-financial KPIs reflect the performance over the FY 19-20 over the years since baseline FY 13-14.**

The Sustainability Management Plan 2020 under the previous LUX* Resorts & Hotels group will be updated with new LUX Island Resorts Sustainability Targets 2025-2030. Projects and initiatives will be guided by ambitious international commitments.

## Environmental stewardship

***Energy consumption per room nights sold***

### ENERGY (KWH/RNS)




With a year-on-year drop of 25% in total group energy consumption since previous reporting year, the energy consumption per RNS ratio indicated in the graph accounts for 9 months of energy consumption until March 2020, due to consequent property closures past this month. The covid-19 country shutdown measures have impacted total room nights sold versus the preceding year.

Energy efficiency audits have been conducted at LUX* Grand Gaube, LUX* Le Morne, LUX* Belle Mare through recognised third party experts.

Measures to reduce fossil fuel consumption include investment in photovoltaic plants. The properties LUX* Grand Gaube, Tamassa and LUX* Le Morne have already submitted applications to the Medium Scale Distributed Generation (MSDG) scheme deployed in December 2019 by the Central Electricity Board of Mauritius for photovoltaic plants installation. This project will be in collaboration with IBL Energy Efficiency Ltd.

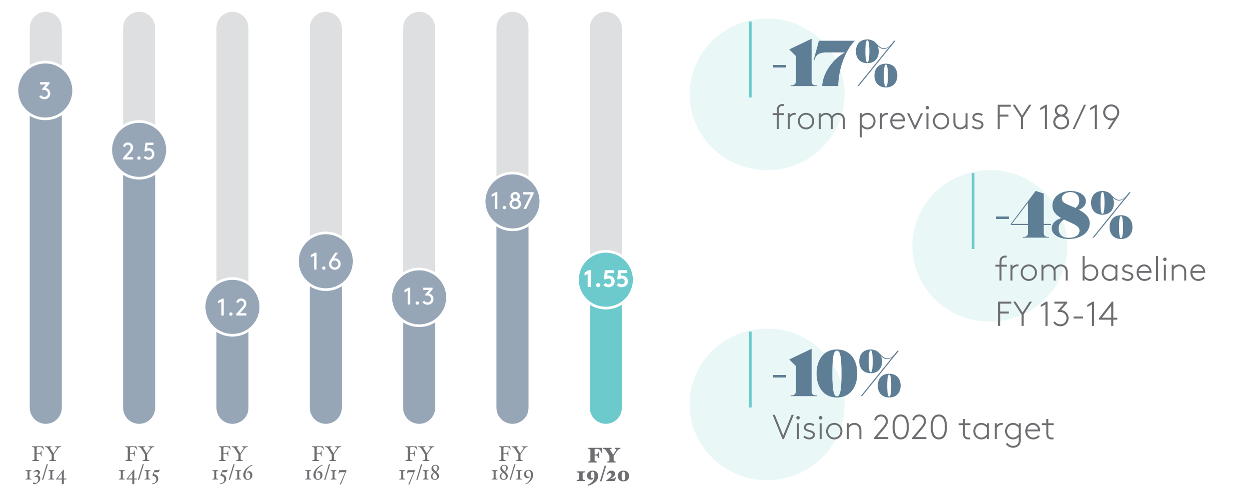




## Environmental stewardship (continued)

***Water consumption per room nights sold***

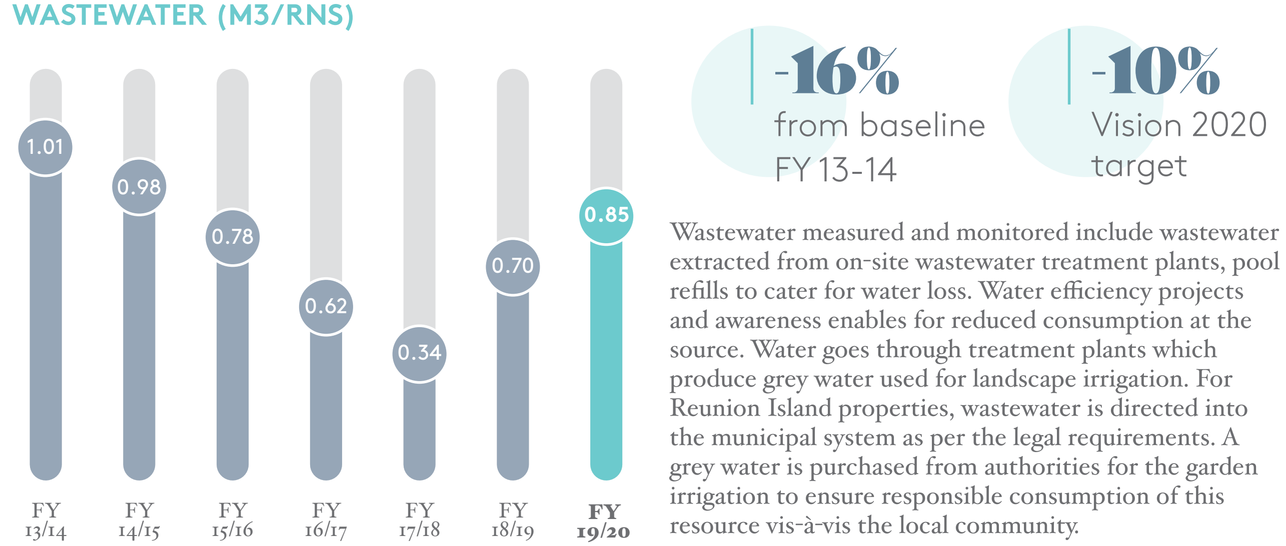
### WATER ($M^3$ / RNS )




Water footprint remains a matter of significance to the management. LIR has during the Financial year invested in a desalination plant at LUX* Le Morne. The twin plant capacity adds up to a total of 240 $m^3$ is up and running since October 2019. The installation was made in accordance with the applicable environmental laws. Every 3 months a lagoon assessment is conducted by an external party. Other parameters are monitored via sound and brine tests and the reports are submitted to the Ministry of Environment and Ministry of Fisheries.

***Wastewater per room nights sold***

### WASTEWATER (M3/RNS)

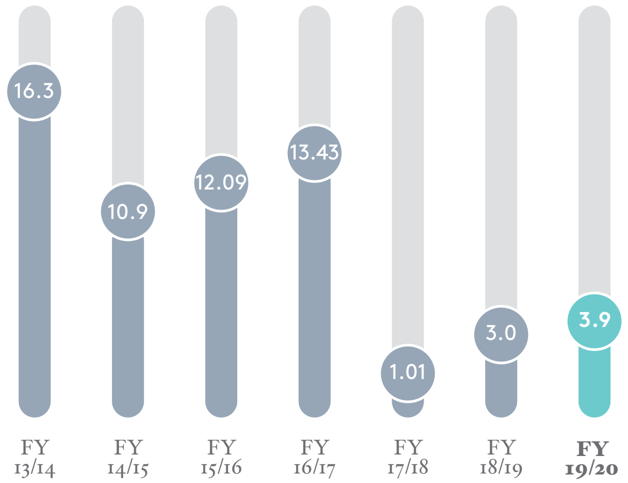



Wastewater measured and monitored include wastewater extracted from on-site wastewater treatment plants, pool refills to cater for water loss. Water efficiency projects and awareness enables for reduced consumption at the source. Water goes through treatment plants which produce grey water used for landscape irrigation. For Reunion Island properties, wastewater is directed into the municipal system as per the legal requirements. A grey water is purchased from authorities for the garden irrigation to ensure responsible consumption of this resource vis-à-vis the local community.

## Environmental stewardship (continued)

***Waste per room nights sold & Recycling***

### WASTE (KG/RNS)




**-76%** from baseline FY 13-14

**-10%** Vision 2020 target

Recycling continues to be a priority for LUX Island Resorts. Awareness for reduction of waste right at the start of the cycle is the main discourse of the management in order to curb waste to landfill or recycling expenses and related exportation carbon emissions.

LUX* South Ari Atoll acquired equipment to better manage waste outcome. A combined compacting and baling machine reduces the bulk size of cardboard and plastics thereby reducing the carbon footprint from transportation from the atoll. A Glass crusher also reduces the waste volume when transporting and can be repurposed into construction material.

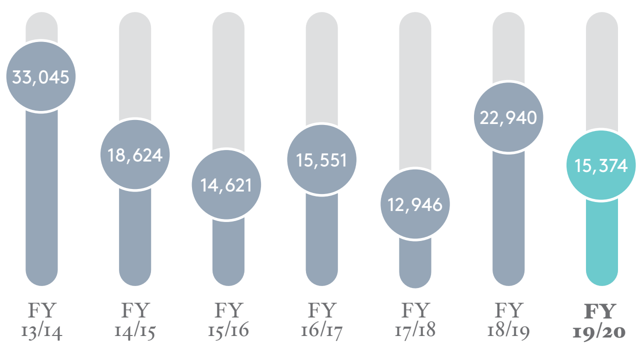
***Carbon Footprint***

Carbon Emissions of the group are measured through the expert services of the AERA Group using the Hotel Carbon Measurement Initiative developed by the World Travel and Tourism Council and International Tourism partnership.

The three scopes are disclosed below.

### NET CARBON FOOTPRINT

Scopes 1 + 2 ( tCO2e )




**-10%** Vision 2020 target

**-33%** from previous FY 18/19

**-53%** from baseline

**Scopes 1 , 2 and 3**

FY 19-20 total emissions scope 1 & 2 = 36,948 tCO2e
FY 19-20 total emissions offset = 21,574 tCO2e
FY 19-20 Scope 3 = 22,362 tCO2e





## Natural Capital – Tread Lightly


promises carbon neutral stays at any LIR resort.

***Tread Lightly project performance***

As a mitigating measure, LUX Island Resorts has been investing in carbon sequestration projects in developing countries. The Gold Standard Projects issuing verified certificates are registered with the United Nations Framework Convention on Climate Change, they support the creation of jobs and uplift communities via clean energy, afforestation projects and a sustained income stream.

With 197 Parties, the United Nations Framework Convention on Climate Change (UNFCCC) has near universal membership and is the parent treaty of the 2015 Paris Climate Change Agreement. The main aim of the Paris Agreement is to keep a global average temperature rise this century well below 2 degrees Celsius and to drive efforts to limit the temperature increase even further to 1.5 degrees Celsius above pre-industrial levels. The UNFCCC is also the parent treaty of the 1997 Kyoto Protocol. The ultimate objective of all agreements under the UNFCCC is to stabilise greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system, in a time frame which allows ecosystems to adapt naturally and enables sustainable development.

The strategic project Tread Lightly ensures on consistency among all properties.

13 CLIMATE ACTION

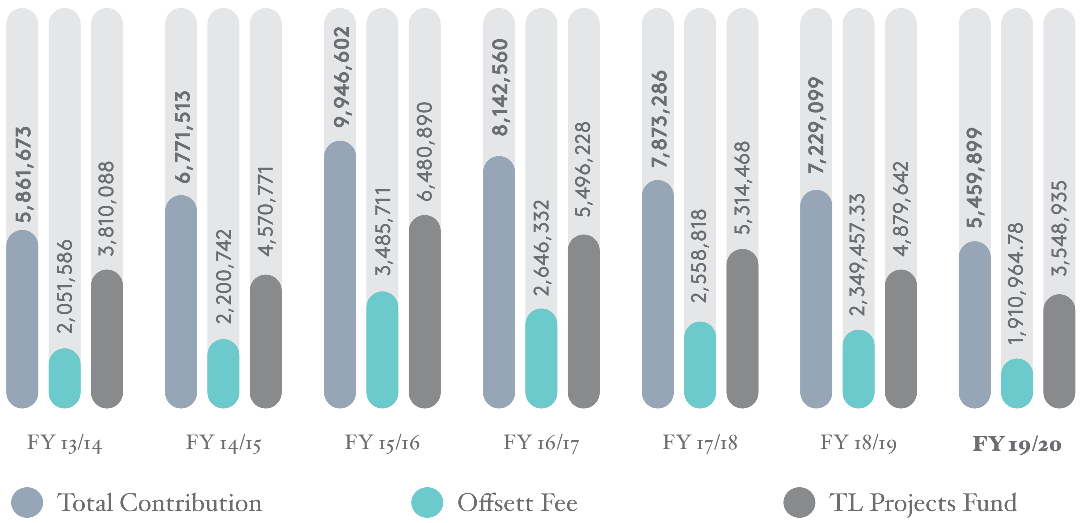
**1,346,522** participating room nights since 2013

**145,810 tCO2e** offset since 2013

Natural Capital – Tread Lightly (continued)

***Tread Lightly project performance*** *(continued)*

## TREAD LIGHTLY FUND (MUR)




**10** (1 wind farm project added to the list)

UNFCCC Offsetting Projects located in Africa and Asia

1. The Yunnan Mangli Hydropower Project (China)
2. Bundled wind power project (India)
3. Bambous solar farm of Sarako (Mauritius)
4. Biogas Energy project in Eastern Africa
5. Reforestation of the Nile Basin in Uganda
6. Regenerating 2,728 hectares of natural forests in Ethiopia
7. Producing green electricity with rice husk and agricultural wastes in India
8. Hebei Guyuan County wind farm
9. Solar Power Project in Maharashtra India
10. Samana wind farm (India)

***Carbon Capture by Nature***

Tread Lightly contributed to 2 afforestation projects in Ethiopia and the Nile Basin with...

over **50,000** trees planted in the natural forest , the lungs of our Earth.





Natural Capital – Tread Lightly (continued)

***Carbon Offsetting Projects***

UNFCCC Carbon Offsetting projects strive to meet several of the UN SDGs to maximise on their potential. These projects have the capacity to not only sequester carbon dioxide but also provide jobs and sustain income for communities in developing countries.

LUX Island Resort properties all offer the option for Guests to offset 100% of the carbon footprint of their stay at the resort.

**The Samana wind farm (India)**

Beyond the 9 offsetting projects presented during the previous report and listed below, a 10th project has been added to the portfolio, expanding the company's positive impact on the Climate Action front as well as touching on several SDGs. The project implementation was conducted in respect of the local environment after addressing the concerns of the local community.

The project involves the conversion of kinetic energy into electricity using 12 Wind Turbine Generators at Samana, the site supplies the North-East-West-North East (NEWNE) region. This renewable energy project replaces consumption of fossil fuel generated electricity avoiding an annual average Greenhouse Gas ( GHG ) emissions reduction of 20,893 $tCO_2e$.

https://aera-group.fr/fiche/lux-resorts-hotels/ ( all projects details and carbon credit certificates published online for Transparency)

**"Our sustainability strategy considers global risks as well as the opportunities towards resilience and decarbonisation of our energy mix. In 2019, we unveiled the world's largest floating photovoltaic plant. We continue our journey in line with the Paris Agreement to participate in keeping global warming way below 2°C"**

***Renewable Energy and Circularity Projects***

The running of the two photovoltaic plants continues at Ile des Deux Cocos (Mauritius) and LUX* South Ari Atoll.

**LUX* South Ari Atoll photovoltaic plant**

Comparing the cost of running a diesel fueled generator versus a solar plant, the LUX* South Ari Atoll plant delivered a total savings of USD 165,320 for the year 2019-2020 with a production of over 900,000 kWh. It remains a constant monitoring work under the watch of the Engineer to maximise on the efficient use of the plant in relation to occupancy rate or weather changes.





Natural Capital – Tread Lightly (continued)

***LUX* GRAND BAIE***

***Energy Efficiency***

Salient sustainability feature of this new luxury hotel, is the implementation of a smart switching system which will combine an augmented guest experience with Room Energy Management System (REMS ). The smart switching technology will ensure on the energy efficiency of the rooms and will come with customised aesthetic design panels. A room energy management system benchmarking was conducted by ARUP consulting engineers before selection.

This technology adjusts temperature controls when the room is unoccupied providing an energy consumption savings, utility costs savings as well as ancillary benefits such as condensation risks mitigation.

***Energy Efficiency using Internet of Things ( IOT )***

The REMS's user friendliness is enhanced through the LUX* App connection, makes it engaging therefore encouraging guest participation in smart energy consumption. It enhances the luxurious experience by enabling a room experience that is minutely customisable for ultimate comfort throughout the stay. This technology is a future-proof investment and a stark upgrade from the regular energy management systems due to its connectivity and is one of the best in hotel technology innovations.

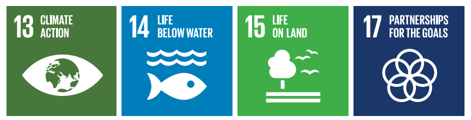
## Natural Capital – Tread Lightly (continued)

### *Biodiversity Conservation*

- **Oil spill in South East coast : assessment and response**

Nearly five months after the oil spill incident in the south east coast of Mauritius, the marine and land biodiversity have both been impacted, affecting rare endemic species conserved on the nature reserve islet of Ile Aux Aigrettes under the management of the Mauritian Wildlife Foundation as well as the surrounding lagoon. The consequences on the livelihoods of coastal communities who rely on healthy oceans and produce to generate income have also been impacted.

Our private island Ile des Deux Cocos has also been impacted with the zone access being restricted by authorities for safety. Collaboration with the authorities as well as the NGOs whose scientific work we have supported for years remains a priority for species rehabilitation and natural asset restoration. Information on the scale of impact has also been considered and recorded for near future projects.




Properties facilitated team member volunteering in grassroot level Initiatives where oil spill control booms were fashioned near the spill site and other larger production sites. Resorts team members also participated in tourism industry association initiatives to protect the coast. Other support brought by LUX* Le Morne, for example included the Food & Beverages team setting up cooking station on site in order to provide snacks and quick meals to the volunteers.





## Natural Capital – Tread Lightly (continued)

### *Biodiversity Conservation (continued)*

- **Mauritian Wildlife Foundation**

The Mauritian Wildlife has been crucial in maintaining a consistent responsible management of the islet Ile Aux Aigrettes home to LIR has contributed over half a million Rupees to the NGO since 2016, including FY 19-20 CSR contribution of Rs 100,000 for the ongoing critical conservation of rare endemic plants and species as well as a plastic upcycling project.

This CSR contribution is made on behalf of the Group and sister company The Lux Collective.

- **Eco Sud**

Eco-Sud's public sensitisation campaigns in the South East region of Mauritius have also received support from LIR during the past years. Our CSR fund contribution total since 2016 amounts to more than Rs 200,000, including Rs 120,000 from CSR Fund 2019, for much needed scientific surveyance of the marine life in Blue Bay Marine Park and in Bel Ombre. The NGO's affiliate properties are Ile des Deux Cocos and Tamassa, in order to create more value for the destination, together. Eco-Sud's scientific approach and expertise remains a key component of marine life conservation.

- **Protection of Animals Welfare Society (PAWS)**

PAWS will use Rs 28,136 donated by the Company to kick-start a fundraising campaign. The main message will be around the new no-kill shelter in Mon Loisir. The objective is also to raise awareness on the importance of reducing, in a humane way, the number of strays. Safety and population control of domestic animals will result in a more balanced ecosystem to surround humans. The rights of animals are therefore a key component in sustaining biodiversity conservation for a healthy planet.

- **LUX* South Ari Atoll Marine Biology Centre**

The ongoing work of the Marine Biology Centre contributes to the conservation of vulnerable life around the atolls. This includes

- Statistical contributions to the Maldives Whale Shark Research Programme. LUX* South Ari Atoll is recognised by the organisation as a "Top Resort Contributor" of whale shark sightings data for the 2019 period.

- Rescue of 3 turtles injured or sick, found near South Ari Atoll. One main threat to marine life are discarded fishing equipment (ghost nets). Injured turtles require immediate veterinary care if they are to survive. The Marine Biology Team always strives to rescue and care for the wildlife around the island even arranging transport via seaplane so that the animal can be taken to a specialist turtle rehabilitation facility in the Maldives. The centre also works closely with Olive Ridley Project and Marine Savers - two organisations that provide specialist turtle care for recovered turtles to be released back into the wild.

## Natural Capital – Tread Lightly (continued)

***Biodiversity Conservation*** *(continued)*

- **LUX* South Ari Atoll Marine Biology Centre** (continued)
- Operation Ghost Net - The team of the Marine Biology Centre also conducts ghost net removal operations which sometimes require hours of work to successfully remove the drift nets caught in reefs.
- Marine Biology Workshop: In August 2019 LUX* South Ari Atoll hosted a workshop organised with the Maldives Whale Shark Research Programme and Manta Trust. Representatives from dive centres and excursion centres in South Ari joined the event and participated in several training sessions that highlighted megafauna conservation and sustainable tourism in the Maldives.
- Coral Propagation Project: The Coral Propagation Project reported on previously continues to progress with the participation of Guests and Team members alike in the coral planting sessions over the 2019 festive season.





## Social Responsibility – Ray of Light

**Rs +20 Million**
of CSR funds invested in social and environmental projects since 2011

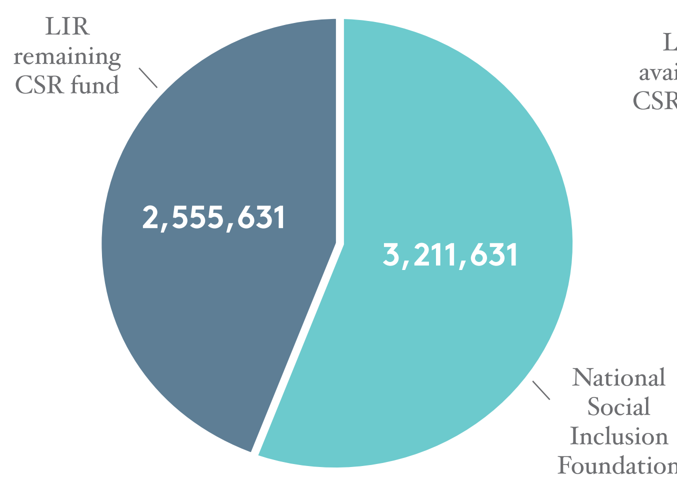
**CSR Fund 2019-2020**

From 2% of taxable profit, LUX Island Resorts has yielded Rs 5,767,262 of CSR fund.

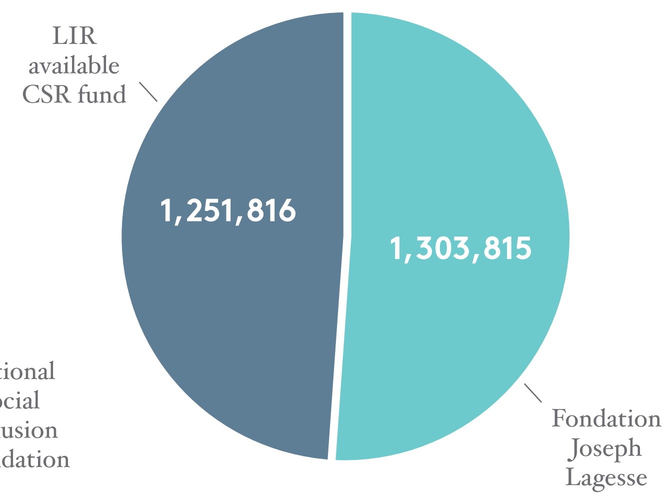
This year the partnerships for the goals have doubled, from 10 NGOs to 20 social and environmental partners. The allocation of funds has remained sensitive to the current economic impact of covid-19 on livelihoods, food security, access to education and connectivity and healthcare. These have been priority areas of the groups for years and we accelerate the empowerment of neighboring communities by further strengthening partnerships through resort, corporate office or group-wide affiliations. NGOs are selected in line with company priority areas pertinent to the sector and where we are able to contribute further in terms of volunteering or non-financial support. Other applicable frameworks are the national CSR guidelines and legislations. To ensure investment in impactful areas, we also assess according to the United Nations 17 priority goals.

56% of CSR fund was remitted to the Mauritius Revenue Authority to be further invested by the National Social Inclusion Foundation. A partial contribution of remaining funds is always redirected to the Fondation Joseph Lagesse of the parent company, where we pool resources to collaborate on poverty alleviation projects and more.

**CSR Fund remitted to NSIF**



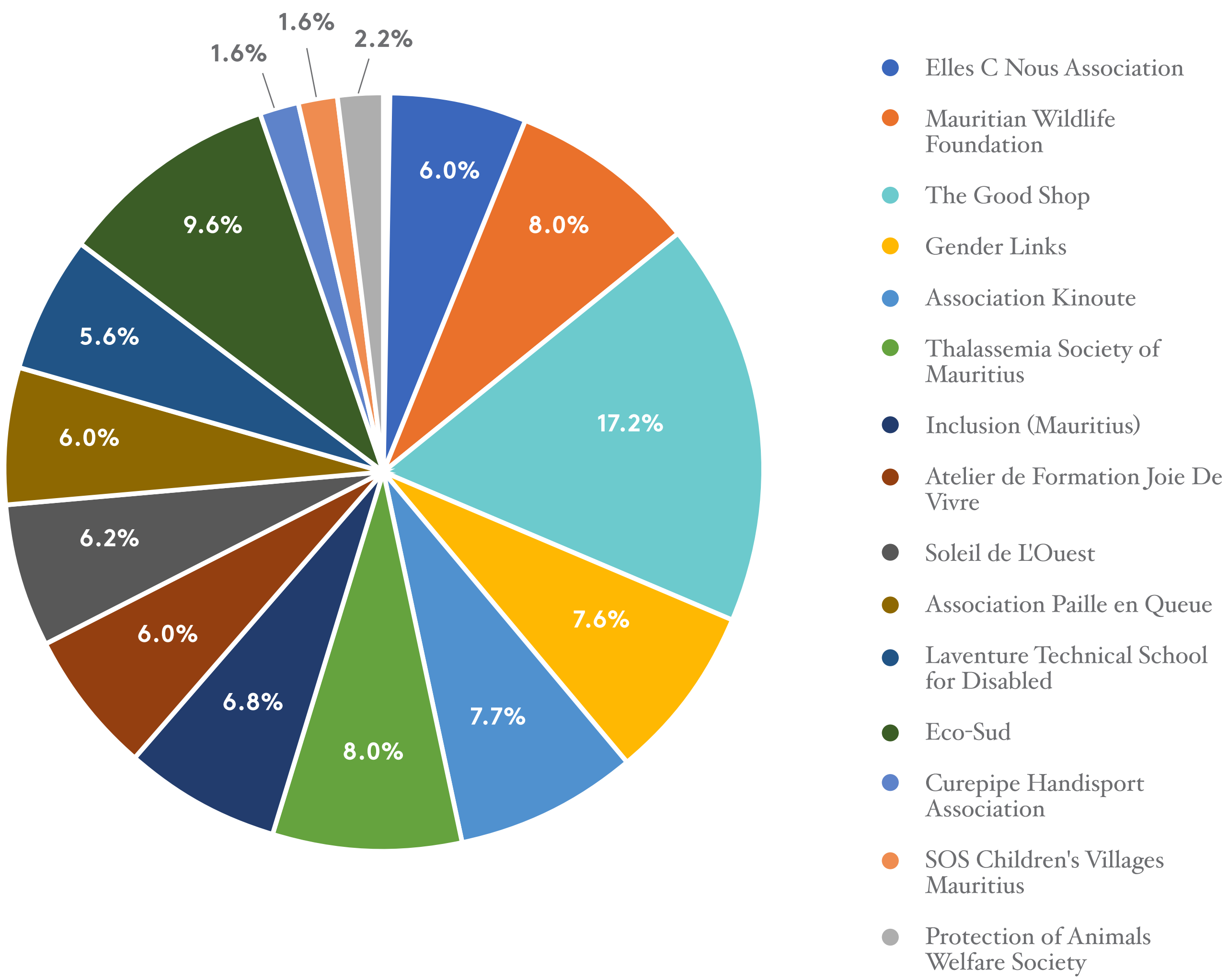

**LIR CSR Fund remitted to FJL**




A budget of Rs 750,000 has been allocated to the sponsoring of a young adult's medical studies in the United States. This initiative is already supported by the Fondation Joseph Lagesse.
Other projects supported in collaboration with FJL includes Rs 250,000 for educational support and training on Family protection to empower the community of Bois Marchand.
A backyard orchard creation project by FJL has received a contribution of Rs 208,815. Low-income households will, via this initiative, be encouraged to develop self-sufficiency knowledge as well as a possible entrepreneurial skill to market and yield some revenue from the sale of the fruits.
A budget of Rs 100,000 has been earmarked for healthcare projects for those affected by the toxic pollution from the Wakashio oil spill incident earlier this year.

Social Responsibility – Ray of Light (continued)

## CSR Fund Distribution to LIR NGO Partners






Social Responsibility – Ray of Light (continued)

## Ray of Light social empowerment projects and initiatives

**Gender Links** continues to work for Gender Equality in society, especially challenging during lock-down. Our financial support goes to their Safe Haven Halfway Home project, a breathing place for women having experienced Gender-based violence to restart their life.

The NGO **Elles C Nous** received support to hire a teacher for remedial classes to be dispensed especially to the children having missed classes during covid-19 lockdown.

**Thalassemia Society of Mauritius** will use funds to purchase Personal Protective Equipment to ensure on the safety of the beneficiaries for the duration of the pandemic. Thalassemia patients already have a fragile condition.

LIR has contributed to the Association **Paille en Queue**'s Quality Education project, which is a continuity of previously supported projects in Information Technology. This year's funds will activate the school's acquisition of a language learning software for the children.

**Atelier Joie de Vivre**, an affiliate partner of LUX* Le Morne works in the southern part of Mauritius where several pockets of poverty exist and support is necessary. Financial support has been reiterated this year for the NGO to continue empowering the children with quality education and extra-academic classes. The salary of the fitness teacher has been covered.

A new CSR partnership between LUX* Le Morne and **Soleil de l'Ouest** was set up this year. The NGO operates in the region of Chamarel and will invest Rs 77,184 in the six-month community garden programme. This NGO encourages self-sufficiency, restoring the dignity of its people, empowering them with a purpose and a stipend whilst enhancing food security through reasonably priced, quality produce in their shops. This project is in line with LUX* Le Morne's food valorisation projects.

**Laventure Technical School for the Disabled** located on the east coast, received sponsorship to hire the services of the physiotherapist to deliver activities for the beneficiaries' physical health.

Other new, key partnerships this year, include **The Good Shop**. The initiative of this women-led social enterprise encourages circular design, circular systems beyond the usual recycling projects. The comprehensive approach to consumerism and consequent waste and pollution is crucial to remedy several sources of carbon heavy activities like fast fashion or dumping. The NGO also runs two retail shops to provide affordable second-hand clothing, where NGO beneficiaries also shop free of charge. The shops employ and empower the disabled with quality on the job training. With Rs 215,000, LIR supports the several aspects of the project including the salary of them employees of the new Repair shop.

The Good Shop employs beneficiaries of **Inclusion Mauritius**. This organisation aims to empower the disabled, physical and mental, as well as their families. LIR has contributed Rs 85,000 to conduct the trainings for employability in the hospitality sector. Properties will eventually become hiring partners of this NGO.

The **Curepipe Handisport Association** received Rs 20,000 for the transport costs to enable the beneficiaries to continue physical sports trainings such as swimming and tennis.

**SOS Children's Villages Mauritius** received Rs 20,000 for the tuition fees of primary school students.

**Association Kinouété** supports the reintegration of ex-prisoners and provides a personalised evaluation in order to cater for the needs in an efficient way and on a case-by-case basis. The aim is to ensure their successful reinsertion into society, to find a means for sustained income and to restore the dignity of the person. Association Kinouete also provides support, awareness and sensitisation in prisons and outside, in order to do both preventive and rehabilitation work. The Company has sponsored its Potazer Permakiltir (permaculture project) for 60 ex Inmates across the island.

## Human Capital

### Covid-19 Response

Since the start of the pandemic, revenue loss has impacted the business. Management has maintained the workforce on the payroll and maintained the monthly medical insurance contribution for all team members. The company psychologist's services were extended virtually and 13 special sessions were conducted for the entire group on mental health.


Total Volunteer hours

**2,743**

The volunteer hours include CSR activities by each resort, in all destinations, such as end of year activities with NGOs as well as environmental initiatives.

Covid-19 lock-down measures have impacted the local community in various ways and the resorts have responded with food pack donations, created at the hotels by the team members. Some properties have baked for hospital staff and also distributed to the police and other front-line workers. Total food donations during initial stages of lock-down when access to food outlets were extremely limited, have exceeded 1 ton.

### Human Capital Management KPIs:

Total number of Team members as at end June 2020

**2,547**

### Hires

New hires equaled to 886 with a M:F gender ratio of

**1.4 : 1**

### Remuneration

The male:female salary ratio is **1 : 1** across the board; per employee category, region, corporate and operations level





Investment in training (MUR)

18,989,733

### LIR 2019-2020 Training Manhours are as follows:

Target

**180 manhours**

per Team Member

Achieved

**169.26 manhours**

per Team Member

### Worker's & Human rights

Human rights training totaled at

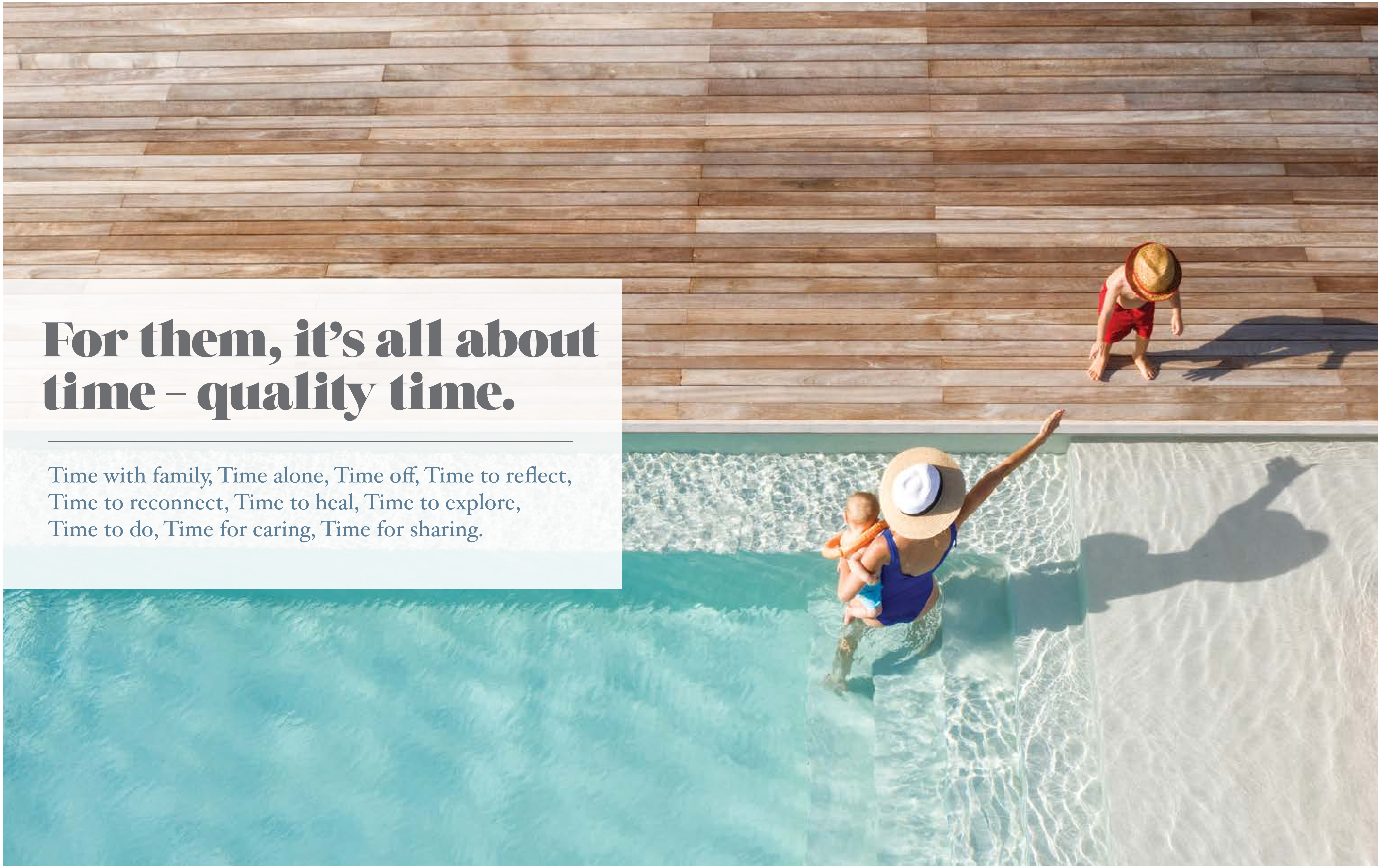
**811 hours**

for the Group

### Health & Safety (H&S)

The Human Resources H&S policy also follows the Occupational Safety and Health Act 2005 (OSHA 2005) therefore holds H&S Committee meetings every 2 months. 100% of workers are represented. The Vice Chairperson is the main contact person for all matters pertaining to Health & Safety. 100% of workers are represented.

Lost days due to injuries recorded for the FY 19/20 amounted to 1,883 with a male to female ratio of 1.2 to 1 days. There were no incidents of discriminations during the reporting period and no corrective actions taken by Management.



# For them, it's all about time – quality time.

Time with family, Time alone, Time off, Time to reflect, Time to reconnect, Time to heal, Time to explore, Time to do, Time for caring, Time for sharing.

# Statement of Compliance

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

Name of PIE : Lux Island Resorts Ltd

Reporting Period : 30 June 2020

We, the Directors of Lux Island Resorts Ltd, confirm that to the best of our knowledge, Lux Island Resorts Ltd has complied with all of its obligations and requirements under the Code of Corporate Governance, except for the following:

- The composition of the Board: Following the restructuration exercise which involved the separation of the real estate cluster and hotel operation Company, LIR, from its management company, The Lux Collective Ltd (TLC), the Board is actually composed of only one executive director. The Board is of the view that a strong management presence is important and is currently considering to appoint another executive director;
- The composition of its committees : The Board is currently considering the recruitment of additional independent directors who will also sit on its Committees, thus ensuring the compliance in its composition in respect of the number of independent directors, as per the recommendations contained in the NCCG; and
- Other directorships of the Board: The Board has decided not to disclose the Other directorships of the Directors as this information is available upon request at the registered office of the Company.

Signed by:

**Jean-Claude Béga**
Chairman

**Reshan Rambocus**
Chairman of Audit & Risk Committee

30 October 2020

# Company Secretary's Certificate

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 Companies Act 2001, in terms of section 166(d).

**IBL Management Ltd**
Company Secretary

30 October 2020

# Independent Auditors' Report

To the Shareholders of Lux Island Resorts Ltd

## Report on the Audit of the Consolidated and Separate Financial Statements

**Our Opinion**

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Lux Island Resorts Ltd (the "Company") and its subsidiaries (together the "Group") and of the Company standing alone as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

**What we have audited**

Lux Island Resorts Ltd's accompanying consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 30 June 2020;
- the consolidated and separate statements of profit or loss for the year then ended;
- the consolidated and separate statements of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

**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 Consolidated and Separate Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate 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.





## Report on the Audit of the Consolidated and Separate Financial Statements (continued)

**Key Audit Matters** (continued)

| Key audit matter - Group | How our audit addressed the key audit matter |
|---|---|
| **Impairment of Goodwill (see note 7 to the financial statements)** | |
| The Group has goodwill arising from past business combinations for which indicators of impairment exist as at 30 June 2020. The Group has impaired goodwill by MUR 667 million (2019: Nil) for the year ended 30 June 2020.<br><br>Management assessed goodwill for impairment at 30 June 2020 using discounted cash flows to determine the recoverable amounts of the respective cash generating units (CGUs) to which the goodwill has been allocated. The recoverable amount of each CGU has been determined based on their fair value less cost to sell.<br><br>The assessment of the recoverable amount of each cash generating unit requires the use of a number of key assumptions and judgements, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates applied.<br><br>This was an area of focus in light of the amounts involved and the level of judgement and estimation required from management. | We obtained and assessed management's workings of the recoverable amounts of the different CGUs to which goodwill was allocated.<br><br>With the support of our internal valuation experts, we tested the assumptions used in the discounted cash flow models by comparing these assumptions to our independently derived expectations, which are based on the historical performance of the businesses, as well as expectations for the markets in which the CGUs operate. We also considered reasonable possible changes in key assumptions, including making allowances for the near-term weaker trading from the impacts of COVID-19. The budgeted figures used in the discounted cash flow models were compared to the historical performance of the respective CGUs in order to assess the reasonableness of the forecasted cash flows.<br><br>Terminal growth rates have been assessed for reasonableness based on market expected long term growth rates.<br><br>In order to determine the reasonableness of the discount rates used in the cash flow models, these were compared to point estimates independently calculated by us based on the markets in which the CGUs operate, taking into consideration the nature of the CGUs. We have also verified the mathematical accuracy of the models.<br><br>We also assessed whether appropriate disclosures were made by management in the financial statements. |

## Report on the Audit of the Consolidated and Separate Financial Statements (continued)

**Key Audit Matters** (continued)

| Key audit matter - Group | How our audit addressed the key audit matter |
| --- | --- |
| **Impairment of Property, Plant and Equipment (see note 4 to the financial statements)**<br><br>The Group has Property, Plant and Equipment for which indicators of impairment exist as at 30 June 2020. The Group has impaired Property, Plant and Equipment by MUR 13 million (2019: MUR 393 million) for the year ended 30 June 2020.<br><br>Management assessed the recoverable amounts of Property, Plant and Equipment for which indicators of impairment exist using a fair value less cost to sell model.<br><br>The assessment of the recoverable amounts of the Property, Plant and Equipment requires the use of a number of key assumptions and judgements, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates applied.<br><br>This was an area of focus in light of the amounts involved and the level of judgement and estimation required from management. | As part of our planning procedures, we discussed with management the CGUs which were not performing as expected and analysed their financial performance for the year.<br><br>We obtained management's assessment of the recoverable amounts of these CGUs.<br><br>With the support of our internal valuation experts, we assessed the validity of the assumptions used in the cash flow models by comparing these assumptions to our independently derived expectations. The budgeted figures used in the discounted cash flow models were compared to the historical performance of the respective CGUs in order to assess the reasonableness of the forecasted cash flows. We also considered reasonable possible changes in key assumptions, including making allowances for the near term weaker trading from the impacts of COVID-19. Terminal growth rates have been assessed for reasonableness based on market expected long-term growth rates.<br><br>In order to determine the reasonableness of the discount rates used in the cash flow models, these were compared to point estimates independently calculated by us based on the markets in which the CGUs operate, taking into consideration the nature of the CGUs. We have also verified the mathematical accuracy of the models.<br><br>We assessed whether appropriate disclosures were made by management in the financial statements. |





## Report on the Audit of the Consolidated and Separate Financial Statements (continued)

**Key Audit Matters** (continued)

| Key audit matter - Group | How our audit addressed the key audit matter |
| --- | --- |
| **Revaluation of land and buildings and investment property (see notes 4 and 6 to the financial statements)**<br><br>At 30 June 2020 the Group had Property, Plant and Equipment which included land and buildings amounting to MUR 8.6 billion (2019: MUR 8.2 billion) and investment property amounting to 82 million (2019: 82 million).<br><br>Land and buildings are stated at their fair value based on periodic valuations carried out by external valuers, less subsequent depreciation for buildings. The fair value of land and buildings is derived using the open-market approach.<br><br>Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at fair value as determined through periodic valuation carried out by external valuers, which is based on open-market approach.<br><br>The significance of the land, buildings and investment property on the statement of financial position together with the degree of judgement required from the management's expert resulted in the revaluation of land and buildings and investment property being identified as a key audit matter. | We assessed the valuer's qualifications and expertise.<br><br>We have received and read the copies of the external valuation reports for the different properties and assessed the assumptions applied in calculating the fair value of freehold land and buildings and investment property. We reviewed the methodology applied and tested the inputs and assumptions used by management's expert such as price per square metre against the sales prices of comparable properties in close proximity.<br><br>We also assessed whether appropriate disclosures were made by management in the financial statements. |

## Report on the Audit of the Consolidated and Separate Financial Statements (continued)

**Key Audit Matters** (continued)

| Key audit matter - Group | How our audit addressed the key audit matter |
|---|---|
| **Basis of preparation – impact of COVID-19 (see note 2.1 to the financial statements)**<br><br>The Group prepares its financial statements using IFRS, which is a going concern basis of accounting. We focused on the appropriateness of using a going concern basis of accounting given the prevailing uncertainty caused by the COVID-19 virus in the hospitality industry. The ability of the Group to continue as a going concern is dependent on management's ability to maintain liquidity in order to repay its existing creditors and employees.<br><br>Management has also considered the impact of the COVID-19 virus on the operation of the various hotels of the Group and specifically on the Group's cash flows.<br><br>The virus may result in a sustained low occupancy rate and low average room rates and short-term decline in demand from customers which negatively impacts the future cash inflows.<br><br>Management performed sensitivity analysis over their cash flow forecasts to factor in the impact of a decline in both the occupancy rates and the average room rates as a result of the effects of the COVID-19 on the global economy.<br><br>Management's assessment of going concern is based on cash flow projections, the additional funding negotiated by the Group with the various banking institutions and the Mauritius Investment Corporation Ltd, and business plans, each of which is dependent on significant management judgement and can be influenced by management bias. | We obtained the cash flow forecast prepared by management for the financial year 2021. We checked the mathematical accuracy of the forecast and validated the opening cash position.<br><br>We obtained evidence over Management's underlying cash flow projections for the Group by agreeing data to other external and internal sources as necessary, including approved budgets, and comparing the cost assumptions to historical actuals.<br><br>We obtained evidence about the additional funding to be obtained by the Group for the upcoming year with the various banking institutions and the Mauritius Investment Corporation Ltd.<br><br>We performed an independent sensitivity analysis to assess the impact of changes in the key assumptions underlying the cash flow forecast such as a further decrease in occupancy rate, lower average room revenue and the timing of receipt of additional funding from banking institutions and government bodies.<br><br>We reviewed the loan agreements for the outstanding borrowings as at year end to identify any financial covenants imposed on Lux Island Resorts Ltd and its subsidiaries. For breaches of the financial covenants identified, we have tested the classification of the borrowings in the financial statements.<br><br>Furthermore, we reviewed the adequacy and appropriateness of management's going concern disclosures in the financial statements. |



Independent Auditors' Report to the Shareholders of Lux Island Resorts Ltd



## Report on the Audit of the Consolidated and Separate Financial Statements (continued)

**Key Audit Matters** (continued)



| Key audit matter - Group | How our audit addressed the key audit matter |
|---|---|
| **Impairment of investment in subsidiary companies (see note 8 to the financial statements)**<br><br>The Company holds investments in subsidiaries which amounted to MUR 2.4 billion as at 30 June 2020 (2019: MUR 3.6 billion).<br><br>Management determines at the end of each reporting period the existence of any indication of impairment of the Company's investments in subsidiaries. If there are indicators of impairment, management would assess the recoverable amounts of the investment in subsidiary companies. Any shortfall between the recoverable amounts of the subsidiaries and their carrying value is recognised in profit or loss.<br><br>The assessment of indicators of impairment and the determination of the recoverable amounts of the investments in subsidiaries require judgement.<br><br>The determination of the recoverable amounts, using a fair value less cost to sell model, requires the use of a number of key assumptions and estimates such as the estimated future cash flows, long-term growth rates, discount rates and profitability levels. | We assessed for internal and external indicators of impairment for investment in subsidiary companies.<br><br>For those investment in subsidiary companies whereby indicators of impairment were identified, we obtained management assessment of the recoverable amounts, which is based on a discounted cash flow model.<br><br>With the support of our internal valuation experts, we challenged management's forecasted revenues, growth rates and discount rates based on our knowledge of the subsidiaries' operations, and compared them against actual performance. This included obtaining an understanding of management's planned business strategies around revenue and cost initiatives.<br><br>We assessed the terminal growth rates used in the discounted cash flow models by comparing same to market expected long-term growth rates.<br><br>We also assessed the reasonableness of the discount rates used by comparing same to a range of discount rates independently calculated by us based on the markets in which the businesses operate, taking into account the nature of the individual businesses.<br><br>We assessed whether appropriate disclosures were made by management in the financial statements. |

## Report on the Audit of the Consolidated and Separate Financial Statements (continued)

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Company has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's 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/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.





## Report on the Audit of the Consolidated and Separate Financial Statements (continued)

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the 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's and 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 consolidated and separate 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/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 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 the directors 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 the directors 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, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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

**Mauritian Companies Act 2001**

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

a. we have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditor of the Company and some of its subsidiaries;
b. we have obtained all the information and explanations we have required; and
c. in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

## Other Matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers**

**Gilles Beesoo,** licensed by FRC

30 October 2020



# Consolidated and Separate Statements of Financial Position as at 30 June 2020

| | Notes | THE GROUP 2020 Rs'000 | THE GROUP 2019 Restated Rs'000 | THE GROUP 2018 Restated Rs'000 | THE COMPANY 2020 Rs'000 | THE COMPANY 2019 Restated Rs'000 | THE COMPANY 2018 Restated Rs'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 4 | **10,083,786** | 9,090,461 | 9,846,875 | **14,125** | 14,576 | 92,858 |
| Right-of-use assets | 5(a) | **3,429,232** | - | - | - | - | - |
| Investment property | 6 | **82,212** | 82,212 | - | **82,212** | 82,212 | - |
| Intangible assets | 7 | **467,316** | 1,825,231 | 1,649,157 | **187** | 187 | - |
| Investment in subsidiary companies | 8 | - | - | - | **2,415,872** | 3,586,617 | 3,523,585 |
| Other financial assets | 9 | - | - | 5 | - | - | - |
| Deferred tax assets | 10 | **137,771** | 201,491 | 192,409 | - | 18,154 | - |
| | | **14,200,317** | 11,199,395 | 11,688,446 | **2,512,396** | 3,701,746 | 3,616,443 |
| **Current assets** | | | | | | | |
| Inventories | 11 | **182,426** | 190,643 | 211,248 | - | - | - |
| Trade and other receivables | 12 | **530,348** | 751,660 | 828,416 | **2,184,257** | 1,534,729 | 1,979,364 |
| Current tax assets | 21 (d) | **5,181** | - | - | - | - | - |
| Cash and cash equivalents | 32(a) | **156,834** | 169,959 | 194,816 | **56,103** | 57,056 | 25,636 |
| | | **874,789** | 1,112,262 | 1,234,480 | **2,240,360** | 1,591,785 | 2,005,000 |
| Assets classified as held for sale | 13 | **528,945** | - | - | - | - | - |
| **TOTAL ASSETS** | | **15,604,051** | 12,311,657 | 12,922,926 | **4,752,756** | 5,293,531 | 5,621,443 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| Issued capital | 14(a) | **1,371,159** | 1,371,159 | 1,371,159 | **1,371,159** | 1,371,159 | 1,371,159 |
| Share premium | 14(b) | **1,320,986** | 1,320,986 | 1,320,986 | **1,320,986** | 1,320,986 | 1,320,986 |
| Other reserves | 15 | **1,859,304** | 1,378,128 | 1,663,218 | **41,252** | 41,428 | 41,707 |
| Retained earnings | | **1,014,411** | 1,936,767 | 1,653,411 | **693,048** | 1,331,963 | 1,383,480 |
| **Equity attributable to the owners of the parent** | | **5,565,860** | 6,007,040 | 6,008,774 | **3,426,445** | 4,065,536 | 4,117,332 |
| Non-controlling interests | 16 | - | - | 1,523 | - | - | - |
| **Total equity** | | **5,565,860** | 6,007,040 | 6,010,297 | **3,426,445** | 4,065,536 | 4,117,332 |
| Non-current liabilities | | | | | | | |
| Interest-bearing loans and borrowings | 17 | **2,158,461** | 3,200,523 | 3,631,683 | - | - | 112,502 |
| Lease liabilities | 5(a) | **2,730,306** | - | - | - | - | - |
| Deferred tax liabilities | 10 | **524,815** | 525,308 | 571,280 | **12,812** | - | 283 |
| Post employment benefit obligations | 18(b) | **170,628** | 112,645 | 94,372 | **41,705** | 11,701 | - |
| Government grants | 19 | **2,973** | 3,990 | 5,330 | - | - | - |
| | | **5,587,183** | 3,842,466 | 4,302,665 | **54,517** | 11,701 | 112,785 |
| **Current liabilities** | | | | | | | |
| Interest-bearing loans and borrowings | 17 | **3,002,731** | 1,238,812 | 1,150,370 | **223,360** | 282,400 | 256,755 |
| Lease liabilities | 5(a) | **141,336** | - | - | - | - | - |
| Contract liabilities | 22 | **71,091** | 153,706 | 165,613 | - | - | - |
| Trade and other payables | 20 | **1,030,375** | 1,017,307 | 1,088,637 | **1,048,434** | 933,894 | 963,176 |
| Current tax liabilities | 21 (d) | **1,563** | 52,326 | 33,949 | - | - | - |
| Dividend payable | | - | - | 171,395 | - | - | 171,395 |
| | | **4,247,096** | 2,462,151 | 2,609,964 | **1,271,794** | 1,216,294 | 1,391,326 |
| Liabilities associated with assets held for sale | 13 | **203,912** | - | - | - | - | - |
| **Total liabilities** | | **10,038,191** | 6,304,617 | 6,912,629 | **1,326,311** | 1,227,995 | 1,504,111 |
| **TOTAL EQUITY AND LIABILITIES** | | **15,604,051** | 12,311,657 | 12,922,926 | **4,752,756** | 5,293,531 | 5,621,443 |

These financial statements have been approved for issue by the Board of Directors and signed on its behalf on 30 October 2020.

**Jean-Claude Béga**
*Chairman*

**Reshan Rambocus**
*Chairman of Audit & Risk Committee*

*The notes set out on pages 135 to 218 form an integral part of these financial statements. Independent Auditor's report on pages 120 to 128.*

# Consolidated and Separate Statements of Profit or Loss for the year ended 30 June 2020

| | Notes | THE GROUP 2020 Rs'000 | THE GROUP 2019 Rs'000 | THE COMPANY 2020 Rs'000 | THE COMPANY 2019 Rs'000 |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| Revenue from contracts with customers | 22 | **4,653,907** | 6,156,354 | - | - |
| Other operating income | 23 (a) | **183,698** | 33,524 | **713,273** | 583,199 |
| | | **4,837,605** | 6,189,878 | **713,273** | 583,199 |
| Cost of inventories | 24 | **(1,095,390)** | (1,164,691) | - | - |
| Employee benefit expenses | 25 | **(1,372,756)** | (1,545,746) | **(31,410)** | (28,652) |
| Other operating expenses | 26 | **(1,340,937)** | (2,111,431) | **(69,613)** | (115,421) |
| | | **(3,809,083)** | (4,821,868) | **(101,023)** | (144,073) |
| **Earnings before interest, tax, depreciation, amortisation, impairment and write offs** | | **1,028,522** | 1,368,010 | **612,250** | 439,126 |
| Impairment of goodwill | 30 | **(667,177)** | - | - | - |
| Impairment of property, plant and equipment | 4 | **(12,622)** | - | - | - |
| Impairment of investment in subsidiary companies | 8 | - | - | **(1,170,745)** | - |
| Impairment of financial assets | 12 (iii) | **(126,318)** | (2,107) | - | - |
| Bad debts written off | | **(26,337)** | - | - | - |
| | | **(832,454)** | (2,107) | **(1,170,745)** | - |
| **Earnings before interest, tax, depreciation and amortisation** | | **196,068** | 1,365,903 | **(558,495)** | 439,126 |
| Depreciation and amortisation | 27 | **(568,519)** | (470,022) | **(528)** | (485) |
| **Operating (loss)/profit** | | **(372,451)** | 895,881 | **(559,023)** | 438,641 |
| Interest income | 28 | **337** | 388 | **2,278** | 2,178 |
| Finance costs | 29 | **(448,523)** | (274,017) | **(21,964)** | (48,490) |
| **(Loss)/profit from continuing operations before income tax** | | **(820,637)** | 622,252 | **(578,709)** | 392,329 |
| Income tax (expense)/credit | 21 (a) | **(57,006)** | (91,889) | **(35,889)** | 18,123 |
| **(Loss)/profit for the year from continuing operations** | | **(877,643)** | 530,363 | **(614,598)** | 410,452 |
| **DISCONTINUED OPERATIONS** | | | | | |
| Results from discontinued operations after tax | 8 (d) | - | (3,171) | - | - |
| Gain on deemed disposal of subsidiary | 8 (d) | - | 198,338 | - | - |
| | | - | 195,167 | - | - |
| **(Loss)/profit for the year** | | **(877,643)** | 725,530 | **(614,598)** | 410,452 |
| (Loss)/profit for the year attributable to: | | | | | |
| - Owners of the parent | | **(877,643)** | 725,357 | **(614,598)** | 410,452 |
| - Non-controlling interests | | - | 173 | - | - |
| | | **(877,643)** | 725,530 | **(614,598)** | 410,452 |
| **(Loss)/earnings per share attributable to equity holders of the parent:** | | | | | |
| Basic and diluted from Continuing and discontinued operations (Rs) | 31 | **(6.40)** | 5.29 | | |
| Basic and diluted from continuing operations (Rs) | 31 | **(6.40)** | 3.87 | | |

*The notes set out on pages 135 to 218 form an integral part of these financial statements. Independent Auditor's report on pages 120 to 128.*



# Consolidated and Separate Statements of Other Comprehensive Income for the year ended 30 June 2020

| | Notes | THE GROUP 2020 Rs'000 | THE GROUP 2019 Rs'000 | THE COMPANY 2020 Rs'000 | THE COMPANY 2019 Rs'000 |
|---|---|---|---|---|---|
| **(Loss)/profit for the year** | | **(877,643)** | 725,530 | **(614,598)** | 410,452 |
| **Other comprehensive income that will not be reclassified to profit or loss subsequently** | | | | | |
| Revaluation of property, plant and equipment | 15 | **483,248** | (392,864) | - | - |
| Deferred tax relating to revaluation of property, plant and equipment | 15 | **(81,425)** | 65,381 | - | - |
| Actuarial losses | 18(f) | **(53,317)** | (9,639) | **(29,297)** | (1,514) |
| Deferred tax relating to actuarial losses | | **8,604** | 1,498 | **4,980** | 257 |
| | | **357,110** | (335,624) | **(24,317)** | (1,257) |
| **Other comprehensive income that may be reclassified to profit or loss subsequently** | | | | | |
| Cash flow hedge movement | 15 | **(243,933)** | 121 | - | (2,776) |
| Release to profit or loss on repayment of borrowings | 15 | **74,553** | 46,800 | **(119)** | 2,440 |
| Exchange difference on translation of foreign operations | 15 | **218,561** | 50,216 | - | - |
| Deferred tax relating to components of other comprehensive income | 15 | **30,172** | (297) | **(57)** | 57 |
| | | **79,353** | 96,840 | **(176)** | (279) |
| **Total other comprehensive income, net of tax** | | **436,463** | (238,784) | **(24,493)** | (1,536) |
| **Total comprehensive income for the year, net of tax** | | **(441,180)** | 486,746 | **(639,091)** | 408,916 |
| **Other comprehensive income attributable to:** | | | | | |
| - Owners of the parent | | **436,463** | (238,784) | **(24,493)** | (1,536) |
| - Non-controlling interests | | - | - | - | - |
| | | **436,463** | (238,784) | **(24,493)** | (1,536) |
| **Total comprehensive income attributable to:** | | | | | |
| - Owners of the parent | | **(441,180)** | 486,573 | **(639,091)** | 408,916 |
| - Non-controlling interests | | - | 173 | - | - |
| | | **(441,180)** | 486,746 | **(639,091)** | 408,916 |

*The notes set out on pages 135 to 218 form an integral part of these financial statements. Independent Auditor's report on pages 120 to 128.*

# Consolidated Statement of Changes in Equity for the year ended 30 June 2020

| THE GROUP | Notes | *Attributable to the equity holders of the parent* | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Issued capital (Note 14) Rs'000** | **Share premium (Note 14) Rs'000** | **Other reserves (*Note 15*) Rs'000** | **Retained earnings Rs'000** | **Total Rs'000** | **Non-controlling interests (Note 16) Rs'000** | **Total equity Rs'000** |
| **At 01 July 2018** | | | | | | | | |
| - As previously reported | | 1,371,159 | 1,320,986 | 1,663,218 | 1,653,411 | 6,008,774 | 1,523 | 6,010,297 |
| - Effect of adopting IFRS 9 | | - | - | - | (26,358) | (26,358) | - | (26,358) |
| - Deferred tax effect on adoption of IFRS 9 | | - | - | - | 4,053 | 4,053 | - | 4,053 |
| - As re-stated | | 1,371,159 | 1,320,986 | 1,663,218 | 1,631,106 | 5,986,469 | 1,523 | 5,987,992 |
| Other comprehensive loss for the year | | - | - | (230,643) | (8,141) | (238,784) | - | (238,784) |
| Profit for the year | | - | - | - | 725,357 | 725,357 | 173 | 725,530 |
| Total comprehensive income for the year, net of tax | | - | - | (230,643) | 717,216 | 486,573 | 173 | 486,746 |
| Transfer of excess revaluation reserve upon impairment of property | | - | - | (49,157) | 49,157 | - | - | - |
| Deemed disposal of a subsidiary | | | - | (5,290) | - | (5,290) | (1,696) | (6,986) |
| Dividend to equity holders of the parent | 41 | - | - | - | (460,712) | (460,712) | - | (460,712) |
| **At 30 June 2019** | | 1,371,159 | 1,320,986 | 1,378,128 | 1,936,767 | 6,007,040 | - | 6,007,040 |
| **At 01 July 2019** | | **1,371,159** | **1,320,986** | **1,378,128** | **1,936,767** | **6,007,040** | - | **6,007,040** |
| Other comprehensive loss for the year | | - | - | **481,176** | **(44,713)** | **436,463** | - | **436,463** |
| Loss for the year | | - | - | - | **(877,643)** | **(877,643)** | - | **(877,643)** |
| Total comprehensive income for the year, net of tax | | - | - | **481,176** | **(922,356)** | **(441,180)** | - | **(441,180)** |
| **At 30 June 2020** | | **1,371,159** | **1,320,986** | **1,859,304** | **1,014,411** | **5,565,860** | - | **5,565,860** |

The restatement for FY 2018 was in relation to effect of adopting IFRS 9 and its related deferred tax impact. Same was accounted as part of the opening retained earnings at 01 July 2018.

*The notes set out on pages 135 to 218 form an integral part of these financial statements. Independent Auditor's report on pages 120 to 128.*



# Consolidated Statement of Changes in Equity for the year ended 30 June 2020

| THE COMPANY | Notes | **Issued capital (Note 14) Rs'000** | **Share premium (Note 14) Rs'000** | **Other reserves (Note 15) Rs'000** | **Retained earnings Rs'000** | **Total Rs'000** |
|---|---|---|---|---|---|---|
| **At 01 July 2018** | | 1,371,159 | 1,320,986 | 41,707 | 1,383,480 | 4,117,332 |
| Other comprehensive loss for the year | | - | - | (279) | (1,257) | (1,536) |
| Profit for the year | | - | - | - | 410,452 | 410,452 |
| Total comprehensive income for the year, net of tax | | - | - | (279) | 409,195 | 408,916 |
| Dividend to equity holders of the Company | 41 | - | - | - | (460,712) | (460,712) |
| **At 30 June 2019** | | 1,371,159 | 1,320,986 | 41,428 | 1,331,963 | 4,065,536 |
| **At 01 July 2019** | | **1,371,159** | **1,320,986** | **41,428** | **1,331,963** | **4,065,536** |
| Other comprehensive loss for the year | | - | - | **(176)** | **(24,317)** | **(24,493)** |
| Loss for the year | | - | - | - | **(614,598)** | **(614,598)** |
| Total comprehensive income for the year, net of tax | | - | - | **(176)** | **(638,915)** | **(639,091)** |
| **At 30 June 2020** | | **1,371,159** | **1,320,986** | **41,252** | **693,048** | **3,426,445** |

*The notes set out on pages 135 to 218 form an integral part of these financial statements. Independent Auditor's report on pages 120 to 128.*

# Consolidated and Separate Statements of Cash Flows for the year ended 30 June 2020

| | Notes | THE GROUP 2020 Rs'000 | THE GROUP 2019 Restated Rs'000 | THE COMPANY 2020 Rs'000 | THE COMPANY 2019 Restated Rs'000 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| (Loss)/profit before tax from continuing operations | | **(820,637)** | 622,252 | **(578,709)** | 392,329 |
| Loss before tax from discontinued operations | | - | (3,171) | - | - |
| *Adjustments for:* | | | | | |
| - Impairment of goodwill | 30 | **667,177** | - | - | - |
| - Impairment of financial assets | | **126,318** | - | - | - |
| - Bad debts written off | | **26,337** | | | |
| - Impairment of investment in subsidiary | 8 | - | - | **1,170,745** | - |
| - Impairment of property, plant and equipment | 4 | **12,622** | - | - | - |
| - Movement in provision for slow moving stock | | **4,100** | - | - | - |
| - Foreign exchange differences | | **(104,647)** | 21,349 | **(126,420)** | 2,440 |
| - Depreciation and amortisation | 27 | **568,519** | 475,854 | **528** | 485 |
| - Loss on disposal of property, plant and equipment | 23(b) | **4,137** | 8,767 | - | - |
| - Loss on deemed disposal of investment in subsidiary | | - | - | - | 50,010 |
| - Post employment benefit obligations | | **6,631** | 22,869 | **2,672** | 10,187 |
| - Interest income | 28 | **(337)** | (388) | **(2,278)** | (2,178) |
| - Interest expense | 29 | **448,523** | 274,017 | **21,964** | 48,490 |
| - Dividend income | 23(a) | - | - | **(500,000)** | (550,000) |
| | | **938,743** | 1,421,549 | **(11,498)** | (48,237) |
| Changes in working capital: | | | | | |
| - Decrease in inventories | | **1,735** | 15,863 | - | - |
| - Decrease/(increase) in trade and other receivables | | **24,556** | 138,244 | **(5,346)** | 605,988 |
| - Increase/(decrease) in trade and other payables | | **16,811** | (214,294) | **87,402** | (29,282) |
| Cash generated from operations | | **981,845** | 1,361,362 | **70,558** | 528,469 |
| Interest received | | **337** | 388 | **333** | 2,178 |
| Contribution paid | | **(1,965)** | - | **(1,965)** | - |
| Income tax paid | 21(d) | **(102,466)** | (72,690) | - | - |
| Interest paid | | **(413,511)** | (274,017) | **(5,347)** | (48,490) |
| **Net cash flows from operating activities** | | **464,240** | 1,015,043 | **63,579** | 482,157 |
| **INVESTING ACTIVITIES** | | | | | |
| Acquisition of property, plant and equipment | 32(b) | **(829,685)** | (187,280) | **(77)** | (4,415) |
| Purchase of intangible assets | 7 | **(5,137)** | (279,378) | - | (187) |
| Deemed disposal of subsidiary | 8(d) | - | 24,280 | - | - |
| Proceeds from sale of property, plant and equipment | | **2,972** | 13,392 | - | - |
| **Net cash flows used in investing activities** | | **(831,850)** | (428,986) | **(77)** | (4,602) |
| **FINANCING ACTIVITIES** | | | | | |
| Long term loans received | 17(e) | **1,226,730** | 1,212,699 | **654,300** | 448,313 |
| Payments of long term borrowings | 17(e) | **(850,103)** | (1,440,064) | **(756,556)** | (562,028) |
| Principal elements of lease payments | 5(a)/ 17(e) | **(78,846)** | (21,173) | - | - |
| Dividend paid | 41 | - | (356,502) | - | (356,502) |
| **Net cash flows from/(used in) financing activities** | | **297,781** | (605,040) | **(102,256)** | (470,217) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(69,829)** | (18,983) | **(38,754)** | 7,338 |
| Cash and cash equivalents at 01 July | | **(31,786)** | (13,356) | **32,512** | 25,174 |
| Transfer to assets held for sale | | **(99,922)** | - | - | - |
| Net foreign exchange difference | | **1,933** | 553 | **4,085** | - |
| **Cash and cash equivalents at 30 June** | 32(a) | **(199,604)** | (31,786) | **(2,157)** | 32,512 |

** Prior year figures for the Group and the Company have been restated to adjust for cash flows relating to re-statement of cash and bank balances as more fully explained in note 38.*

*The notes set out on pages 135 to 218 form an integral part of these financial statements. Independent Auditor's report on pages 120 to 128.*



# Notes to the Financial Statements for the year ended 30 June 2020

## 1. CORPORATE INFORMATION

Lux Island Resorts Ltd is a public company incorporated in Mauritius and its shares are listed on the Stock Exchange of Mauritius. Its registered office is situated at 58, Pierre Simonet Street, Floréal. The main activity of the Group and the Company is the operation and management of hotels.

## 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 years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated and separate financial statements have been prepared on a historical cost basis as modified by the revaluation of land and buildings, investment property and plan assets for post-employment benefit obligations which are stated at their fair values as disclosed in the accounting policies hereafter. The consolidated and separate financial statements are presented in Mauritian rupees and all values are rounded to the nearest thousand (Rs'000) except when otherwise indicated.

*Statement of Compliance*

The consolidated and separate financial statements of Lux Island Resorts Ltd and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements comprise the financial statements of Lux Island Resorts Ltd and its subsidiaries as at 30 June 2020. Where necessary, comparative figures have been amended to conform with change in presentation in the current year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and the Company's accounting policies. The areas including a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed Note 3.

During the year, the Group and the Company made a loss of **Rs 877.6 million** (2019 – Profit of Rs 725.5m) and **Rs 614.6 million** (2019- Profit of Rs 410.5m) respectively. At 30 June 2020, the Group's current liabilities exceed its current assets by **Rs 3.4 billion** (2019- Rs 1.3 billion) and is in a net asset position of **Rs 5.6 billion** (2019- Rs 6.0 billion) while the Company's current assets exceed its current liabilities by **Rs 968.6 million** (2019- Rs 375.5 million) and is in a net asset position of **Rs 3.4 billion** (2019- Rs 4.1 billion).

The Covid-19 pandemic has triggered an unprecedented crisis in 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 tourism numbers and receipts worldwide.

The three destinations in which the Company and its operating subsidiaries operate (the "Group") – Mauritius, the Maldives and Reunion Island – have not been spared.

The impact of the Covid-19 pandemic began to make itself felt as of the end of February 2020, with an abrupt year on year decline in tourist arrivals in each of the Group's destinations. By March 2020, all of the Group's destinations were in lockdown. Its hotels remained closed for the rest of the financial year, with its Reunion properties reopening in July 2020 and the Maldives hotels reopening in August 2020.In Mauritius, the Group reopened Tamassa and LUX Grand Gaube end of August/beginning of September 2020.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

*Statement of Compliance (continued)*

The Group's management has prepared forecasted group operating results for the financial year ending 30 June 2021 to assess the ability of the Group to operate as a going concern. The Groups operations are being impacted by the following:

- For Maldives, although borders are opened since August 2020, there are travel restrictions to the Maldives in most of the source markets
- For Mauritius, although being COVID-free, there has been a partial re-opening of borders since 01 October 2020, but Mauritius does not appear as an attractive destination for tourists given the stringent travel conditions imposed presently by the Mauritian Authorities.

The Group's forecasts for Mauritius, Reunion and Maldives have therefore been prepared on the basis of a worst case scenario with very low occupancy and reduced room rates and taking also into consideration measures taken by the Group to reduce expenses (voluntary pay cut for management team, team members encouraged to work from home, review of expenditure at all level) and incentives provided by Government (Government Wage Assistance Scheme for team members earning up to Rs 50,000 per month and waiver of lease payment for Mauritius hotels for the financial year 2020/21) with a view to mitigate the impact of COVID-19.

The shortfall in cash flow identified to enable the Group to meet its operational commitments as well as to service finance charges have been estimated at USD 8 million for Maldives and around Rs 1 billion for Mauritius on the assumptions that all capital repayment of loans will be deferred up to 30 June 2021. Several measures were implemented to strengthen the financial position of the Group by increasing its liquidity, extending its average debt maturity, and reducing its cash outlays significantly. The Group first approached its Banks, which have responded positively by granting the following:

- A moratorium of one year on capital repayments, which will fall due between 01 July 2020 and 30 June 2021. At date of approval of the annual report, three among the five banks have already sent written confirmation for the deferment of capital repayment up to June 2021 while the two other banks have verbally communicated the deferment and written confirmation is awaited.
- A Covid-19 sponsored loan for an amount of Rs 160m at a competitive interest rate of 1.5% per annum. The first repayment of the Covid-19 loan will start as from July 2021;
- A term loan of USD 7.8 million to meet the working capital requirement of the Maldives operation; and
- A Government sponsored term loan of EUR 2 million to finance working capital of the Reunion operation. The hotel in Reunion island is operating with encouraging occupancy level and with the loan of EUR 2 million received in May 2020, it should be able to meet all its financial commitments during the financial year ending 30 June 2021.

In addition the Company and the Mauritius Investment Corporation Ltd ("MIC"), a wholly-owned subsidiary of the Bank of Mauritius, and funded in terms of the Bank of Mauritius Act, have on 18 September 2020 signed a term sheet pursuant to which MIC has committed to subscribe to redeemable and convertible secured bonds (the "Bonds") having a nominal value of Rs 10 million to be issued by the Company for a total subscription amount of Rs 1 billion. The Bonds will carry a fixed interest rate and interest will be payable twice yearly. The Bonds will mature on the ninth (9th) anniversary of the first subscription date of Bonds by MIC.

The proceeds from the Bonds issue will be used principally for the working capital requirements of the Group's Mauritian operations and payment of interests due and payable in respect of the Group's existing indebtedness with commercial banks.



Notes to the Financial Statements

for the year ended 30 June 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

The Board is of the view that the injection of Rs 1 billion and term loans from commercial banks coupled with other initiatives taken by the Board to stabilise the business of the Group should ensure adequate liquidity to meet its financial commitments for at least the next twelve months.

The financial statements have been prepared on a going concern basis, which assumes that the Group and the Company will continue in operational existence for the foreseeable future. The directors believe that it is appropriate for the financial statements to be prepared on the going concern basis since based on the financial forecast, the Group and the Company would have sufficient cash to sustain its operations over the next twelve months.

**New standards, amendments to existing standards and interpretation issued and effective for the first time for the financial year beginning on or after 01 January 2019**

In the current year, the Group and the Company have assessed all of the new standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to their operations and effective for accounting periods beginning on or after 01 January 2019.

**New standards, amendments to existing standards and interpretation issued and effective for the first time for the financial year beginning on or after 01 January 2019**

**IFRS 16 Leases**

The Group has adopted "IFRS 16 – Leases" using the modified retrospective approach. Under this approach, the lessee does not restate comparative information. Consequently, the date of initial application is the first day of the annual reporting period in which the lessee first applies the requirements of the new lease standard.

On adoption of IFRS 16, the Group has recognised lease liability in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 – Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 01 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liability varies between 5.04% to 9.33%.

<u>Practical expedients applied</u>

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 01 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application;
- applying practical expedient for low value assets approximately Rs 190,000 (USD 5,000) and has accounted same as operating lease;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- for certain instances where it is impractical to separate the lease from the non-lease component, the Group accounted for them as a single lease component.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

Measurement of right-of-use assets

The Group measured the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognised in the statement of the financial position as at 30 June 2019. The depreciation rate on the right-of-use assets is computed on a straight-line basis over the duration of the leases varying between 5 to 100 years. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. In instances where lease agreements contain lease and non-lease components, they are generally accounted for separately.

The following table shows the operating lease commitments disclosed applying IAS 17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and these liabilities recognised in the statements of financial position at the date of initial recognition.

| | THE GROUP<br>Rs'000 |
|---|---|
| Impact on the financial position at 01 July 2019 | |
| Operating lease commitments at 30 June 2019 | **15,689,021** |
| Discounted using the Group's incremental borrowing rate of at the date of initial application (01 July 2019) | **2,627,482** |
| Add finance lease liabilities recognised as at 30 June 2019 | **60,583** |
| Add contracts reassessed as lease contracts | - |
| Less short-term leases and low value assets recognised on a straight-line basis as expense | - |
| Less adjustments as result of a different treatment of extension and termination options | - |
| Lease liabilities at 01 July 2019 | **2,688,065** |

The disclosures for IFRS 16 are set in note 5 of the financial statements.

There are no other new standards and amendments to standards and interpretations that are effective for annual period beginning on or after 01 January 2019 that would be relevant or have a material impact on the Group's and of the Company's financial statements.

**New standards, amendments and interpretations issued but effective for financial years beginning on or after 01 January 2020 and not early adopted by the Group**

The amended standard that has been issued, but not yet effective up to the date of issuance of the Group's financial statements and which is applicable to the Group relates to COVID-19-Related Rent Concessions (Amendment to IFRS 16). The amendment to IFRS 16 is effective as from 01 July 2020 and is not expected to have a material impact on the Group's reported financial performance or position.The Group intends to adopt the amended standard when it becomes mandatorily effective.

There are no other new standards and amendments to standards and interpretations that are effective for annual period beginning on or after 01 January 2020 that would be relevant or have a material impact on the Group's and of the Company's financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.



# Notes to the Financial Statements
for the year ended 30 June 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Principles of consolidation

*Separate financial statements of the Company*

In the separate financial statements of the Company, investment in subsidiary companies are carried at cost net of impairment losses. The carrying amounts are reduced to recognise any impairment in the value of individual investments.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets given, liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of recognised amounts of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously-held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in in profit or loss. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and expenses on transactions between group companies are eliminated. Profits or losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Principles of consolidation (continued)

*Separate financial statements of the Company (continued)*

Investment in subsidiaries

Investments in subsidiaries are carried at cost in the separate financial statements. Where an indication of impairment exists, the recoverable amount of the investment is assessed. Where the recoverable amount of an investment in subsidiary is less than its carrying amount, the investment is written down immediately to its recoverable amount and the impairment loss is recognised as an expense in profit or loss.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate because of a loss of 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. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 2.3 Foreign currency translation

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). For the purpose of the consolidated and separate financial statements, the results and financial position of each entity are expressed in Mauritian rupee ("Rs"), which is the functional currency of the Company, and the presentation currency for the consolidated and separate financial statements.

*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.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within other operating income. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other operating income.



# Notes to the Financial Statements

for the year ended 30 June 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Foreign currency translation (continued)

*Transactions and balances (continued)*

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.

*Group companies*

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the statement of financial position date,
- share capital are stated at their historical value on the statement of financial position,
- income and expenses for each statement of profit or loss and statement of other comprehensive income are translated at average exchange rates (unless this 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
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

### 2.4 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at fair value, based on valuations by external independent valuers, less accumulated depreciation for property and impairment losses recognised after the date of revaluation. The policy of the Group is to revalue the Land and Buildings every three years by an external valuer. The Directors perform an assessment of the fair value of property, plant and equipment on an annual basis. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's 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 or the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress are stated at cost and are not depreciated. When completed, construction in progress are transferred to plant and equipment.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged through other comprehensive income against the revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset; all other decreases are charged to the profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date or when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The useful life, residual value and method of depreciation of an item of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate. The residual values and remaining useful lives of buildings have been estimated by the independent external valuers and for other types of assets it is determined by directors.

The annual rate of depreciation is as follows:

| | | |
|---|---|---|
| Buildings | - | 2% - 9.45 % |
| Plant and equipment | - | 10% - 20% |
| Furniture and fittings | - | 10% - 33.33% |
| Motor vehicles | - | 20% |
| Computer equipment | - | 10% - 33.33% |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 2.5 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.




Notes to the Financial Statements

for the year ended 30 June 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)


### 2.6 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financial institution under comparable terms and conditions.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Intangible assets

*Goodwill*

Goodwill acquired in a business combination is initially measured as the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets and liabilities assumed. If after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised in profit or loss as a gain on bargain purchase. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IFRS 8 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Gain on bargain purchase represents the excess of the acquirer's interest in the fair values of the identifiable net assets and liabilities acquired over the cost of acquisition. It is recognised immediately as income in profit or loss.

Gain on bargain purchase arising from the acquisition of an associated company is included as income in the determination of the Group's share of the associate's profit or loss of the period in which the associate was acquired.

*Other intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.





## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Intangible assets (continued)

*Other intangible assets (continued)*

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The estimated useful lives of intangible assets with finite useful lives are as follows:

Computer software & Licenses - 5 years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

### 2.8 Financial assets

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.25 Revenue from contracts with customers.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial assets (continued)

***Financial assets at amortised cost (debt instruments)***

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables and cash and short-term deposits.

***Financial assets at fair value through OCI (debt instruments)***

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

***Financial assets designated at fair value through OCI (equity instruments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Changes in the fair value of equity investments at fair value through other comprehensive income are not recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.




# Notes to the Financial Statements

for the year ended 30 June 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial assets (continued)


***Financial assets at fair value through profit or loss (continued)***

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

**Other income**

The Group earns other income such as interest income on its bank accounts and the Company earns dividend income from subsidiaries.

- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.
- Dividend income - when the shareholder's right to receive payment is established.

**Trade and other receivables**

Trade and other receivables are initially recognised at original invoice amount and are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised through profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process.

For trade receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of the reporting period. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The information about the ECLs on the Group's trade receivables is disclosed in note 37 (c) (iv).

**Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated and separate statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Such financial assets are carried at amortised cost using the effective interest rate method.

### 2.9 Financial liabilities

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables, as appropriate.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Financial liabilities (continued)

***Initial recognition and measurement (continued)***

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

*Trade payables*

These amounts represent liabilities for goods and services provided to the Group or the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

### 2.10 Derecognition of financial assets and liabilities

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company or the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.





## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Derecognition of financial assets and liabilities (continued)

*Financial assets (continued)*

Where the Company or the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's or the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company or the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### 2.11 Impairment of financial assets

For trade and intercompany account receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated and separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.13 Fair value of financial instruments

***Determination of fair value***

The Company determines the fair value of its financial instruments, such as equities and other interest-bearing investments, at each reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.13 Fair value of financial instruments (continued)

***Determination of fair value (continued)***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Where the Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception provided in IFRS 13 to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

### 2.14 Share Capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of the new shares or options are shown in equity as deduction, net of tax, from proceeds.

### 2.15 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.





## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group currently has only cash flow hedges and has elected to continue applying the accounting policies for hedge accounting under IAS 39.

**Cash flow Hedge**

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remains separately in equity until the forecast transaction or firm commitment affects profit or loss.

**Risk management strategy**

The hedge on the foreign currency revenues by the foreign currency loans are treated as cash flow hedge and the purpose is to hedge the foreign currency risks relating to the EURO, GBP and USD sales. Refer to Note 37 for more details on the risk management policies.

### 2.17 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Non-financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the non-financial asset, the estimated future cash flows of the investment has been affected. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17 Impairment of non-financial assets (continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the fair value (using a fair value less cost to sell model), the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### 2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition, are accounted for on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventory expensed comprise of food and beverage costs attributable to food and beverage revenue in the various outlets of the hotels of the Group as well as Room and other amenities and cost of boutique items. Further details are provided in note 24.

### 2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### 2.20 Post employment benefit obligaitions

The Group operates a defined benefit plan for some of its employees. For the remaining employees, the Group contributes to a unitised defined contribution pension scheme that was established on 01 July 2002. The employer contributes 9% of salaries less their contribution to the National Pensions Scheme in respect of members of the fund. Members contribute 6% of salaries less their contribution to the National Pensions Scheme. In each case the minimum monthly contribution is Rs. 100.



Notes to the Financial Statements

for the year ended 30 June 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.20 Post employment benefit obligaitions (continued)

*Defined benefits schemes*

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'employee benefit expenses' in profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

*Defined contributions schemes*

Payments to defined contribution retirement plans are charged as an expense as they fall due. Unpaid contributions are recognised as a liability.

*Other retirement benefits*

For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Workers Rights Act (WRA) 2019 is calculated by a qualified actuary and provided for. The obligations arising under this item are not funded.

Liabilities with respect to above schemes are calculated by Swan Life Ltd (Actuarial Valuer) annually.

*Right of set off*

The Group does not offset the asset relating to one plan against a liability relating to another plan as it:

- does not have a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and
- does not intend to either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Employee benefit expenses comprise of total basic salaries and bonuses of all team members employed by the Group, Bonuses include incentive bonus for all team members determined on the basis of achievable financial targets. Other payroll costs include contributions to post retirement benefit obligations as well as other costs associated with the employment of the team members such as travelling, meals, uniforms, medical etc. Further details are provided in note 25.

### 2.21 Taxes

*Current tax*

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 Taxes (continued)

*Current tax (continued)*

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for loss allowance on trade receivables, provision for slow moving stock, tax losses carried forward, lease liabilities and post employment benefit obligation.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income.

Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.







*Deferred tax (continued)*

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

*Value Added Tax*

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of accounts receivables or payables in the statement of financial position.

### 2.22 Leases

The group leases land, buildings, vehicles, computer and other equipment. Rental contracts are typically made for fixed periods of 5 to 100 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.22 Leases (continued)

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost (interest charge). The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

*Variable lease payments*

The Group has two property leases which contain variable payment terms that are linked to revenue and profit. For the lease of Tamassa Hotel, over and above the fixed element of the lease, there is a variable element of the lease representing 20% of the gross operating profit after fixed rental while for Beau Rivage Villa, the rental is determined on the basis of 40% of room revenue, subject to a minimum guaranteed of 5% of amount invested over the first 10 years of the lease.

*Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.





## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.22 Leases (continued)

Lessor

The Group and company derives income from rental of its investment property. Lease income from operating leases where the Group or the Company is a lessor is recognised in income on a straight-line basis over the lease term.

### 2.23 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as an expense when incurred.

### 2.24 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related asset. Grants in respect of wages obtained under the wage assistance scheme are accounted for in the statement of profit or loss in the period to which the wages relate. Repayment of the grant (COVID-19 Levy) is contingent on the chargeable income of the entity over the current and next years and is recognised as a levy repayable to the tax authorities. The grant is shown net of the COVID-19 Levy.

### 2.25 Revenue recognition

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

The Group is in the business of hotel operation. Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

***Recognition of packages sales to tour operators***.

The Group derives package revenue (room revenue and food and beverage revenue) via tour operators ("TO"). The TOs receives or retains a percentage of the package revenue – usually called a commission - collected from the guests. Revenue from packages sales are recognised net of commission.

The mainstream of revenue of the Group is as follows:

**Hotel Revenues**

It corresponds to all the revenues received from guests by the hotels. The services rendered (including room rentals, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, along the stay in the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

**Room Revenue**

Recognised as revenue when performance obligation is performed. Revenue is recognised over the duration of stay of the guests. Where the Group act as the principal, the gross revenue is recognised as income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.25 Revenue recognition (continued)

***(i) Revenue from contracts with customers (continued)***

**Food & Beverage revenue**

F&B revenue is recognised upon consumption at the different restaurants or bars (i.e at a point in time).

**Other Operating Departments**

Minor other departments include the provision of services such as laundry, spa and boutique sales. The Group acts as an agent from time to time (e.g. for diving, big game fishing, horse riding, etc.).

In an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result on increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead revenue is the amount of commission received/ receivable by the Group.

***(ii) Other revenues***

Other revenues earned by the Group are recognised on the following basis:

- Management fees are recognised on an accrual basis.

**Contract balances**

***Contract assets***

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

***Trade receivables***

Trade receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in note 37 (c) (iv).

***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

### 2.26 Other operating expenses

Other operating expenses are accounted for in profit or loss on the accrual basis Other operating expenses comprise of administrative costs and other expenses which are not directly allocated to the main operating departments, namely room and food and beverage. Further details are provided in note 26.





## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.27 Earnings before interest, tax, depreciation, amortisation, impairment and write offs

Earnings before interest, tax, depreciation, amortisation impairment and write offs is stated after adding to EBITDA significant items of a non-recurring nature such as impairment charges and write off.

Due to the nature of the exceptional items, certain one-off and non-trading items are classified separately in order to draw the attention of the users of the financial statements. In the judgement of the Directors, this presentation shows the underlying performance of the Group and the Company more accurately.

### 2.28 Segmental reporting

The Group presents segmental information using business segments as its primary reporting format and geographical segments as its secondary reporting format. This is based on the internal management and financial reporting systems and reflects the risks and earnings structure of the Group. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

### 2.29 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.30 Cash dividend

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised by the directors and the distribution is no longer at the discretion of the Company. A corresponding amount is recognised directly in equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.31 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated and the Company's separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

***Estimates and assumptions***

The Group and the Company make 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 addressed below.

***(i) Revaluation of land and buildings***

Land and buildings are carried at fair value and it is the Group's policy to revalue its land and buildings every three years by an external valuer and the Directors perform an assessment of the fair value of property, plant and equipment on an annual basis. The land and building were revalued during the current financial year by an independent professional valuer. The valuation takes into consideration recent market transactions, the income generating capacity of the assets being revalued as well as expected yield. Refer to Note 4 for further details.





## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

***(ii) Assets lives and residual values***

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

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 and the Company 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 judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

***(iii) Deferred tax assets***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Recoverability of deferred tax assets have been assessed for each subsidiary based on the forecasted taxable profit to be generated during the next financial period and in the case of another subsidiary, the tax loss recognised has been limited to future taxable profits to be generated over the next five financial years.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Main assumptions used in the determination of future taxable profits include inter-alia: occupancy rates of the hotel, room rates and margins. At 30 June 2020 and 30 June 2019, the status of unused tax losses of the Group was as follows:

| | **2020** | | |
|---|---|---|---|
| | **Recognised Rs'000** | **Unrecognised Rs'000** | **Total Rs'000** |
| Tax losses | **1,048,658** | **1,294,366** | **2,343,024** |

| | 2019 | | |
|---|---|---|---|
| | Recognised Rs'000 | Unrecognised Rs'000 | Total Rs'000 |
| Tax losses | 1,162,039 | 507,200 | 1,669,239 |

***(iv) Impairment of goodwill***

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on fair value less cost to sell models which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The carrying amount of goodwill as at 30 June 2020 amounted to **Rs. 462.3 million** (2019: Rs. 1,074.3 million). Further details are given in note 7.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### (v) *Post employment benefit obligations*

The cost of defined benefit pension plans and related provision, as disclosed in note 18 to the financial statements requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimates in respect of inter-alia, discount rate, expected return on plan assets, future salary increases, mortality rate and future pension increases. Any change in these assumptions will impact the carrying amount of pension obligations. The Group and the Company determine 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. Other key assumptions for pension obligations are based in part on the current market conditions. The post-employment benefit obligations at 30 June 2020 is **Rs.170.6 million** (2019: Rs. 112.6 million). Further details are set out in note 18.

### (vi) *Provision for loss allowance of trade receivables*

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The assessment of the correlation between historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 37.

### (vii) *Impairment of other non-current assets*

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

### (viii) *Impairment of investment in subsidiary companies*

Investment in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the investment's carrying value exceeds its recoverable amount, which represents the investment's fair value less cost to sell, which require the use of assumptions. The calculations use cash flow projections of the subsidiary based on financial forecasts prepared by management covering a five-year period. The carrying amount of the investment as at 30 June 2020 amounted to **Rs 2,415.9 million** (2019: Rs 3,586.6 million). Further details are provided in note 8.

### (ix) *Determining the lease term*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination, including: whether there are significant penalties to terminate (or not extend); whether any leasehold improvements are expected to have a significant remaining value; historical lease durations; the importance of the underlying asset to the Group's operations; and the costs and business disruption required to replace the leased asset. The lease term is reassessed if a significant event or a significant change in circumstances occurs which affects the assessment of reasonable certainty.




# Notes to the Financial Statements

for the year ended 30 June 2020


## 4. PROPERTY, PLANT AND EQUIPMENT

| THE GROUP | Freehold Land and Buildings Rs'000 | Buildings on Leasehold Land Rs'000 | Plant and Equipment Rs'000 | Furniture and Fittings Rs'000 | Motor Vehicles Rs'000 | Computer Equipment Rs'000 | Construction in Progress Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|---|---|---|
| **COST AND VALUATION** | | | | | | | | |
| At 01 July 2018 | 601,839 | 8,521,497 | 1,378,711 | 772,161 | 65,686 | 213,184 | 10,708 | 11,563,786 |
| Impairment (Note i) | (73,264) | (327,822) | - | - | - | - | - | (401,086) |
| Additions | 5,226 | 19,718 | 68,179 | 21,093 | 1,367 | 18,195 | 53,502 | 187,280 |
| Disposal | - | (4,236) | (105,951) | (91,054) | - | (21,436) | - | (222,677) |
| Disposal of subsidiary (Note 8d) | - | (16,478) | (26,044) | (12,550) | (11,815) | (62,712) | - | (129,599) |
| Transfer to investment property (Note 6) | (82,212) | - | - | - | - | - | - | (82,212) |
| Exchange difference | - | 60,355 | 11,839 | 5,662 | 670 | 1,266 | 469 | 80,261 |
| At 30 June 2019 | 451,589 | 8,253,034 | 1,326,734 | 695,312 | 55,908 | 148,497 | 64,679 | 10,995,753 |
| Additions (Note iii) | - | **19,809** | **58,433** | **17,122** | **5,011** | **6,415** | **722,895** | **829,685** |
| Disposal | - | - | **(20,988)** | **(20,720)** | **(1,725)** | **(5,677)** | - | **(49,110)** |
| Transfer to Right-of-use assets (Note 5) | - | **(1,409)** | **(87,299)** | **(628)** | **(15,684)** | **(16,447)** | - | **(121,467)** |
| Transfer to assets held for sale | - | **(298,731)** | **(5,999)** | **(7,390)** | - | **(12,172)** | **(7,912)** | **(332,204)** |
| Impairment (Note ii) | - | **(3,899)** | **(12,145)** | - | - | - | - | **(16,044)** |
| Revaluation adjustment | **58,027** | **112,134** | - | - | - | - | - | **170,161** |
| Exchange difference | - | **500,103** | **94,859** | **37,309** | **4,436** | **9,378** | **5,982** | **652,067** |
| **At 30 June 2020** | **509,616** | **8,581,041** | **1,353,595** | **721,005** | **47,946** | **129,994** | **785,644** | **12,128,841** |
| **DEPRECIATION** | | | | | | | | |
| At 01 July 2018 | 1,604 | 295,040 | 858,240 | 389,013 | 51,640 | 121,374 | - | 1,716,911 |
| Impairment (Note i) | (2,072) | (6,149) | - | - | - | - | - | (8,221) |
| Charge for the year (Note 27) | 1,121 | 240,620 | 116,299 | 73,963 | 3,803 | 26,432 | - | 462,238 |
| Disposal adjustments | - | - | (103,095) | (86,690) | - | (10,733) | - | (200,518) |
| Disposal of subsidiary (Note 8d) | - | (6,068) | (14,563) | (5,885) | (8,913) | (48,086) | - | (83,515) |
| Exchange difference | - | 5,431 | 8,772 | 2,745 | 572 | 877 | - | 18,397 |
| At 30 June 2019 | 653 | 528,874 | 865,653 | 373,146 | 47,102 | 89,864 | - | 1,905,292 |
| Transfer to Right-of-use assets (Note 5) | - | **(45)** | **(34,525)** | **(162)** | **(13,520)** | **(8,282)** | - | **(56,534)** |
| Charge for the year (Note 27) | **42** | **214,936** | **93,259** | **76,398** | **1,642** | **20,679** | - | **406,956** |
| Disposal adjustments | - | - | **(17,965)** | **(17,958)** | **(1,724)** | **(4,472)** | - | **(42,119)** |
| Transfer to assets held for sale | - | **(35,117)** | **(2,776)** | **(896)** | - | **(1,695)** | - | **(40,484)** |
| Revaluation adjustment | - | **(313,087)** | - | - | - | - | - | **(313,087)** |
| Impairment (Note ii) | - | **(1,277)** | **(2,145)** | - | - | - | - | **(3,422)** |
| Exchange difference | - | **83,041** | **73,578** | **20,415** | **3,769** | **7,650** | - | **188,453** |
| **At 30 June 2020** | **695** | **477,325** | **975,079** | **450,943** | **37,269** | **103,744** | - | **2,045,055** |
| **NET BOOK VALUE** | | | | | | | | |
| **At 30 June 2020** | **508,921** | **8,103,716** | **378,516** | **270,062** | **10,677** | **26,250** | **785,644** | **10,083,786** |
| At 30 June 2019 | 450,936 | 7,724,160 | 461,081 | 322,166 | 8,806 | 58,633 | 64,679 | 9,090,461 |

Notes:

(i) During the year ended 30 June 2019, following decision to redevelop Merville Beach Hotel into Lux* Grand Bay, a 5* luxury hotel, the old building was fully demolished and has therefore been impaired against revaluation reserve.

(ii) The impairment loss relates part of property, plant and equipment of the subsidiary, Néreide Ltd, as a consequence of downward medium-term trading expectations impacted by COVID-19 pandemic.

(iii) The main component of additions of property, plant and equipment in work-in-progress is in respect of the redevelopment of Lux* Grand Baie. The project is expected to be completed by end of September 2021.

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

### THE COMPANY

| | Freehold Land and Buildings Rs'000 | Plant and Equipment Rs'000 | Furniture and Fittings Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| **COST AND VALUATION** | | | | |
| At 01 July 2018 | 92,249 | 6,409 | 7,304 | 105,962 |
| Additions | 4,035 | - | 380 | 4,415 |
| Transfer to investment property (Note 6) | (82,212) | - | - | (82,212) |
| At 30 June 2019 | **14,072** | **6,409** | **7,684** | **28,165** |
| Additions | - | **40** | **37** | **77** |
| **At 30 June 2020** | **14,072** | **6,449** | **7,721** | **28,242** |
| **DEPRECIATION** | | | | |
| At 01 July 2018 | 278 | 5,523 | 7,303 | 13,104 |
| Charge for the year | 42 | 443 | - | 485 |
| At 30 June 2019 | **320** | **5,966** | **7,303** | **13,589** |
| Charge for the year | **42** | **445** | **41** | **528** |
| **At 30 June 2020** | **362** | **6,411** | **7,344** | **14,117** |
| **NET BOOK VALUE** | | | | |
| **At 30 June 2020** | **13,710** | **38** | **377** | **14,125** |
| At 30 June 2019 | 13,752 | 443 | 381 | 14,576 |

(a) The freehold land and buildings and buildings on leasehold land of the Group were revalued during the year at their open market value, by reference to recent market transactions on arm's length term, by Noor Dilmahomed & Associates, an independant professional valuer.

The market comparison has been used as a basis of valuation. Market comparison data post-COVID is not available but there is no indication of a drop in the value of property presently. For most of the Group's properties, the value obtained is more or less equivalent to the carrying value while the surplus on revaluation has arisen on the two most performing properties of the Group over the last 3 years.

The book values were adjusted to the revalued amount and the revaluation surpluses net of deferred taxation were recorded under the asset revaluation reserve.

The Group's policy is to revalue its property every three years unless there is evidence that the fair value of the assets differ materially from the carrying amount.



Notes to the Financial Statements
for the year ended 30 June 2020

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table gives information about how the fair values of land and buildings were determined and sensitivity analysis of reasonable changes in key inputs.

**Sensitivity analysis**

Increases/(decreases) in estimated price per square metre by 100 basis points in isolation would result in a higher/ (lower) fair value on a linear basis.

| 2020 | Valuation technique and key input | Fair value THE GROUP Rs'000 | Fair value THE COMPANY Rs'000 | Fair Value Hierarchy | Significant unobservable input | Sensitivity of the input to fair value THE GROUP Rs'000 | Sensitivity of the input to fair value THE COMPANY Rs'000 |
|---|---|---|---|---|---|---|---|
| Land | Sales comparison approach | **489,270** | **3,270** | Level 3 | Price per square meter | **4,893** | **33** |
| Buildings | Sales comparison approach | **8,123,367** | **10,440** | Level 3 | Price per square meter | **81,234** | **104** |
| | | **8,612,637** | **13,710** | | | **86,127** | **137** |
| 2019 | | | | | | | |
| Land | Sales comparison approach | 431,243 | 3,270 | Level 3 | Price per square meter | 4,312 | 33 |
| Buildings | Sales comparison approach | 7,743,853 | 10,482 | Level 3 | Price per square meter | 77,439 | 105 |
| | | 8,175,096 | 13,752 | | | 81,751 | 138 |

***Transfers between levels***

There were no transfers into or out of Level 1 and Level 2 of the fair value hierarchy during the year.

The table below shows a reconciliation of all movements in the fair value categorised within Level 3 of the fair value hierarchy between the beginning and end of the reporting year:

| | THE GROUP 2020 Rs'000 | THE GROUP 2019 Rs'000 | THE COMPANY 2020 Rs'000 | THE COMPANY 2019 Rs'000 |
|---|---|---|---|---|
| At the beginning of the year | **8,175,096** | 8,826,692 | **13,752** | 91,971 |
| Transfer to investment property (Note 6) | - | (82,212) | - | (82,212) |
| Additions | **19,809** | 24,944 | - | 4,035 |
| Disposal of subsidiary | - | (10,410) | - | - |
| Disposals | - | (4,236) | - | - |
| Depreciation | **(214,978)** | (241,741) | **(42)** | (42) |
| Impairment | **(2,622)** | (392,865) | - | - |
| Transfer to Right-of-use assets | **(1,364)** | - | - | - |
| Transfer to assets held for sale | **(263,614)** | - | - | - |
| Revaluation adjustment | **483,248** | - | - | - |
| Exchange difference | **417,062** | 54,924 | - | - |
| **At 30 June** | **8,612,637** | 8,175,096 | **13,710** | 13,752 |

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| *Buildings on leasehold land* | | | | |
| Cost | **7,173,244** | 7,418,413 | - | - |
| Accumulated depreciation | **(1,735,045)** | (1,589,128) | - | - |
| **Net book value** | **5,438,199** | 5,829,285 | - | - |
| *Freehold land and buildings* | | | | |
| Cost | **297,842** | 297,842 | **8,562** | 8,562 |
| Accumulated depreciation | **(53,880)** | (47,923) | **(2,129)** | (1,958) |
| **Net book value** | **243,962** | 249,919 | **6,433** | 6,604 |

(b) Bank borrowings are secured on all the assets of the Group and the Company. There is no restriction on title or use of the property, plant and equipment (PPE) pledged as security for bank borrowings. However in the event of potential disposal of the pledged assets by the Group or the Company, the latter should inform the banks/financial institutions with whom the borrowings have been contracted. The banks/financial instituitions shall rank first in the settlement of the outstanding borrowings out of the proceeds to be received from the disposal.

(c) Borrowing costs capitalised during the year is **Rs 8.4 million** (2019: Rs nil).

(d) Refer to note 35 for capital commitments.

## 5. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

(a) **Amounts recognised in the statement of financial position**

| RIGHT-OF-USE ASSETS | Land & Buildings Rs'000 | Plant & equipment Rs'000 | Motor vehicles Rs'000 | Computer equipment Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| **At 01 July 2019** | - | - | - | - | - |
| Effect of adopting IFRS 16 | 2,627,482 | - | - | - | 2,627,482 |
| Transfer from property, plant and equipment (Note 4) | 1,409 | 87,927 | 15,684 | 16,447 | 121,467 |
| Transfer from Intangible assets (Note 7) | 1,125,605 | - | - | - | 1,125,605 |
| Additions | - | - | - | 454 | 454 |
| Exchange Difference | 167,418 | - | - | - | 167,418 |
| **At 30 June 2020** | 3,921,914 | 87,927 | 15,684 | 16,901 | 4,042,426 |
| **Amortisation** | | | | | |
| **At 01 July 2019** | - | - | - | - | - |
| Transfer from property, plant and equipment (Note 4) | 45 | 34,687 | 13,520 | 8,282 | 56,534 |
| Transfer from Intangible assets (Note 7) | 376,145 | - | - | - | 376,145 |
| Charge for the year | 138,252 | 12,401 | 948 | 4,207 | 155,808 |
| Exchange difference | 24,707 | - | - | - | 24,707 |
| **At 30 June 2020** | 539,149 | 47,088 | 14,468 | 12,489 | 613,194 |
| Net Book Values | | | | | |
| **At 30 June 2020** | 3,382,765 | 40,839 | 1,216 | 4,412 | 3,429,232 |





## 5. RIGHT-OF-USE ASSETS & LEASE LIABILITIES (continued)

(a) **Amounts recognised in the statement of financial position (continued)**

**LEASE LIABILITIES**

| | THE GROUP | |
|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 |
| **At 01 July 2019** | - | - |
| Transfer from interest bearing loans and borrowings (Note 17(d)) | **60,583** | - |
| Effect of adopting IFRS 16 | **2,627,482** | - |
| Additions | **454** | - |
| Interest expense | **233,949** | - |
| Interest paid | **(233,949)** | - |
| Principal elements of lease payments | **(78,846)** | - |
| Exchange difference | **261,969** | - |
| **At 30 June 2020** | **2,871,642** | - |
| **Analysed as follows:** | | |
| Current | **141,336** | - |
| Non-current | **2,730,306** | - |
| Total | **2,871,642** | - |

Additions to the right-of-use assets during the year ended 30 June 2020 were **Rs 454,000**.

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

The statement of profit or loss shows the following amounts relating to leases:

| | | |
|---|---|---|
| Depreciation charge of right-of-use assets | **155,808** | - |
| Interest expense | **233,949** | - |
| Expense relating to short-term leases accounted as part of other operating expenses | **5,282** | - |

## 6. INVESTMENT PROPERTY

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| At 01 July | **82,212** | - | **82,212** | - |
| Transfer from property, plant and equipment (at fair value) (Note 4) | - | 82,212 | - | 82,212 |
| **At 30 June** | **82,212** | 82,212 | **82,212** | 82,212 |

The Group's investment property consists of the head office property situated in Floreal. The major part of the building is occupied by the previous subsidiary, The Lux Collective Ltd and is held to earn rental income.

The freehold land and building of the Company was revalued during the year at its open market value, by reference to recent market transactions on arm's length term, by Noor Dilmahomed & Associates, an independent professional valuer.

# Notes to the Financial Statements

for the year ended 30 June 2020

## 6. INVESTMENT PROPERTY (continued)

The fair value as per the valuation report was not materially different from the carrying value. The Directors are therefore satisfied that the carrying value of the property reflects the fair value at the reporting date and thus there are no fair valuation movement for the year.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Rental income derived from the investment property | **5,460** | 5,460 | **5,460** | 5,460 |

Presently, all direct operating expenses, (repairs and maintenance, insurance etc) are borne by the lessee.

The fair value of the investment property is categorised within Level 3 of the fair value hierarchy as it is based on significant unobservable inputs. Its value is most sensitive to the price per square metre used to determine the fair value. A 1% change in the price per square metre will impact the value of the investment by **Rs 822,120** (2019: 822,120).

The Group and the Company have a rental agreement for The Lux Collective Ltd for a period of 5 years starting 01 July 2019.

**Maturity analysis**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Between 1 and 5 years Rs'000** | 2019 Between 1 and 5 years Rs'000 | **2020 Between 1 and 5 years Rs'000** | 2019 Between 1 and 5 years Rs'000 |
| Rental income derived from the investment property | **21,840** | 27,300 | **21,840** | 27,300 |

## 7. INTANGIBLE ASSETS

### THE GROUP

| | Leasehold Rights Rs'000 | Goodwill Rs'000 | Computer Software & Licences Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| **COST** | | | | |
| At 01 July 2018 | 908,254 | 1,061,443 | 83,437 | 2,053,134 |
| Disposal of subsidiary (Note 8(d)) | - | - | (148,930) | (148,930) |
| Additions | 173,750 | - | 105,628 | 279,378 |
| Write off | - | - | (21,625) | (21,625) |
| Exchange differences | 19,047 | 12,874 | 207 | 32,128 |
| At 30 June 2019 | 1,101,051 | 1,074,317 | 18,717 | 2,194,085 |
| Transfer to Right-of-use assets (Note 5(a)) | **(1,125,605)** | - | - | **(1,125,605)** |
| Additions | - | - | **5,137** | **5,137** |
| Disposal | - | - | **(4,179)** | **(4,179)** |
| Transfer to assets held for sale | **(36,392)** | - | **(2,127)** | **(38,519)** |
| Impairment of goodwill | - | **(667,177)** | - | **(667,177)** |
| Exchange differences | **60,946** | **55,143** | **1,602** | **117,691** |
| **At 30 June 2020** | - | **462,283** | **19,150** | **481,433** |



Notes to the Financial Statements

for the year ended 30 June 2020

## 7. INTANGIBLE ASSETS (continued)

### THE GROUP

| | Leasehold Rights Rs'000 | Goodwill Rs'000 | Computer Software & Licences Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| **AMORTISATION** | | | | |
| At 30 June 2018 | 336,988 | - | 66,989 | 403,977 |
| Disposal of subsidiary (Note 8(d)) | - | - | (35,314) | (35,314) |
| Charge for the year (Note 27) | 12,255 | - | 2,698 | 14,953 |
| Write off | - | - | (21,625) | (21,625) |
| Exchange differences | 6,678 | - | 185 | 6,863 |
| **At 30 June 2019** | 355,921 | - | 12,933 | 368,854 |
| Transfer to Right-of-use assets | **(376,145)** | - | - | **(376,145)** |
| Charge for the year (Note 27) | **1,381** | - | **5,773** | **7,154** |
| Disposal adjustment | - | - | **(4,061)** | **(4,061)** |
| Transfer to assets held for sale (Note 5(a)) | **(2,014)** | - | **(717)** | **(2,731)** |
| Exchange differences | **20,857** | - | **189** | **21,046** |
| **At 30 June 2020** | - | - | **14,117** | **14,117** |
| **NET BOOK VALUE** | | | | |
| **At 30 June 2020** | - | **462,283** | **5,033** | **467,316** |
| At 30 June 2019 | 745,130 | 1,074,317 | 5,784 | 1,825,231 |

### THE COMPANY

| | Computer Software | |
|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 |
| **At 01 July** | **187** | - |
| Acquisition during the year | - | 187 |
| Amortisation during the year | - | - |
| **Net book value at 30 June** | **187** | 187 |

Impairment test on goodwill

Goodwill acquired is measured as the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Goodwill has been assessed as having an indefinite life and in accordance with IAS 36, goodwill has been assessed for impairment based on each cash generating unit.

| | THE GROUP | |
|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 |
| Les Pavillons Resorts Ltd | **70,000** | 70,000 |
| Holiday & Leisure Resorts Limited | **83,658** | 83,658 |
| Lux Island Resorts Maldives Ltd | **274,707** | 566,440 |
| Oceanide Ltd | - | 314,256 |
| Blue Bay Tokey Island Limited | **23,731** | 29,776 |
| MSF Leisure Company Ltd | **10,187** | 10,187 |
| | **462,283** | 1,074,317 |

## 7. INTANGIBLE ASSETS (continued)

Impairment test on goodwill (continued)

As a consequence of the downward medium-term trading expectations due to the current economic environment which has been exacerbated by the global COVID-19 pandemic, the Group has impaired its goodwill by **Rs 667m** for the year ended 30 June 2020 (2019: Rs Nil).

The recoverable amount of each cash generating unit (CGU) has been determined based on their fair value less cost to sell. The post-tax cash flow projection is based on financial budgets approved by management covering a five-year period. The post-tax discount rate applied represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) which ranges between **10% to 12%** (2019: 9% to 11.5%) for the various entities of the Group. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with the industry in which each CGU operates.

A terminal growth which ranges between 2% to 3% has been assumed in the calculation.

The key assumptions used for preparing the cash flow forecasts are based on management's past experience of the industry and the ability of each cash generating unit to at least maintain its market share.

Key assumptions used in the impairment tests for goodwill are: occupany rate, terminal growth rate and discount rate. The assumptions used for 2020 and 2019 are as follows:

| | Discount rate | | Terminal growth rate | | Occupancy rate | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Les Pavillons Resorts Ltd | **10.01%** | 9.40% | **3.00%** | 3.00% | **45%-80%** | 52%-84% |
| Holiday & Leisure Resorts Limited | **10.01%** | 9.40% | **3.00%** | 3.00% | **38%-79%** | 73%-80% |
| Lux Island Resorts Maldives Ltd | **12.03%** | 11.50% | **3.00%** | 3.00% | **37%-67%** | 70%-73% |
| Oceanide Ltd | **10.01%** | 9.40% | **3.00%** | 3.00% | **43%-83%** | 80%-83% |
| Blue Bay Tokey Island Limited | **10.01%** | 9.40% | **2.00%** | 3.00% | **11,000-20,000#** | 15,000-20,000# |
| MSF Leisure Company Ltd | **10.01%** | 9.40% | **2.00%** | 3.00% | **37,000-48,000*** | 40,000-50,000* |

*MSF Leisure Company Ltd-The number of tickets sold is considered as one of the key assumptions used in the impairment assessment

#Blue Bay Tokey Island Limited-The number of guests is considered as one of the key assumptions used in the impairment assessment

The Directors and management have performed a sensitivity analysis in order to consider and assess the impact of possible changes in key assumptions on the carrying value of goodwill.

The assumptions that are considered to be the main drivers in the calculation of the recoverable amount of goodwill and where changes are reasonably possible are: occupany rate, terminal growth rate and discount rate.



Notes to the Financial Statements
for the year ended 30 June 2020

## 7. INTANGIBLE ASSETS (continued)

Impairment test on goodwill (continued)

The table below sets out the outcome of the sensitivity analysis and the resulting hypothetical additional impairments that would result from this modeling. It is the Directors' and management's view that the appropriate impairment charge has been recognised as at 30 June 2020.

Additional impairment to be recognised for a reasonable change in key assumptions

| Sensitivity analysis | Increase of 0.5% in Discount rate | | Decrease of 0.5% in Terminal growth rate | | Decrease of 1% in Occupancy rate | |
|---|---|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Les Pavillons Resorts Ltd | - | - | - | - | - | - |
| Holiday & Leisure Resorts Limited | **83,658** | - | **83,658** | - | **56,493** | - |
| Lux Island Resorts Maldives Ltd | **219,458** | - | **167,458** | - | **137,458** | - |
| Oceanide Ltd | - | 10,274 | - | 21,221 | - | 36,695 |
| Blue Bay Tokey Island Limited | **3,819** | - | **1,819** | - | **2,403** | - |
| MSF Leisure Company Ltd | - | - | - | - | - | - |

The recoverable amount of the CGU which have not been impaired at 30 June 2020 and 30 June 2019 would equal its carrying amount if the key assumptions were to change as follows:

| **2020** | Discount rate From | Discount rate To | Terminal growth rate From | Terminal growth rate To | Occupancy rate From | Occupancy rate To |
|---|---|---|---|---|---|---|
| Les Pavillons Resorts Ltd | **10.01%** | **13.16%** | **3.00%** | **-1.66%** | **45%-80%** | **45%-78%** |
| Holiday & Leisure Resorts Limited | **10.01%** | **11.00%** | **3.00%** | **2.00%** | **38%-79%** | **38%-70%** |
| MSF Leisure Company Ltd | **10.01%** | **28.20%** | **2.00%** | **-103.00%** | **37,000-48,000** | **19,000-32,000** |

| **2019** | Discount rate From | Discount rate To | Terminal growth rate From | Terminal growth rate To | Occupancy rate From | Occupancy rate To |
|---|---|---|---|---|---|---|
| Les Pavillons Resorts Ltd | 9.40% | 20.40% | 3.00% | -23.00% | 52%-84% | 52%-56% |
| Holiday & Leisure Resorts Limited | 9.40% | 12.40% | 3.00% | -1.00% | 73%-80% | 70%-73% |
| Lux Island Resorts Maldives Ltd | 11.50% | 12.50% | 3.00% | 1.00% | 70%-73% | 67%-70% |
| Oceanide Ltd | 9.40% | 10.40% | 3.00% | 2.00% | 80%-83% | 78%-80% |
| Blue Bay Tokey Island Limited | 9.40% | 11.40% | 3.00% | 0.00% | 15,000-20,000 | 15,000-18,000 |
| MSF Leisure Company Ltd | 9.40% | 36.40% | 3.00% | -50.00% | 40,000-50,000 | 10000-31500 |

The directors and management have considered and assessed reasonably possible changes for other assumptions and have not identified any instances that could cause the carrying amount of the different CGUs to exceed its recoverable amount.

## 8. INVESTMENT IN SUBSIDIARY COMPANIES

| | 2020 Rs'000 | 2019 Rs'000 |
|---|---|---|
| **THE COMPANY** | | |
| **As at 01 July** | **3,586,617** | 3,523,585 |
| Rights issue in subsidiaries (Note b) | - | 342,020 |
| Disposal of subsidiary following spin-off (Note c) | - | (3,383) |
| Distribution of investment in subsidiary (Note c) | - | (275,605) |
| Impairment | **(1,170,745)** | - |
| **At 30 June** | **2,415,872** | 3,586,617 |

Investment in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

As a consequence of the downward medium-term trading expectations due to the current economic environment which has been exacerbated by the global COVID-19 pandemic, the Company has during the year, computed the recoverable amount of all its investments in subsidiaries using the Discounted Cash Flow techniques and has impaired its investment in the following subsidiary companies by **Rs 1,171m** since the recoverable amounts were lower than the carrying values for the respective subsidiary companies.

| | Lux Island Resorts Maldives Ltd Rs'000 | Oceanide Ltd Rs'000 | Blue Bay Tokey Island Ltd Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| Equity value determined on the basis of discounted cash flow | 520,007 | 325,256 | - | 845,263 |
| Carrying amount of the investment | (1,531,338) | (454,894) | (29,776) | (2,016,008) |
| Amount impaired | (1,011,331) | (129,638) | (29,776) | (1,170,745) |

The recoverable amount has been determined by calculating the equity value. The discount rate has been determined using a capital asset model to calculate a post-tax rate that reflects market assessment of the time value of money.

The recoverable amount of each cash generating unit (CGU) has been determined based on their fair value less cost to sell. The post-tax cash flow projection is based on financial budgets approved by management covering a five-year period. The post-tax discount rate applied represents the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC) which ranges between **7% to 12%** for the various entities of the Group. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with the industry in which each CGU operates.

For the year ended 30 June 2019, the directors have taken into consideration the audited financial information of the subsidiary companies at 30 June 2019 and concluded that there were no indication of impairment of the investments held in subsidiary companies at 30 June 2019.





## 8. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Key assumptions used in the impairment tests for investment in subsidiary companies are: occupany rate, terminal growth rate and discount rate. The assumptions used for 2020 are as follows:

| | Discount rate 2020 | Terminal growth 2020 | Occupancy rate 2020 |
|---|---|---|---|
| Les Pavillons Resorts Ltd | 10.01% | 3.00% | 45%-80% |
| Holiday & Leisure Resorts Limited | 10.01% | 3.00% | 38%-79% |
| Lux Island Resorts Maldives Ltd | 12.03% | 3.00% | 37%-67% |
| Oceanide Ltd | 10.01% | 3.00% | 43%-83% |
| Blue Bay Tokey Island Limited | 10.01% | 2.00% | 11,000-20,000# |
| SAS Hôtel Prestige Réunion | 7.04% | 2.00% | 55%-78% |
| Beau Rivage Co Ltd | 10.01% | 3.00% | 44%-80% |

#Blue Bay Tokey Island Limited-The number of guests is comsidered as one of the key assumptions used in the impairment assessment

The Directors and management have performed a sensitivity analysis in order to consider and assess the impact of possible changes in key assumptions on the carrying value of investment in subsidiary companies.

The assumptions that are considered to be the main drivers in the calculation of the recoverable amount of investment in subsidiary companies and where changes are reasonably possible are: occupany rate, terminal growth rate and discount rate.

The table below sets out the outcome of the sensitivity analysis and the resulting hypothetical additional impairments that would result from this modeling. It is the Directors' and management's view that the appropriate impairment charge has been recognised as at 30 June 2020.

Additional impairment to be recognised for a reasonable change in key assumptions

| Sensitivity analysis | Increase of 0.5% in Discount rate 2020 Rs'000 | Decrease of 0.5% in Terminal growth rate 2020 Rs'000 | Decrease of 1% in Occupany rate 2020 Rs'000 |
|---|---|---|---|
| Les Pavillons Resorts Ltd | - | - | - |
| Holiday & Leisure Resorts Limited | 43,790 | 128,511 | 52,169 |
| Lux Island Resorts Maldives Ltd | 186,199 | 137,787 | 108,926 |
| Oceanide Ltd | 6,700 | 6,700 | 6,700 |
| Blue Bay Tokey Island Limited | - | - | - |
| SAS Hôtel Prestige Réunion | - | - | - |
| Beau Rivage Co Ltd | - | - | - |

## 8. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The recoverable amount of the CGU which have not been impaired at 30 June 2020 would equal its carrying amount if the key assumptions were to change as follows:

| | Discount rate | | Terminal growth rate | | Occupancy rate | |
|---|---|---|---|---|---|---|
| **2020** | **From** | **To** | **From** | **To** | **From** | **To** |
| Les Pavillons Resorts Ltd | 10.01% | 15.40% | 3.00% | -5.80% | 45%-80% | 45%-78% |
| Holiday & Leisure Resorts Limited | 10.01% | 11.00% | 3.00% | 2.00% | 38%-79% | 38%-75% |
| SAS Hôtel Prestige Réunion | 7.04% | 12.00% | 2.00% | -6.10% | 55%-78% | 55%-63% |
| Beau Rivage Co Ltd | 10.01% | 19.70% | 3.00% | -16.30% | 44%-80% | 44%-78% |

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the different CGUs to exceed its recoverable amount.

(a) The subsidiary companies are as follows:

| Name of Companies | Country of incorporation | Effective Shareholding 2020 | | Effective Shareholding 2019 | |
|---|---|---|---|---|---|
| | | **Direct %** | **Indirect %** | Direct % | Indirect % |
| Les Pavillons Resorts Ltd | Mauritius | **100** | - | 100 | - |
| Beau Rivage Co Ltd | Mauritius | **100** | - | 100 | - |
| Blue Bay Tokey Island Limited | Mauritius | **100** | - | 100 | - |
| Holiday & Leisure Resorts Limited | Mauritius | **100** | - | 100 | - |
| LIR Properties Ltd | Mauritius | - | **100** | - | 100 |
| Merville Beach Hotel Limited | Mauritius | - | **100** | - | 100 |
| Merville Limited | Mauritius | - | **100** | - | 100 |
| MSF Leisure Company Ltd | Mauritius | - | **100** | - | 100 |
| LTK Ltd | Mauritius | - | **100** | - | 100 |
| FMM Ltee | Mauritius | - | **100** | - | 100 |
| Naïade Holidays (Pty) Ltd | South Africa | **100** | - | 100 | - |
| SAS Hôtel Prestige Réunion | Reunion Island | **100** | - | 100 | - |
| SA Les Villas Du Lagon | Reunion Island | - | **100** | - | 100 |
| SAS Hotel Le Récif | Reunion Island | - | **100** | - | 100 |
| SNC Saint Paul | Reunion Island | - | **100** | - | 100 |
| SA Société Villages Hôtel de l'Océan Indien | Reunion Island | - | **100** | - | 100 |
| Lux Island Resort Foundation | Mauritius | **100** | - | 100 | - |
| Lux Island Resorts Maldives Ltd | Seychelles | **100** | - | 100 | - |
| White Sand Resorts & Spa Pvt Ltd | Maldives | - | **100** | - | 100 |
| Oceanide Ltd | Mauritius | **51** | **100** | 51 | 100 |
| Nereide Ltd | Mauritius | - | **100** | - | 100 |

The subsidiaries listed above operate in the hospitality sector or provide related services.





## 8. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

| | | **2020 Rs'000** | 2019 Rs'000 |
|---|---|---|---|
| (b) | The increase in investment in subsidiary in 2019 is made up of: | | |
| | Rights issue in Hotel Prestige Reunion | - | 180,450 |
| | Rights issue in The Lux Collective Ltd (prior to spin-off) | - | 161,570 |
| | | - | 342,020 |

(c) Following a board meeting held on 22 October 2018, the directors of Lux Island Resorts Ltd decided to segregate the activities of hotel management and property owner. In this context, the board of directors have approved the distribution of all shares held by the Company in the subsidiary, The Lux Collective Ltd ("TLC") in the form of a dividend in specie. TLC is the management company of the all hotels owned and operated by LIR. The book value of the dividend in specie amounted to Rs 275.6 million.

The distribution was made on 31 December 2018, but the effective date of deconsolidation of TLC group was 01 December 2018 being the date when the shares of LIR were traded ex-div on the stock exchange of Mauritius. As part of the spin-off, LIR also disposed of the companies, Cafe Lux Ltd for a nominal value of Rs 1 and Lux Island Resorts UK Ltd for a nominal amount of GBP 1 to TLC. Cafe Lux is a brand owned by TLC and Lux Island Resorts UK is a marketing company incorporated in UK to market the hotels managed by TLC.
The book value of the investment disposed in 2019 are as follows:

| | **2020 Rs'000** | 2019 Rs'000 |
|---|---|---|
| Café Lux Ltd | - | 3,382 |
| Lux Island Resorts UK Ltd | - | 1 |
| | - | 3,383 |

(d) The carrying value of the net assets of the TLC group and the 2 above-mentioned subsidiaries disposed of as at 30 November 2018 were as follows:

| | THE GROUP 2019 Rs'000 |
|---|---|
| ***Carrying Value of net assets disposed:*** | |
| Property, plant and equipment (Note 4) | 46,084 |
| Intangible assets ( Note 7) | 113,616 |
| Other financial assets | 5 |
| Deferred tax assets ( Note 10) | 17,400 |
| Inventories | 6,369 |
| Trade and other receivable | 618,374 |
| Borrowings | (118,209) |
| Post employment benefit obligations | (13,496) |
| Trade and other payables | (841,943) |
| Income tax payable (Note 21(d)) | (2,258) |
| Cash and bank balances | (24,280) |
| Net assets disposed | (198,338) |
| Fair value of consideration | - |
| Gain on deemed disposal of subsidiary | (198,338) |
| ***The cash flow impact of the deemed disposal is as follows:*** | Rs'000 |
| Cash consideration | - |
| Cash and cash equivalent at date of distribution (overdraft) | (24,280) |
| Net cash inflow impact | 24,280 |

## 8. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(d) **Discontinued operations**

***The results of The Lux Collective Ltd (TLC) group up to date of deconsolidation in 2019 are as follows:***

| | THE GROUP | |
|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 |
| Revenue | | 200,351 |
| Direct operating expenses | - | 8,148 |
| Employee benefits expenses | - | 102,548 |
| Other operating expenses | - | 84,999 |
| | - | 195,695 |
| Earnings before interest, tax, depreciation and amortisation | - | 4,656 |
| Depreciation and amortisation (Note 27) | - | (5,832) |
| Operating results | - | (1,176) |
| Finance charges | - | (1,995) |
| **Results before income tax** | - | (3,171) |
| Income tax (Note 21(a)) | - | - |
| **Results after tax** | - | (3,171) |
| ***The net cash flows of TLC Group are as follows:*** | | |
| Operating activities | - | (16,853) |
| Investing activities | - | 6,069 |
| Financing activities | - | 13,522 |
| Net cash flows | - | 2,738 |

## 9. OTHER FINANCIAL ASSETS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| **Investments** | | | | |
| **At 01 July** | | 5 | - | - |
| Disposal of subsidiary | | (5) | - | - |
| Revaluation | - | - | - | - |
| **At 30 June** | - | - | - | - |
| Available-for-sale investments consist of: | | | | |
| - Quoted shares | - | - | - | - |

In 2018, the investment was classified as available for sale investment and has as at 01 July 2018 been reclassified to fair value through other comprehensive income upon the adoption of IFRS 9.



Notes to the Financial Statements
for the year ended 30 June 2020

## 10. DEFERRED TAX (ASSET)/LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method.

Deferred tax is reflected in the statement of financial position as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Deferred tax assets | **(137,771)** | (201,491) | - | (18,154) |
| Deferred tax liabilities | **524,815** | 525,308 | **12,812** | - |
| Net deferred tax liabilities/(assets) | **387,044** | 323,817 | **12,812** | (18,154) |

The movement in the deferred income tax account is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| **At 01 July** | | | | |
| - As previously reported | **323,817** | 378,871 | **(18,154)** | 283 |
| - Tax effect on adopting IFRS 9 | - | (4,053) | - | - |
| - As re-stated | **323,817** | 374,818 | **(18,154)** | 283 |
| Transfer to assets held for sale | **23,188** | - | - | - |
| Recognised in profit or loss (Note 21(a)) | **10,624** | (1,423) | **35,889** | (18,123) |
| Recognised in other comprehensive income | **42,649** | (66,582) | **(4,923)** | (314) |
| Disposal of subsidiary (Note 8(d)) | - | 17,400 | - | - |
| Exchange differences | **(13,234)** | (396) | - | - |
| **At 30 June** | **387,044** | 323,817 | **12,812** | (18,154) |

The restatement for FY 2018 was in relation to effect of adopting IFRS 9 and its related deferred tax impact. Same was accounted as part of the opening retained earnings at 01 July 2018.

## 10. DEFERRED TAX (ASSET)/LIABILITY (continued)

Deferred income tax at 30 June relates to the following:

### THE GROUP

| | Balance | | Movement | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| **Deferred tax liabilities** | | | | |
| Accelerated depreciation | **518,166** | 406,770 | **111,396** | 34,371 |
| Revaluation of property, plant and equipment | **93,928** | 193,590 | **(99,662)** | (50,417) |
| Post employment benefit obligations | **(19,761)** | (14,124) | **(5,637)** | (4,406) |
| Tax losses | **(33,447)** | (50,601) | **17,154** | (26,627) |
| Lease liabilities | **847** | - | **847** | - |
| Provision for slow moving stock | **(4,812)** | (4,572) | **(240)** | (4,572) |
| Provision for loss allowance of trade receivables | **(30,106)** | (5,755) | **(24,351)** | 5,680 |
| | **524,815** | 525,308 | **(493)** | (45,971) |
| **Deferred tax assets** | | | | |
| Accelerated depreciation | **(7,496)** | 2,919 | **(10,415)** | (4,708) |
| Revaluation of property, plant and equipment | **18,650** | 4,762 | **13,888** | 4,762 |
| Post employment benefit obligations | **(2,886)** | (257) | **(2,629)** | 8,777 |
| Tax losses | **(144,824)** | (177,573) | **32,749** | 10,501 |
| Lease liabilities | **(537)** | - | **(537)** | - |
| Provision for loss allowance of trade receivables | **(678)** | (31,342) | **30,664** | (28,415) |
| | **(137,771)** | (201,491) | **63,720** | (9,083) |
| **Net deferred tax liabilities** | **387,044** | 323,817 | | |
| **Total movement for the year** | | | **63,227** | (55,054) |
| Add effect of adopting IFRS 9 | | | - | 4,053 |
| Less disposal of subsidiary (note 8(d)) | | | - | (17,400) |
| Less transfer to assets held for sales | | | **(23,188)** | - |
| **Net movement for the year** | | | **40,039** | (68,401) |

| | **2020 Rs'000** | 2019 Rs'000 |
|---|---|---|
| **Recognised as follows:** | | |
| In profit or loss (Note 21(a)) | **10,624** | (1,423) |
| In other comprehensive income | **42,649** | (66,582) |
| Exchange differences | **(13,234)** | (396) |
| | **40,039** | (68,401) |




# Notes to the Financial Statements

for the year ended 30 June 2020


## 10. DEFERRED TAX (ASSET)/LIABILITY (continued)

### THE COMPANY

| | Balance | | Movement | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| **Deferred tax liabilities** | | | | |
| Accelerated depreciation | **2,222** | 2,409 | **(187)** | 1,194 |
| Revaluation of property, plant and equipment | **6,408** | 6,408 | - | - |
| Others | **22,412** | - | **22,412** | (85) |
| | **31,042** | 8,817 | **22,225** | 1,109 |
| **Deferred tax assets** | | | | |
| Tax losses | **(11,141)** | (26,657) | **15,516** | (19,232) |
| Post employment benefit obligations | **(7,089)** | (257) | **(6,832)** | (257) |
| Others | - | (57) | **57** | (57) |
| | **(18,230)** | (26,971) | **8,741** | (19,546) |
| Net deferred tax liabilities/(assets) | **12,812** | (18,154) | | |
| **Total movement for the year** | | | **30,966** | (18,437) |
| **Recognised as follows:** | | | | |
| In profit or loss (Note 21(a)) | | | **35,889** | (18,123) |
| In other comprehensive income | | | **(4,923)** | (314) |
| | | | **30,966** | (18,437) |

Deferred tax assets have not been recognised on tax losses amounting to **Rs 1.29 billion** (2019: Rs 507.2 million). Refer to Note 3(iii) for further details.

## 11. INVENTORIES

### THE GROUP

| | **2020 Rs'000** | 2019 Rs'000 |
|---|---|---|
| Food and beverages - at cost | **70,043** | 77,442 |
| Spare parts and maintenance - at cost | **44,091** | 39,940 |
| Boutique items - at Net realisable value | **29,906** | 32,934 |
| Others*- at cost | **38,386** | 40,327 |
| | **182,426** | 190,643 |

* Other stocks include mainly Room amenities & guest supplies, Food & Beverage supplies and printing and stationary.

Inventories have been pledged as securities for bank borrowings of the Group. All inventories are stated at the lower of cost and net realisable value. Provision for write downs of inventories at 30 June 2020 amounted to **Rs 28.3m** (2019: Rs 24.2m).

Amount of inventory expensed has been disclosed in note 24.

## 12. TRADE AND OTHER RECEIVABLES

| | THE GROUP | | | THE COMPANY | |
|---|---|---|---|---|---|
| | **2020** | 2019 Restated | 2018 Restated | **2020** | 2019 |
| | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 |
| Trade receivables | **433,951** | 514,595 | 544,630 | - | - |
| Receivable from fellow subsidiaries (Note 36) | **57,680** | - | - | - | - |
| Receivable from subsidiaries (Note 36) | - | - | - | **2,111,517** | 1,527,164 |
| Other receivables and prepayments | **201,199** | 283,512 | 321,091 | **72,740** | 7,565 |
| | **692,830** | 798,107 | 865,721 | **2,184,257** | 1,534,729 |
| Less loss allowance (Note 37 c (iv)) | **(162,482)** | (46,447) | (37,305) | - | - |
| | **530,348** | 751,660 | 828,416 | **2,184,257** | 1,534,729 |

(i) Trade receivables are not secured, non interest-bearing and are generally on 30 days term. Impairment of receivables have been assessed on an individual basis and also on a collective basis under the 'Expected Credit loss' model. The Group has subscribed to a credit protection scheme for its trade receivables with a Global Service Provider, with a view to minimise its credit risk exposure.

Bad debts written off of Rs **26.4m** relate to individual debtor balance which have been impaired during the year and which were not previously provided for.

(ii) At 30 June 2020, the ageing analysis of unimpaired trade receivables by due dates is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Not past due | **14,530** | 186,919 | - | - |
| Due less than 30 days | **7,954** | 119,075 | - | - |
| More than 30 and less than 60 days | **7,807** | 66,419 | - | - |
| More than 60 and less than 90 days | **77,420** | 24,488 | - | - |
| More than 90 and less than 180 days | **60,391** | 13,913 | - | - |
| More than 180 days | **103,367** | 57,334 | - | - |
| | **271,469** | 468,148 | - | - |

(iii) The movement in expected credit losses on trade receivables were as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **At 01 July** | | | | |
| - As previuosly reported | **46,447** | 37,305 | - | - |
| - Effect of adopting IFRS 9 | - | 26,358 | - | - |
| - As re-stated | **46,447** | 63,663 | - | - |
| Transfer to assets held for sale | **(9,804)** | - | - | - |
| Charge for the year | **126,318** | 2,107 | - | - |
| Write off | - | (19,715) | - | - |
| Impairment loss reversed | **(5,209)** | - | - | - |
| Exchange difference | **4,730** | 392 | - | - |
| **At 30 June (Note 37 c (iv))** | **162,482** | 46,447 | - | - |




# Notes to the Financial Statements

for the year ended 30 June 2020


## 12. TRADE AND OTHER RECEIVABLES (continued)

The restatement for FY 2018 was in relation to effect of adopting IFRS 9 and its related deferred tax impact. Same was accounted as part of the opening retained earnings at 01 July 2018.

Expected credit losses on trade receivables is based on Lifetime Expected Credit Losses.

Other financial assets include amount due from a fellow subsidiary and other short term sundry receivables. The Group and the Company have performed an impairment assessment for other financial asset and the impairment loss is immaterial.

## 13. ASSETS HELD FOR SALE

On 01 August 2020, the group has finalised the sale of Hotel Le Recif, in Reunion Island for a total proceeds of EUR 9 million, payable as follows:

- EUR 7 million payable on date of signature
- EUR 1 million payable 3 years after date of signature
- EUR 1 million contingent upon Hotel Le Recif achieving a target EBITDA

The amount of EUR 7 million as per the deed of sale has already been paid. There is no impairment of the assets of Hotel Le Recif as the disposal proceeds exceeds the fair value of the net assets.

The breakdown of the assets retranslated at year end rate of Hotel Le Recif classified as assets held for sale are as follows:

| | **2020** |
|---|---|
| | **Rs'000** |
| **Non-current assets** | |
| Property, plant and equipment | **318,395** |
| Intangible assets | **38,851** |
| Deferred tax assets | **25,294** |
| | **382,540** |
| **Current assets** | |
| Inventories | **2,382** |
| Trade and other receivables | **44,101** |
| Cash and short term deposits | **99,922** |
| | **146,405** |
| | **528,945** |

The liabilities of Hotel Le Recif associated with the assets held for sale are as follows:

| | |
|---|---|
| **Non-current liabilities** | |
| Interest-bearing loans and borrowings | **113,209** |
| Post employment benefit obligations | **4,200** |
| | **117,409** |
| **Current liabilities** | |
| Trade and other payables | **86,503** |
| | **86,503** |
| | **203,912** |

## 14. ISSUED CAPITAL

| | THE GROUP AND THE COMPANY | | | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Number of shares** | Number of shares | **Rs'000** | Rs'000 |
| **(a) Authorised and stated capital** | | | | |
| Ordinary shares of Rs 10 each fully paid | | | | |
| At 30 June | **137,115,943** | 137,115,943 | **1,371,159** | 1,371,159 |

**(b) Share premium**

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2020** | 2019 |
| | **Rs'000** | Rs'000 |
| At 30 June | **1,320,986** | 1,320,986 |

## 15. OTHER RESERVES

### (a) THE GROUP

| | **Foreign exchange translation reserve Rs'000** | **Asset revaluation reserve Rs'000** | **Share based payment reserve Rs'000** | **Total Rs'000** |
|---|---|---|---|---|
| At 01 July 2018 | 22,929 | 1,634,999 | 5,290 | 1,663,218 |
| Cash flow hedge on loan in foreign currency | 121 | - | - | 121 |
| Cash flow hedge reserve released on repayment of loan | 46,800 | - | - | 46,800 |
| Currency translation difference | 50,216 | - | - | 50,216 |
| Tax on other comprehensive income | (297) | - | - | (297) |
| Share based payment issued | - | - | (5,290) | (5,290) |
| Revaluation reserve utilised for impairment | - | (392,864) | - | (392,864) |
| Tax on revaluation reserve | - | 65,381 | - | 65,381 |
| Transfer of revaluation reserve to retained earnings | - | (49,157) | - | (49,157) |
| **At 30 June 2019** | 119,769 | 1,258,359 | - | 1,378,128 |
| Cash flow hedge on loan in foreign currency | **(243,933)** | - | - | **(243,933)** |
| Cash flow hedge reserve released on repayment of loan | **74,553** | - | - | **74,553** |
| Currency translation difference | **218,561** | - | - | **218,561** |
| Revaluation of property | - | **483,248** | **483,248** | |
| Tax on other comprehensive income | **30,172** | - | - | **30,172** |
| Tax on revaluation reserve | - | **(81,425)** | - | **(81,425)** |
| **At 30 June 2020** | **199,122** | **1,660,182** | - | **1,859,304** |





## 15. OTHER RESERVES (continued)

### (b) THE COMPANY

| | **Asset revaluation reserve Rs'000** | **Cash flow hedge reserve Rs'000** | **Total Rs'000** |
|---|---|---|---|
| At 01 July 2018 | 41,310 | 397 | 41,707 |
| Cash flow hedge on loan in foreign currency | - | (2,776) | (2,776) |
| Release on repayment of loan | - | 2,440 | 2,440 |
| Tax effect | - | 57 | 57 |
| At 30 June 2019 | 41,310 | 118 | 41,428 |
| Release on repayment of loan | - | **(119)** | **(119)** |
| Tax effect | - | **(57)** | **(57)** |
| **At 30 June 2020** | **41,310** | **(58)** | **41,252** |

**Nature and purpose of other reserves**

***Exchange translation reserve***

This reserve is in respect of cash flow hedge reserve as well as foreign translation currency reserve. The hedge reserve is used to record the exchange differences arising on the EURO, GBP and USD loans taken by the Group and which have been designated as hedging instruments against future revenues of the Group in the respective currencies. The risk management objective is to hedge the changes in cash flows arising from foreign exchange rate risk associated with future revenues and cash flows of the Group. The hedging strategy is to enter into loan agreements (the "hedging instruments"), in EURO, GBP and USD with future principal payments that will be matched by the future remittances from customers in these currencies. The movement for the year is in respect of exchange difference on conversion of loan in USD, GBP and EURO at year end rate. Upon annual repayment of long term borrowings the portion of hedge realised is released to profit or loss. The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

***Asset revaluation reserve***

The asset revaluation reserve is used to record increases in the fair value of land and buildings (net of deferred tax on the revalued asset) and decreases to the extent that such decreases relates to an increase on the same asset previously recognised in equity.

***Share based payment reserve***

The share based payment reserve was used to recognise the value of equity-settled share based payments provided to its executives as part of their remuneration. In the prior financial year, the directors have decided to discontinue the share based payment scheme.

## 16. NON-CONTROLLING INTERESTS

| | THE GROUP | |
|---|---|---|
| | **2020** | 2019 |
| | **Rs'000** | Rs'000 |
| At 01 July | - | 1,523 |
| Share of result for the year | - | 173 |
| Disposal of subsidiary | - | (1,696) |
| **At 30 June** | - | - |

Following distribution of shares of The Lux Collective Ltd as dividend in specie, TLC is no more a subsidiary of Lux Island Resorts Ltd.

## 17. INTEREST-BEARING LOANS AND BORROWINGS

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 Restated | 2018 Restated | **2020** | 2019 Restated | 2018 Restated |
| | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| **Current** | | | | | | |
| Bank loans (Note (a)) | **2,646,293** | 943,919 | 860,914 | **165,100** | 257,856 | 256,293 |
| Finance leases (Note (b)) | **-** | 19,485 | 22,478 | **-** | - | - |
| Bank overdrafts (Note 32a)) | **356,438** | 201,745 | 208,172 | **58,260** | 24,544 | 462 |
| Other loans (Note (c)) | **-** | 73,663 | 58,806 | **-** | - | - |
| | **3,002,731** | 1,238,812 | 1,150,370 | **223,360** | 282,400 | 256,755 |
| **Non-current** | | | | | | |
| Bank loans (Note (a)) | **2,158,461** | 3,159,425 | 3,492,457 | **-** | - | 112,502 |
| Finance leases (Note (b)) | **-** | 41,098 | 63,612 | **-** | - | - |
| Other loans (Note (c)) | **-** | - | 75,614 | **-** | - | - |
| | **2,158,461** | 3,200,523 | 3,631,683 | **-** | - | 112,502 |
| **Total interest-bearing loans and borrowings** | **5,161,192** | 4,439,335 | 4,782,053 | **223,360** | 282,400 | 369,257 |

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| (a) Bank loans can be analysed as follows:- | | | | |
| Loan repayable: | | | | |
| - Within one year | **2,646,293** | 943,919 | **165,100** | 257,856 |
| - After one year and before two years | **602,656** | 490,957 | **-** | - |
| - After two years and before five years | **951,002** | 1,401,959 | **-** | - |
| - After five years | **604,803** | 1,266,509 | **-** | - |
| | **4,804,754** | 4,103,344 | **165,100** | 257,856 |





## 17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

| | | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|---|
| | | | **2020** | 2019 | **2020** | 2019 |
| **Denomination** | **Effective interest rate** | **Maturity** | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Mauritian Rupee | 4.75% - 5.75% | June 2023 | **524,158** | 592,247 | **-** | - |
| EURO | LIBOR + 2.6% - 4% | June 2023 | **68,562** | 73,236 | **-** | - |
| EURO | EURIBOR + 1.60% | June 2022 | **-** | 51,263 | **-** | - |
| EURO | EURIBOR + 1.30% | Dec 2022 | **178,607** | 96,997 | **-** | - |
| USD | LIBOR + 2.75% | June 2023 | **94,360** | 99,272 | **-** | - |
| USD | LIBOR + 2.5% | Dec 2019 | **-** | 77,017 | **-** | - |
| USD | LIBOR + 2.5% - 3.25% | Dec 2019 | **-** | 32,786 | **-** | - |
| USD | LIBOR + 2.5% | Dec 2019 | **-** | 59,819 | **-** | - |
| USD | LIBOR+2.6% | June 2023 | **24,355** | 25,623 | **-** | - |
| EURO | LIBOR+4% | June 2020 | **-** | 10,844 | **-** | - |
| EURO | LIBOR+5.% | June 2023 | **126,820** | 130,252 | **-** | - |
| EURO | LIBOR+3% | June 2020 | **-** | 41,293 | **-** | 16,416 |
| USD | LIBOR +5% | Dec 2023 | **568,792** | 586,667 | **-** | - |
| USD | LIBOR +4% | Sep 2026 | **453,695** | 397,760 | **-** | - |
| EURO | LIBOR + 2.5% | June 2025 | **225,250** | - | **-** | - |
| EURO | LIBOR +4% | Dec 2029 | **720,800** | 641,600 | **-** | - |
| GBP | LIBOR+3.8% | June 2026 | **557,435** | 505,988 | **-** | - |
| USD | LIBOR + 3.5% | Mar 2026 | **238,090** | 211,200 | **-** | - |
| USD | LIBOR + 4% | Mar 2027 | **168,630** | 147,840 | **-** | - |
| EURO | EURIBOR + 1.225%- 2.275% | At Call | **180,200** | 256,640 | **90,100** | 176,440 |
| Mauritian Rupee | PLR - 1.3% | At Call | **75,000** | 65,000 | **75,000** | 65,000 |
| Mauritian Rupee | PLR | At call | **600,000** | - | **-** | - |
| Total bank loans | | | **4,804,754** | 4,103,344 | **165,100** | 257,856 |

| | THE GROUP | |
|---|---|---|
| (b) **Finance lease liabilities - minimum lease payments:** | **2020** | 2019 |
| | **Rs'000** | Rs'000 |
| Within one year | **-** | 22,999 |
| After one year and before two years | **-** | 19,112 |
| After two years and before five years | **-** | 26,284 |
| | **-** | 68,395 |
| Future finance charges on finance leases | **-** | (7,812) |
| Present value of finance lease liabilities | **-** | 60,583 |
| The present value of finance lease liabilities may be analysed as follows: | | |
| Within one year | **-** | 19,485 |
| After one year and before two years | **-** | 16,895 |
| After two years and before five years | **-** | 24,203 |
| | **-** | 60,583 |

Finance lease liability has been transferred to lease liability upon adoption of IFRS 16, refer to Note 5(a).

## 17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(c) **Other bank loan**

Other bank loans of the subsidiary White Sand Resorts & Spa Pvt Ltd are denominated in USD and are unsecured and bears an interest rate of 3% annually. The loan was repaid during the year.

(d) **Bank covenants**

The financial performance of the Group has been impacted significantly following the COVID-19 pandemic, where all the hotels were closed during the whole quarter 4 of this financial year ended 30 June 2020. As such, the group has not satisfied its financial covenants (gearing ratio and interest cover) which as per the loan agreements represented a breach of contract and the banks had the right to claim back the whole amount due with respect to those loans.

As a consequence of breach of financial covenants, the Group has reclassified **Rs 1.24 billion** of capital portion of loan repayable after more than one year to current liabilities. The Group has renegotiated the repayment terms with the banks.

Except for the Reunion operations, three out of five of the Group's bankers have agreed after 30 June 2020 to defer the capital repayment of all long term loans up to 30 June 2021, which in fact may be equivalent to a waiver of compliance with the financial covenants. In such a case, the loan analysis at 30 June 2020, which represents the actual repayment commitment of the Group would be as follows:

| | THE GROUP | |
|---|---|---|
| | **2020** | 2019 Restated |
| | **Rs'000** | Rs'000 |
| **Current** | | |
| Bank loans | **1,401,381** | 943,919 |
| Finance leases | - | 19,485 |
| Bank overdrafts | **356,438** | 201,745 |
| Other loans | - | 73,663 |
| | **1,757,819** | 1,238,812 |
| **Non-current** | | |
| Bank loans | **3,403,373** | 3,159,425 |
| Finance leases | - | 41,098 |
| | **3,403,373** | 3,200,523 |
| **Total interest-bearing loans and borrowings** | **5,161,192** | 4,439,335 |

At 30 June 2020 the Group and the Company has undrawn facilities amounting to **Rs 280m** and **Rs 97m** respectively (2019 Rs 420m and Rs 130m for the Group and the Company respectively).




# Notes to the Financial Statements

for the year ended 30 June 2020


## 17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(e) The movement in interest bearing loans and borrowings (excluding bank overdrafts) is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 Restated | **2020** | 2019 Restated |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 01 July | **4,237,590** | 4,573,881 | **257,856** | 368,795 |
| Proceeds from new loans | **1,226,730** | 1,212,699 | **654,300** | 448,313 |
| Repayments of loans | **(850,103)** | (1,440,064) | **(756,556)** | (562,028) |
| Repayments of finance leases | - | (21,173) | - | - |
| Transfer to lease liabilities | **(60,583)** | - | - | - |
| Disposal of subsidiary | - | (118,208) | - | - |
| Exchange differences | **251,120** | 30,455 | **9,500** | 2,776 |
| At 30 June | **4,804,754** | 4,237,590 | **165,100** | 257,856 |
| Bank overdrafts | **356,438** | 201,745 | **58,260** | 24,544 |
| Total interest bearing loans and borrowings | **5,161,192** | 4,439,335 | **223,360** | 282,400 |

## 18. POST EMPLOYEMENT BENEFIT OBLIGATIONS

(a) The benefits of employees of the Group fall under three different types of arrangements:

(i) A defined benefit scheme which is funded. The plan assets are held independently by a pension fund;

(ii) A defined contribution scheme; and

(iii) Other retirement benefits as defined under the Workers Rights Act (WRA) 2019 and which are unfunded.

(b) The liabilities in respect of the defined benefit obligations (i) and (iii) above are analysed as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Funded obligation - (Notes (c - o)) | **35,173** | 7,840 | **35,173** | 7,840 |
| Unfunded obligation (Notes (p - u)) | **135,455** | 104,805 | **6,532** | 3,861 |
| | **170,628** | 112,645 | **41,705** | 11,701 |

**FUNDED OBLIGATION**

(c) The amounts recognised in the statement of financial position in respect of the funded obligation are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Present value of funded obligation (Note 18(h)) | **72,886** | 47,713 | **72,886** | 47,713 |
| Fair value of plan assets (Notes 18(g)) | **(37,713)** | (39,873) | **(37,713)** | (39,873) |
| Liability in the statement of financial position | **35,173** | 7,840 | **35,173** | 7,840 |

## 18. POST EMPLOYEMENT BENEFIT OBLIGATIONS (continued)

(d) Movement in the statement of financial position:

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| | At 01 July | **7,840** | 3,937 | **7,840** | - |
| | Total expenses (Note 18(e)) | **2,281** | - | **2,281** | - |
| | Actuarial gains recognised in other comprehensive income | **27,017** | - | **27,017** | - |
| | Contributions paid | **(1,965)** | - | **(1,965)** | - |
| | Disposal of subsidiary | - | (3,937) | - | - |
| | Transfer from previous subsidiary | - | 7,840 | - | 7,840 |
| | **At 30 June** | **35,173** | 7,840 | **35,173** | 7,840 |
| (e) | The amounts recognised in the statement of profit or loss are as follows: | | | | |
| | Current service cost | **1,905** | - | **1,905** | - |
| | Interest cost | **376** | - | **376** | - |
| | Scheme expenses | - | - | - | - |
| | Total included in staff costs | **2,281** | - | **2,281** | - |
| (f) | The total actuarial losses recognised in other comprehensive income are as follows: | | | | |
| | Funded obligation (Note 18(j)) | **27,017** | - | **27,017** | - |
| | Unfunded obligation (Note 18(s)) | **26,300** | 9,639 | **2,280** | 1,514 |
| | | **3,317** | 9,639 | **29,297** | 1,514 |
| (g) | Changes in the fair value of plan assets are as follows: | | | | |
| | At 01 July | **39,873** | 47,190 | **39,873** | - |
| | Interest on plan assets | **2,146** | - | **2,146** | - |
| | Employer's contribution | **1,965** | - | **1,965** | - |
| | Scheme expenses | **(48)** | - | **(48)** | - |
| | Cost of insuring risk benefits | **(132)** | - | **(132)** | - |
| | Actuarial losses | **(4,052)** | - | **(4,052)** | - |
| | Benefits paid | **(2,039)** | - | **(2,039)** | - |
| | Disposal of subsidiary | - | (47,190) | - | - |
| | Transfer from previous subsidiary | - | 39,873 | - | 39,873 |
| | **At 30 June** | **37,713** | 39,873 | **37,713** | 39,873 |
| (h) | Changes in defined benefit obligation are as follows: | | | | |
| | At 01 July | **47,713** | 51,127 | **47,713** | - |
| | Current service cost | **1,724** | - | **1,724** | - |
| | Interest cost | **2,523** | - | **2,523** | - |
| | Actuarial gains | **22,965** | - | **22,965** | - |
| | Benefits paid | **(2,039)** | - | **(2,039)** | - |
| | Disposal of subsidiary | - | (51,127) | - | - |
| | Transfer from previous subsidiary | - | 47,713 | - | 47,713 |
| | **At 30 June** | **72,886** | 47,713 | **72,886** | 47,713 |





## 18. POST EMPLOYEMENT BENEFIT OBLIGATIONS (continued)

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| (i) | The main categories of plan assets are as follows: | | | | |
| | Local equities | **9,244** | 13,660 | **9,244** | 13,660 |
| | Overseas equities | **9,545** | 9,797 | **9,545** | 9,797 |
| | Fixed interest | **18,627** | 12,947 | **18,627** | 12,947 |
| | Properties | **297** | 3,469 | **297** | 3,469 |
| | Total market value of assets | **37,713** | 39,873 | **37,713** | 39,873 |
| (j) | Analysis of amount recognised in other comprehensive income: | | | | |
| | Gains on pension scheme assets | **4,052** | - | **4,052** | - |
| | Experience gains on the liabilities | **7,320** | - | **7,320** | - |
| | Changes in assumptions underlying the present value of the scheme | **15,645** | - | **15,645** | - |
| | **Actuarial losses recognised in other comprehensive income** | **27,017** | - | **27,017** | - |
| (k) | **Sensivity analysis** | | | | |
| | Decrease in defined benefit obligation due to 1% increase in discount rate | **8,541** | 6,047 | **8,541** | 6,047 |
| | Increase in defined benefit obligation due to 1% increase in future long-term salary assumption | **1,364** | 891 | **1,364** | 891 |

The sensitivity analysis above have been determined based on sensibly possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

The plan is a defined benefit arrangement, with benefits based on final salary, it provides for a pension at retirement and a benefit on death or disablement in service before retirement.

(l) (i) The assets of the plan are invested in IBL Pension Fund which includes a diversified portfolio of asset classes. In view of exposure to equities, some volatility in the return from one year to the other is expected.

(ii) As the fund is expected to produce a smooth return, a fairly reasonable indication of the future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the fund.

(iii) The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at 30 June 2020.

(m) Future cash flows

- The funding policy is to pay benefits out of the reporting entity's cashflow as and when due.
- The weighted average duration of the defined benefit obligation is **9 years**.
- Employer's contributions to be paid in the next reporting period is estimated at **Rs 1.68m** (2019: Rs. 1.96m).
- The plan entitles the employees to a lump sum and pension payments at retirement age.

## 18. POST EMPLOYEMENT BENEFIT OBLIGATIONS (continued)

(n) Risk Associated with the Plans

The Defined Benefit Plans expose the Group to actuarial risks such as interest rate risk and salary risk.

***Interest rate risk***

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

***Salary risk***

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

(o) The principal actuarial assumptions with respect to the defined benefit scheme used for accounting purposes were:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **%** | % | **%** | % |
| Discount rate | **3.4** | 5.4 | **3.4** | 5.4 |
| Future NPS ceiling increase | **0.0** | 5.0 | **0.0** | 5.0 |
| Future expected pension scheme | **0.0** | 0.0 | **0.0** | 0.0 |
| Future long term salary increase | **4.0** | 4.0 | **4.0** | 4.0 |
| Post retirement mortality tables | **Pa(92)** | Pa(92) | **Pa(92)** | Pa(92) |

**UNFUNDED OBLIGATION**

(p) The amounts recognised in the statement of financial position in respect of unfunded obligation are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Present value of unfunded obligation | **135,455** | 104,805 | **6,532** | 3,861 |

(q) Movement in the liability recognised in the statement of financial position:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 01 July | **104,805** | 90,435 | **3,861** | - |
| Disposal of subsidiary | - | (8,724) | - | - |
| Transfer | **(3,850)** | 1,236 | - | 2,062 |
| Total expenses (Note 18(r)) | **7,427** | 14,509 | **391** | 285 |
| Actuarial losses (Note 18(s)) | **26,300** | 9,639 | **2,280** | 1,514 |
| Benefits paid | **(905)** | (2,378) | - | - |
| Exchange differences | **1,678** | 88 | - | - |
| **At 30 June** | **135,455** | 104,805 | **6,532** | 3,861 |



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## 18. POST EMPLOYEMENT BENEFIT OBLIGATIONS (continued)

**UNFUNDED OBLIGATION (continued)**

(r) The amounts recognised in the statement of profit or loss are as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Current service cost | **2,633** | 10,342 | **171** | 168 |
| Interest cost | **4,794** | 4,167 | **220** | 117 |
| Total included in staff costs | **7,427** | 14,509 | **391** | 285 |

(s) Amount recognised in other comprehensive Income

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Actuarial (gains)/losses | **(14,319)** | 669 | **(50)** | 1,514 |
| Changes in assumptions | **40,619** | 8,970 | **2,330** | - |
| | **26,300** | 9,639 | **2,280** | 1,514 |

(t) Sensivity analysis

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Decrease in defined benefit obligation due to 1% increase in discount rate | **22,805** | 16,670 | **1,211** | 881 |
| Increase in defined benefit obligation due to 1% increase in future long-term salary assumption | **19,230** | 16,777 | **1,120** | 887 |

(u) The principal actuarial assumptions with respect to the unfunded scheme used for accounting purposes were as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **%** | % | **%** | % |
| Discount rate | **3.5 to 3.7** | 5.50 | **3.60** | 5.50 |
| Future salary increases | **4.00** | 4.00 | **4.00** | 4.00 |

## 19. GOVERNMENT GRANTS

| | THE GROUP | |
|---|---|---|
| | **2020** | 2019 |
| | **Rs'000** | Rs'000 |
| At 01 July | **5,331** | 6,668 |
| Release against depreciation charge (Note 27) | **(1,399)** | (1,337) |
| Exchange differences | **527** | - |
| **At 30 June** | **4,459** | 5,331 |
| Analysed as follows: | | |
| To be released within one year shown within "other payables" in "trade and other payables" | **1,486** | 1,341 |
| To be released after one year classified under non-current liabilities | **2,973** | 3,990 |
| | **4,459** | 5,331 |

The grant is in respect of Government assistance to finance the construction of a hotel in Reunion Island and has been accounted under the income approach. The grant is being released to profit or loss against depreciation charge over the useful life of the asset.

## 20. TRADE AND OTHER PAYABLES

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 Restated | 2018 Restated | **2020** | 2019 Restated | 2018 Restated |
| | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| Trade payables | **359,768** | 433,235 | 354,332 | - | 2 | 370 |
| Amount payable to subsidiaries (Note 36) | - | - | - | **992,078** | 899,244 | 948,600 |
| Amount payable to fellow subsidiaries (Note 36) | **46,912** | 35,497 | 81,404 | - | - | - |
| Accrued expenses | **223,068** | 196,581 | 187,130 | **12,245** | 6,338 | 1,137 |
| Loan interest payable | **42,057** | 7,045 | 3,582 | - | - | - |
| Other payables | **358,570** | 344,949 | 462,189 | **44,111** | 28,310 | 13,069 |
| | **1,030,375** | 1,017,307 | 1,088,637 | **1,048,434** | 933,894 | 963,176 |

Trade and other payables are non-interest bearing and are normally settled on 60-days term.

Other payables comprises mainly of accruals for payroll related costs, amounts payable to contractors and other accruals made in the normal course of business.

For amount payable to subsidiaries and fellow subsidiaries refer to Note 36.



Notes to the Financial Statements
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## 21. TAXATION

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 |
| | | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| (a) | Charge for the year | | | | |
| | Current tax on taxable profit for the year (Note (d)) | **47,116** | 91,775 | - | - |
| | Overprovision in previous year (Note (d)) | **(734)** | (16) | - | - |
| | Withholding tax (Note (d)) | - | 1,553 | - | - |
| | Deferred taxation movement (Note 10) | **10,624** | (1,423) | **35,889** | (18,123) |
| | Income tax expense/(credit) | **57,006** | 91,889 | **35,889** | (18,123) |
| | ***Analysed as follows*** | | | | |
| | Continuing activities | **57,006** | 91,889 | **35,889** | (18,123) |
| | Discontinued activities (Note 8 (d)) | - | - | - | - |
| | | **57,006** | 91,889 | **35,889** | (18,123) |

(b) Reconciliation between income tax expense and accounting profit is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| (Loss)/ profit before tax | **(820,637)** | 622,252 | **(578,709)** | 392,329 |
| Tax calculated at a rate of 17% (2019: 17%) | **(139,508)** | 105,783 | **(98,381)** | 66,696 |
| Effect of different tax rates | - | 1,526 | - | - |
| Impairments not allowable for tax purposes | **66,751** | - | **199,026** | - |
| Expenses not deductible for tax purposes (Note(i)) | **3,384** | 13,442 | **1,536** | 8,681 |
| Dividend income not subject to tax | **(85,000)** | (93,500) | | |
| Tax incentives and allowances | **(478)** | (10,927) | - | - |
| Overprovision of income tax in previous year | **(734)** | (16) | - | - |
| Overprovision in deferred tax | **(7,319)** | - | - | - |
| Derecognition of previous tax losses | **134,146** | - | **18,708** | - |
| Utilisation of unused tax losses (Note (ii)) | - | (19,472) | - | - |
| Withholding tax | - | 1,553 | - | - |
| Other adjustments | **764** | - | - | - |
| | **57,006** | 91,889 | **35,889** | (18,123) |

Note (i) - Expenses not deductible is mainly in respect of the subsidiary, White Sand Resorts & Spa Pvt Ltd, where finance charges are capped as eligible for tax purposes.

Note (ii) - Tax losses not utilised are in respect of Reunion entities and Nereide Ltd. For the Reunion entity, every year part of the unused tax losses are accounted for based on recoverable amount per forecasts results. For Nereide Ltd, no tax losses has been recongnised as its forecasts have been impacted by the COVID-19 pandemic.

(c) Different tax rates arise on the taxation of foreign units located in Réunion Island and Maldives.

## 21. TAXATION (continued)

(d) Statement of financial position

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| At 01 July | **52,326** | 33,949 | - | - |
| Change for the year inclusive of Corporate Social Responsibility (CSR) (Note (a)) | **47,116** | 91,775 | - | - |
| Overprovision provision in prior years (Note (a)) | **(734)** | (16) | - | - |
| Withholding tax (Note (a)) | - | 1,553 | - | - |
| Paid during the year | **(102,466)** | (72,690) | - | - |
| Disposal of subsidiary (Note 8(d)) | - | (2,258) | - | - |
| Exchange difference | **140** | 13 | - | - |
| **At 30 June** | **(3,618)** | 52,326 | - | - |
| Income tax is reflected in the statement of financial position as follows: | | | | |
| Current tax assets | **(5,181)** | - | - | - |
| Current tax liabilities | **1,563** | 52,326 | - | - |

## 22. REVENUE FROM CONTRACTS WITH CUSTOMERS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Room revenue | **2,765,262** | 3,704,427 | - | - |
| Food and beverages | **1,469,727** | 1,988,838 | - | - |
| Others | **418,918** | 463,089 | - | - |
| | **4,653,907** | 6,156,354 | - | - |
| Timing of revenue recognition: | | | | |
| Point in time | **1,888,645** | 2,451,927 | - | - |
| Over time | **2,765,262** | 3,704,427 | - | - |
| | **4,653,907** | 6,156,354 | - | - |
| Revenue by geographical region: | | | | |
| Mauritius | **2,776,252** | 3,642,634 | - | - |
| Reunion | **768,554** | 961,013 | - | - |
| Maldives | **1,109,101** | 1,552,707 | - | - |
| | **4,653,907** | 6,156,354 | - | - |




# Notes to the Financial Statements

for the year ended 30 June 2020


## 22. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Contract liabilities

The contract liabilities are in respect of deposits collected from customers for future stay in our hotels.

The following table shows a reconciliaiton of the movement in deposits:

| | THE GROUP | |
|---|---|---|
| | **2020** | 2019 |
| | **Rs'000** | Rs'000 |
| At 01 July | **153,706** | 165,613 |
| Deposit received during the year | **1,030,913** | 1,081,361 |
| Amount release to profit or loss | **(1,113,528)** | (1,093,268) |
| At 30 June | **71,091** | 153,706 |

## 23. OTHER OPERATING INCOME

**(a) Operating income**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Management fee from subsidiaries | - | - | **37,152** | - |
| Rental income | **6,564** | 7,398 | **5,460** | 5,460 |
| Foreign exchange gains | **103,981** | 16,793 | **169,619** | 27,739 |
| Dividend income | - | - | **500,000** | 550,000 |
| Others * | **73,153** | 9,333 | **1,042** | - |
| | **183,698** | 33,524 | **713,273** | 583,199 |

* Others include mainly wage assistance scheme and management fee income (for company only) accounted under other income.

**(b) Loss on disposal of property, plant and equipment**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Disposal proceeds | **2,972** | 13,392 | - | - |
| Net book value of assets disposed/scrapped | **(7,109)** | (22,159) | - | - |
| Net loss | **(4,137)** | (8,767) | - | - |

The loss on disposal of property, plant and equipment for the current and prior year is recorded under 'Other operating expenses'.

## 24. COST OF INVENTORIES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Food, beverages and room supplies | **808,823** | 872,998 | - | - |
| Others | **286,567** | 291,693 | - | - |
| | **1,095,390** | 1,164,691 | - | - |

## 25. EMPLOYEE BENEFIT EXPENSES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Wages and salaries | **1,213,830** | 1,380,982 | **25,607** | 27,411 |
| Social security costs | **128,449** | 134,911 | **844** | 392 |
| Pension costs: | | | | |
| Defined contribution scheme | **20,769** | 15,344 | **2,287** | 564 |
| Defined benefit scheme (Note 18(e)) | **2,281** | - | **2,281** | - |
| Other retirement benefit (Note 18(q)) | **7,427** | 14,509 | **391** | 285 |
| | **1,372,756** | 1,545,746 | **31,410** | 28,652 |

## 26. OTHER OPERATING EXPENSES

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Marketing expenses | **237,700** | 380,121 | - | - |
| Heat, light and power | **240,791** | 301,467 | - | - |
| Repairs and maintenance | **132,332** | 175,912 | **502** | 166 |
| Land lease | - | 78,968 | - | - |
| Rental of properties | - | 162,975 | - | - |
| Communication expenses | **48,757** | 57,855 | - | - |
| Management fees | **258,111** | 296,850 | **5,825** | 6,853 |
| Others* | **423,246** | 657,283 | **63,286** | 108,402 |
| | **1,340,937** | 2,111,431 | **69,613** | 115,421 |

*Others include mainly bank charges and commissions, printing and stationery, communication costs, motor vehicles running expenses and loss on disposal of property, plant and equipment.



# Notes to the Financial Statements
for the year ended 30 June 2020

## 27. DEPRECIATION AND AMORTISATION

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Depreciation of property,plant and equipment (Note 4) | **406,956** | 462,238 | **528** | 485 |
| Amortisation of intangible assets (Note 7) | **7,154** | 14,953 | - | - |
| Amortisation of Right-of-use assets (Note 5(b)) | **155,808** | - | - | - |
| Release of grant (Note 19) | **(1,399)** | (1,337) | - | - |
| | **568,519** | 475,854 | **528** | 485 |
| *Analysed as follows:* | | | | |
| Continuing operations | **568,519** | 470,022 | **528** | 485 |
| Discontinued operations (Note 8 (d)) | - | 5,832 | - | - |
| | **568,519** | 475,854 | **528** | 485 |

## 28. INTEREST INCOME

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Interest income | **337** | 388 | **2,278** | 2,178 |

Interest income arises from effective interest rates.

## 29. FINANCE COSTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Interest expense on: | | | | |
| - Bank overdrafts | **12,097** | 12,778 | **989** | 1,331 |
| - Bank loans | **197,687** | 246,358 | **2,442** | 18,059 |
| - Leases | **233,949** | 4,575 | - | - |
| - Other loans and payables | **4,790** | 10,306 | **18,533** | 29,100 |
| | **448,523** | 274,017 | **21,964** | 48,490 |

## 30. IMPAIRMENT OF GOODWILL

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Lux Island Resorts Maldives Ltd | **346,875** | - | - | - |
| Oceanide Limited | **314,257** | - | - | - |
| Blue Bay Tokey Island Ltd | **6,045** | - | - | - |
| | **667,177** | - | - | - |

## 31. EARNINGS PER SHARE

| | THE GROUP | |
|---|---|---|
| | **2020** | 2019 |
| | **Rs'000** | Rs'000 |
| ***CONTINUING AND DISCONTINUED OPERATIONS*** | | |
| (Loss)/ profit attributable to equity holders of the parent | **(877,643)** | 725,530 |
| Weighted average number of ordinary shares | **137,115,943** | 137,115,943 |
| Earnings per share | **(6.40)** | 5.29 |
| ***CONTINUING OPERATIONS*** | | |
| (Loss)/ profit attributable to equity holders of the parent | **(877,643)** | 530,363 |
| Weighted average number of ordinary shares | **137,115,943** | 137,115,943 |
| Earnings per share | **(6.40)** | 3.87 |
| ***DISCONTINUED OPERATIONS*** | | |
| Profit attributable to equity holders of the parent | - | 195,167 |
| Weighted average number of ordinary shares | **137,115,943** | 137,115,943 |
| Earnings per share | - | 1.42 |

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.





## 32. NOTES TO THE STATEMENT OF CASH FLOWS

| | | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|---|
| | | **2020** | 2019 Restated | 2018 Restated | **2020** | 2019 Restated | 2018 Restated |
| | | **Rs'000** | Rs'000 | Rs'000 | **Rs'000** | Rs'000 | Rs'000 |
| (a) | **Cash and cash equivalents** | | | | | | |
| | Cash and cash equivalents | **156,834** | 169,959 | 194,816 | **56,103** | 57,056 | 25,636 |
| | Bank overdrafts (Note 17) | **(356,438)** | (201,745) | (208,172) | **(58,260)** | (24,544) | (462) |
| | | **(199,604)** | (31,786) | (13,356) | **(2,157)** | 32,512 | 25,174 |

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

**(b) Non-cash transactions**

(i) Part of the acquisition of property, plant and equipment was financed by finance leases as follows:

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 |
| | | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| | Total amount acquired (Note 4) | **829,685** | 187,280 | **77** | 4,415 |
| | Financed through finance leases | - | - | - | - |
| | Financed by cash | **829,685** | 187,280 | **77** | 4,415 |
| (ii) | Dividend income from subsidiaries (Note 36) | - | - | **500,000** | 550,000 |
| (iii) | Dividend in Specie of TLC shares | - | 275,605 | - | 275,605 |
| (c) | **Net Debt Reconciliation** | | | | |
| | ***Net debt*** | | | | |
| | Cash and cash equivalents (Net overdraft position) | **199,604** | 31,786 | **2,157** | (32,512) |
| | Borrowings (Excluding bank overdraft and lease liabilities) | **4,804,754** | 4,177,007 | **165,100** | 257,856 |
| | Lease liabilities | **2,871,642** | 60,583 | - | - |
| | | **7,876,000** | 4,269,376 | **167,257** | 225,344 |

All the above borrowings carry variable interest rates.

## 32. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) **Net Debt Reconciliation (continued)**

**Liabilities from financing activities - THE GROUP**

| | Borrowings Rs'000 | Leases Rs'000 | Sub-total Rs'000 | Overdraft Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|
| At 01 July 2018 | | | | | |
| - As previously reported | 4,487,791 | 86,090 | 4,573,881 | 98,999 | 4,672,880 |
| - Prior year adjustment | - | - | - | (85,643) | (85,643) |
| - As re-stated | 4,487,791 | 86,090 | 4,573,881 | 13,356 | 4,587,237 |
| Cash flows | (227,365) | (21,173) | (248,538) | 18,983 | (229,555) |
| Disposal of subsidiaries | (111,550) | (4,334) | (115,884) | - | (115,884) |
| Exchange difference | 28,131 | - | 28,131 | (553) | 27,578 |
| At 30 June 2019 | 4,177,007 | 60,583 | 4,237,590 | 31,786 | 4,269,376 |
| Effect of adopting IFRS 16 | - | **2,701,145** | **2,701,145** | - | **2,701,145** |
| Cash flows | **376,627** | **(78,846)** | **297,781** | **78,147** | **375,928** |
| Transferred to assets held for sale | **(27,911)** | - | **(27,911)** | **91,604** | **63,693** |
| Exchange difference | **279,031** | **188,760** | **467,791** | **(1,933)** | **465,858** |
| **At 30 June 2020** | **4,804,754** | **2,871,642** | **7,676,396** | **199,604** | **7,876,000** |

***Net debt***

**Liabilities from financing activities - THE COMPANY**

| | Borrowings Rs'000 | Overdraft Rs'000 | Total Rs'000 |
|---|---|---|---|
| At 01 July 2018 | | | |
| - As previously reported | 368,795 | (22,928) | 345,867 |
| - Prior year adjustment | - | (2,246) | (2,246) |
| - As re-stated | 368,795 | (25,174) | 343,621 |
| Cash flows | (113,715) | (7,338) | (121,053) |
| Exchange difference | 2,776 | - | 2,776 |
| At 30 June 2019 | 257,856 | (32,512) | 225,344 |
| Cash flows | **(102,256)** | **38,754** | **(63,502)** |
| Exchage difference | **9,500** | **(4,085)** | **5,415** |
| **At 30 June 2020** | **165,100** | **2,157** | **167,257** |

## 33. SEGMENTAL REPORTING

*Primary segment - Business*

Internal reports reviewed by the Chief Operating Decision Makers (i.e the Directors) in order to allocate resources to the segments and to assess their performance, comprise the hotel segment and the non-hotel segment. The non-hotel segment remains insignificant (i.e less than 10%) both in terms of revenue and trading results compared to the Group. The Directors therefore consider that there is no relevance in disclosing segmental information at this level.





## 33. SEGMENTAL REPORTING (continued)

*Secondary segment - Geographical*

The contribution of the hotel units in Réunion Island via Hotel Prestige Réunion and for the unit in Maldives via White Sand Resorts & Spa Pvt Ltd for the year to 30 June 2020 are more than 10% in terms of revenue and the following disclosures are made with respect to segmental reporting.

| **For the year ended 30 June 2020** | Mauritius Rs'000 | Reunion Rs'000 | Maldives Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| Segment revenue from contract with customers | **2,776,252** | **768,554** | **1,109,101** | **4,653,907** |
| Segment interest income | **337** | - | - | **337** |
| Segment finance cost | **(219,700)** | **(7,513)** | **(221,310)** | **(448,523)** |
| Segment depreciation and amortisation | **(379,769)** | **(64,050)** | **(124,700)** | **(568,519)** |
| Segment result before finance charges | **(136,105)** | **11,489** | **(247,835)** | **(372,451)** |
| Segment assets | **8,418,870** | **1,706,823** | **5,478,358** | **15,604,051** |
| Segment liabilities | **(4,471,892)** | **(1,177,397)** | **(4,388,902)** | **(10,038,191)** |
| Capital expenditure | **776,728** | **29,501** | **23,456** | **829,685** |
| Cash flows from operating activties | **269,909** | **2,868** | **191,463** | **464,240** |
| Cash flows from investing activities | **(775,413)** | **(32,981)** | **(23,456)** | **(831,850)** |
| Cash flows from financing activities | **462,404** | **112,505** | **(277,128)** | **297,781** |

| **For the year ended 30 June 2019** | Mauritius Rs'000 | Reunion Rs'000 | Maldives Rs'000 | Total Rs'000 |
|---|---|---|---|---|
| Segment revenue | 3,642,634 | 961,013 | 1,552,707 | 6,156,354 |
| Segment interest income | 388 | - | - | 388 |
| Segment finance cost | (151,583) | (7,227) | (115,207) | (274,017) |
| Segment depreciation and amortisation | (250,213) | (109,409) | (110,400) | (470,022) |
| Segment result before finance charges | 532,978 | 32,691 | 330,212 | 895,881 |
| Segment assets | 6,936,368 | 1,324,439 | 4,050,850 | 12,311,657 |
| Capital expenditure | 104,439 | 30,073 | 52,768 | 187,280 |
| Segment liabilities | (2,737,053) | (885,980) | (2,681,584) | (6,304,617) |
| Cash flows from investing activities | (171,996) | (30,472) | (226,518) | (428,986) |
| Cash flows from financing activities | (536,937) | (63,152) | (4,951) | (605,040) |
| Cash flows from operating activties | 1,156,900 | (68,175) | (73,682) | 1,015,043 |

## 34. CONTINGENT LIABILITIES

### THE GROUP

At 30 June 2020, the Group had the following contingent liabilities:

(a) Bank guarantees of **Rs 51.6 million** and guarantee for loans of **USD 23.8 million** and **EUR 5 million** (2019: Rs 68.2 million and loan of USD 24.3 million) given on behalf of subsidiaries arising in the ordinary course of business from which it is anticipated that no material losses will arise. The Directors consider that no liabilities will arise as the probability for default in respect of the guarantee is remote.

(b) Legal claims of **Rs 54.4 million** (2019: Rs 53.3 million) have been lodged against the Group in the Intermediary Court of Mauritius arising from claims mainly in respect of termination of employment or contracts. The directors have been advised that some claims appear unfounded and that the severance allowance/damages claim in others appear grossly exaggerated. At this stage the Directors do not believe that the Group will be required to settle the amounts claimed.

## 34. CONTINGENT LIABILITIES (continued)

### THE COMPANY

Bank guarantees of **Rs 51 million** and guarantee for loans of **USD 23.8 million** (2019: Rs 67.8 million and loan of USD 24.3 million) have been given on behalf of subsidiary companies with respect to long term debt contracted by the latter arising in the ordinary course of business from which it is anticipated that no material losses will arise. The Directors consider that no liabilities will arise as the probability for default in respect of the guarantee is remote.

## 35. COMMITMENTS

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| **Capital commitments** | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Authorised by directors but not yet contracted for | **2,041,615** | 2,498,421 | - | - |
| Contracted for but not provided for in accounts | **871,803** | 244,958 | - | - |
| | **2,913,418** | 2,743,379 | - | - |

The above capital commitments relate only to property, plant and equipment. There are no capital commitment in relation to investment property or intangible assets.





## 36. RELATED PARTY DISCLOSURES

| | | Purchase of goods and services from related parties Rs'000 | Purchase of property, plant and equipment from related party Rs'000 | Other operating income from related party Rs'000 | Amount due to related party Rs'000 | Dividend from related party Rs'000 | Amount due from related parties Rs'000 | Interest received from related party Rs'000 | Net loan repayment to related party Rs'000 | Loan due to related party Rs'000 | Interest paid to related party Rs'000 | Net bank balance with related party Rs'000 | Emoluments Rs'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **THE GROUP** | | | | | | | | | | | | | |
| Fellow subsidiaries (Note a) | **2020** | **462,756** | **38,266** | **5,460** | **46,912** | - | **57,680** | - | - | - | - | - | - |
| | 2019 | 315,000 | - | 3,185 | 35,497 | - | - | - | - | - | - | - | - |
| Entities over which directors have significant influence (Note b) | **2020** | **7,070** | - | - | **2,467** | - | - | - | **10,845** | **270,300** | **3,032** | **1,822** | - |
| | 2019 | 13,231 | - | - | 2,379 | - | - | - | 21,436 | 10,845 | 942 | 1,673 | - |
| Key management personnel (Note c) | **2020** | - | - | - | - | - | - | - | - | - | - | - | **73,760** |
| | 2019 | - | - | - | - | - | - | - | - | - | - | - | 66,396 |
| **THE COMPANY** | | | | | | | | | | | | | |
| Subsidiaries (Note d) | **2020** | - | - | - | **992,078** | **500,000** | **2,111,517** | **1,945** | - | - | **16,615** | - | - |
| | 2019 | - | - | - | 899,244 | 550,000 | 1,527,164 | 1,750 | - | - | 29,100 | - | - |
| Fellow subsidiaries (Note a) | **2020** | **6,170** | - | **5,460** | - | - | - | - | - | **45,050** | **1,917** | **124** | - |
| | 2019 | 5,925 | - | 5,400 | - | - | - | - | - | - | - | 159 | - |
| Key management personnel (Note c) | **2020** | - | - | - | - | - | - | - | - | - | - | - | **20,260** |
| | 2019 | - | - | - | - | - | - | - | - | - | - | - | 19,242 |

Note (a) - Fellow subsidiaries are entities over which the ultimate holding company, IBL Ltd, exercises control.

Note (b) - Entities over which directors have significant influence are associated companies of the ultimate holding, IBL Ltd. The bank loan from the associated company of the ultimate holding company is denominated in EURO and carry interest at LIBOR + 2.5% (2019: +4.5%). The previous loans have been repaid during the financial year ended 30 June 2020. The new loan includes a Money Market Line of EURO 1 million carrying interest at LIBOR +2% and a new term loan of EURO 5 million repayable by monthly installments carrying interest rate of LIBOR +2.5%.

Note (c) - Key management personnel includes executive directors and top level management personnel. For the Group the emoluments include short-term employee benefits of **Rs 71.9 million** (2019: Rs 64.8 million) as well as contributions to pension scheme for post retirement benefits of **Rs 1.86 million** (2019: Rs 1.6 million). For the Company, the emoluments include short term benefits of **Rs 18.4 million** (2019: Rs 17.7 million) and contributions to pension scheme for post retirement benefits of **Rs 1.86 million** (2019: Rs 1.6 million).

Note (d) - Amount due to and receivable from subsidiaries are unsecured and bears interest at PLR less 325 basis points. Settlement occurs in cash and there is no fixed repayment terms.

There has been no impairment of amount due to and receivable from related parties. The amount receivable from related parties are neither past due nor impaired.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### (a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 30 June 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Group's policy is to keep the gearing ratio below **45%** (2019: 45%) during normal trading conditions. The Group includes within net debt, interest bearing loans and borrowings, less cash in hand and at bank. The gearing ratios at 30 June 2020 and 2019 were as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| Debt (i) | **8,032,834** | 4,439,335 | **223,360** | 282,400 |
| Cash in hand and at bank | **(156,834)** | (169,959) | **(56,103)** | (57,056) |
| Net debt | **7,876,000** | 4,269,376 | **167,257** | 225,344 |
| Equity (ii) | **5,565,860** | 6,007,040 | **3,426,445** | 4,065,536 |
| Total capital plus debt | **13,441,860** | 10,276,416 | **3,593,702** | 4,290,880 |
| Gearing ratio | **59%** | 42% | **5%** | 5% |

(i) Debt is defined as long and short term borrowings, as detailed in Note 17 and lease liabilities has details in Note 5.

(ii) Equity includes all capital and reserves of the Group and the Company respectively.

(iii) Following the outbreak of the COVID-19 pandemic where all the hotels in the Group were closed all throughout quarter 4 of this financial year, the performance of the Group has been impacted significantly, with a loss after tax of Rs 878m, after impairment charges of Rs 832m, causing a significant decrease in equity.

Furthermore, with the adoption of IFRS 16, gearing calculation has been impacted significantly with the lease liability arising upon recignition of Right-of-Use asset. The Group is in discussion with its bankers to exclude the impact of IFRS 16 in the computation of all financial covenants. If equity at 30 June 2020 is adjusted with the impact of the impairment charge of Rs 832m and impact of lease liability, the gearing ratio would have been at 45%.

Some of the loan agreements of the Group include a clause of compliance with financial covenants, the main ones being the gearing ratio, the interest cover and the Debt Service Coverage Ratio (DSCR). The DSCR is usualy assessed whenever the holding company declares a dividend, which was not the case during this financial year. There is no form of penalty imposed by the banks in case of breach of the covenants, except that the banks reserve the right to claim back the full amount of the loan. It should also be noted that there is no imposed capital requirement for the Group towards its bankers, except for the financial ratios mentioned above.
The financial performance of the Group has been impacted significantly following the COVID-19 pandemic, where all the hotels were closed during the whole quarter 4 of this financial year ended 30 June 2020. As such, the group has not satisfied its financial covenants (gearing ratio and interest cover) which as per the loan agreements represented a breach of contract and the banks had the right to claim back the whole amount due with respect to those loans.





## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (a) Capital risk management (continued)

As a consequence of breach of financial covenants, the Group has reclassified **Rs 1.24 billion** of capital portion of loan repayable after more than one year to current liabilities. The Group has renegotiated the repayment terms with the banks.

Refer to note 17 for further informaiton on the Group's and the Copany's borrowings at 30 June 2020 and 30 June 2019.

### (b) Categories of financial instruments

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **Rs'000** | Rs'000 | **Rs'000** | Rs'000 |
| **Financial assets** | | | | |
| Financial assets at amortised cost | **617,360** | 772,867 | **2,234,795** | 1,591,785 |
| | **617,360** | 772,867 | **2,234,795** | 1,591,785 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost | **8,859,976** | 5,200,001 | **1,267,641** | 1,216,294 |
| | **8,859,976** | 5,200,001 | **1,267,641** | 1,216,294 |

Financial assets include trade and other receivables and cash and cash equivalents, but exclude prepayments and taxes amounting to **Rs 69.822 m** (2019: Rs 148.752m) for the Group and **Rs 5.565m** for the company (2019: Rs nil).

Financial liabilities at amortised cost consist of trade and other payables, but excludes taxes and levy refudable amounting to **Rs203.233m** (2019: Rs 256.641m) for the Group and **Rs 4.153m** (2019: Rs nil) for the company.

### (c) Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Group's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(i) *Foreign currency risk management*

The Group has transactional currency exposure. It is the practice in the hospitality industry to fix tariffs yearly in advance. In order to achieve stability of tariffs in the overseas markets and as a hedge against a fall in the value of the Mauritian Rupee, contracts with tour operators are denominated in the major international currencies of the markets in which the foreign tour operators belong.

A significant number of contracts are therefore denominated in Euros, Pounds Sterling and US Dollars and invoices are raised in these currencies, with above 90% of Group's sales denominated in Euro, GBP and USD. While protecting the enterprise against any fall in the parity of the Mauritian Rupee, it exposes it to a fall in revenue should the Rupee appreciate against one or more of the international currencies. The risk management policies are detailed under Note 15(b).

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Financial risk management (continued)

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency risk. Currency exposure arising from the net assets of the Group's foreign operation is managed primarily through borrowings denominated in the relevant foreign currencies.

The currency profile of the financial assets and financial liabilities at 30 June 2020 and at 30 June 2019 is as follows:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | Financial assets Rs'000 | Financial liabilities Rs'000 | Financial assets Rs'000 | Financial liabilities Rs'000 |
| **30 June 2020** | | | | |
| Euro | **255,838** | **2,344,466** | **349,705** | **147,838** |
| Pound sterling | **81,718** | **557,435** | **16,901** | **1,965** |
| US Dollar | **128,429** | **3,565,778** | **984,159** | **23,001** |
| Other foreign currencies | **-** | **-** | **3** | **-** |
| Total foreign currencies | **465,985** | **6,467,679** | **1,350,768** | **172,804** |
| Mauritian Rupee | **151,375** | **2,392,297** | **884,027** | **1,094,837** |
| Total | **617,360** | **8,859,976** | **2,234,795** | **1,267,641** |
| 30 June 2019 | | | | |
| Euro | 344,456 | 1,452,451 | 298,580 | 197,195 |
| Pound sterling | 107,411 | 505,988 | 8,828 | - |
| US Dollar | 142,306 | 1,883,396 | 819,137 | - |
| Other foreign currencies | - | - | - | - |
| Total foreign currencies | 594,173 | 3,841,835 | 1,126,545 | 197,195 |
| Mauritian Rupee | 178,694 | 1,358,166 | 465,240 | 1,019,099 |
| Total | 772,867 | 5,200,001 | 1,591,785 | 1,216,294 |

*(i) Foreign currency risk management*

The following table details the Group's sensitivity to a 5% increase and decrease in the Mauritian Rupee against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the Mauritian Rupee depreciates 5% against the relevant currency. There would be an equal and opposite impact on the profit and equity, if the Mauritian Rupee strengthens by 5% against the relevant currency.




# Notes to the Financial Statements

for the year ended 30 June 2020


## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Financial risk management (continued)

*(i) Foreign currency risk management*

Sensitivity Analysis

**EURO IMPACT**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Profit or loss | **(104,431)** | (55,400) | **10,093** | 5,069 |
| Equity | **(64,591)** | (35,770) | **-** | 9,643 |

**GBP IMPACT**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Profit or loss | **(23,786)** | (19,929) | **747** | 441 |
| Equity | **(27,872)** | (25,299) | **-** | - |

**US DOLLAR IMPACT**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Profit or loss | **(171,867)** | (87,055) | **48,058** | 40,957 |
| Equity | **45,552** | (62,217) | **-** | - |

The equity impact of a change in rate of Euro vis-à-vis the Mauritian Rupee is attributable mainly to net investment in the subsidiary in Réunion Island and also to the hedge reserve arising on hedge accounting of Euro loans.

The equity impact of a change in rate of USD vis-à-vis the Mauritian Rupee is attributable mainly to net investment in the subsidiary, Lux Island Resorts Maldives Ltd, and also to the hedge reserve arising on hedge accounting of USD loans.

*(ii) Interest rate risk management*

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group analyses its interest rate exposure on a dynamic basis. The Group considers various scenarios in assessing its interest rate exposure, including refinancing, renewal of existing facilities, alternative financing and hedging. Based on these scenarios, the Group calculates the sensitivity of the Group's profit before tax to a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Financial risk management (continued)

*(ii) Interest rate risk management (continued)*

The interest rate profile of the Group at 30 June 2020 was:

*Financial assets*

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Balances with banks** ***Interest rate*** **%** | **Trade receivables** ***Interest rate*** **%** | Balances with banks *Interest rate* % | Trade receivables *Interest rate* % |
| GBP | LIBOR-1% | Nil | LIBOR-1% | Nil |
| EURO | EURIBOR-1% | Nil | EURIBOR-1% | Nil |
| USD | LIBOR-1% | Nil | LIBOR-1% | Nil |
| Mauritian Rupee | PLR - 4% | Nil | PLR - 4% | Nil |

*Financial liabilities*

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Bank overdrafts** | **Loans** | | Bank overdrafts | Loans | |
| | ***Floating interest rate %*** | ***Floating interest rate %*** | ***Fixed interest rate %*** | *Floating interest rate %* | *Floating interest rate %* | *Fixed interest rate %* |
| GBP | N/A | LIBOR + 3.8% | N/A | N/A | LIBOR + 3.8% | N/A |
| EURO | N/A | EURIBOR + 1.3% - 4.0% | N/A | N/A | EURIBOR + 1.3% - 4.5% | N/A |
| USD | LIBOR + 4% | LIBOR +1.25% - 5% | N/A | LIBOR + 4% | LIBOR +1.5% - 5% | N/A |
| Mauritan Rupee | PLR & PLR + 0.525% | PLR + 0.65%- 1.65% | N/A | PLR & PLR + 0.5% to 1% | PLR + 2.5% | 7% to 8% |

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel. It represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points higher for Mauritan Rupee borrowings (net of bank balances) and 0.25 basis points for EURO and USD borrowings (net of bank balances) impact will be as follows:

**EURO IMPACT**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Profit or loss | **(5,497)** | (3,255) | **(1)** | (482) |
| Equity | - | - | - | - |

**US DOLLAR IMPACT**

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Profit or loss | **(7,583)** | (4,095) | **(225)** | - |
| Equity | - | - | - | - |





## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Financial risk management (continued)

*(ii) Interest rate risk management (continued)*

*Interest rate sensitivity analysis (continued)*

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | **2020 Rs'000** | 2019 Rs'000 | **2020 Rs'000** | 2019 Rs'000 |
| Profit or loss | **(14,004)** | (5,816) | **(5,506)** | (3,638) |
| Equity | - | - | - | - |

A decrease in interest rate by 50 basis points of Mauritan Rupee borrowings (net of bank balances) and by 25 basis points for EURO and USD borrowings (net of bank balances) will have an equal and opposite impact of an increase in the interest rate as shown above.

*(iii) Other price risks*

The Group is not exposed to equity price risks arising from equity investments.

*(iv) Credit risk management*

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 credit losses, 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. The Group has subscribed to a credit protection scheme for its client portfolio across the Group with a Global Service Provider, with a view to minimise its credit risk exposure.

With respect to credit risk arising from other financial assets of the Group which are neither past due nor impaired, comprising cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Refer to Note (b) above for maximum exposure to credit risk of the Group's financial assets at 30 June 2020 and 2019. With respect to credit risk arising from other financial assets of the Group which are neither past due nor impaired, comprising cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss. The provisions are based on days past due for the debtors. In determining the provision matrix, no segregation has been made among the debtors due to their homogeneity. The calculation reflects the probability-weighted outcome that is available at the reporting date about past events, current conditions and future economic conditions. Generally trade receivables are written-off if past due for more than one year except for customers with special credit agreement.

*(iv) Credit risk management*

The Group has subscribed to a credit protection scheme for its client portfolio across the Group with a Global Service Provider, with a view to minimise its credit risk exposure. At 30 June 2020, 30% of trade debtors were covered under the credit protection insurance policy (2019: 62%). The Group considers debtors due for more than 180 days as credit impaired, as the insurance policy covers balances due before 180 days. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The information about the ECLs on the Group's trade receivables is disclosed in note 12.

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Financial risk management (continued)

*(iv) Credit risk management (continued)*

The Group's trade receivable exposure to credit risk is set out below:

| | Total Rs'000 | Current Rs'000 | < 30 days Rs'000 | < 60 days Rs'000 | < 90 days Rs'000 | < 180 days Rs'000 | >180 days Rs'000 |
|---|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | | |
| ***Expected credit loss rate*** | | ***2.3%*** | ***8.0%*** | ***14.0%*** | ***20.0%*** | ***38.0%*** | ***50.1%*** |
| Carrying amount | **433,951** | **14,875** | **8,645** | **9,077** | **96,775** | **97,404** | **207,175** |
| Expected credit loss | **162,482** | **345** | **691** | **1,270** | **19,355** | **37,013** | **103,808** |
| 01 July 2019 | | | | | | | |
| *Expected credit loss rate* | | *2.1%* | *4.1%* | *7.2%* | *10.3%* | *19.7%* | *31.2%* |
| Carrying amount | 514,595 | 190,928 | 124,134 | 71,572 | 27,300 | 17,326 | 83,335 |
| Expected credit loss | 46,447 | 4,009 | 5,059 | 5,153 | 2,812 | 3,413 | 26,001 |

Due to the lockdown imposed in our main source markets during the months of April to June 2020, debtors collection has been impacted negatively, resulting in a deterioration of the debtors ageing.

The increase in debtors ageing has resulted into an increase in the percentage of expected loss per the different buckets as well as a decrease in the percentage of debtors covered by insurance as only debtors within 6 months are covered by insurance, resulting into a significant increase in the level of provision for doubtful debts at 30 June 2020.

*(v) Liquidity risk management*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping reliable credit lines available.

The Directors are aware that the Group has a net current liability of **Rs 3.4 billion** as at 30 June 2020 (2019: Rs 1.3 billion) and this has been the case over the last past five years. Despite the uncertainty faced by the tourist industry in general, the Directors are confident and are satisfied that the Group has the adequate resources to continue operating in the near future and that no material uncertainty exists based on the following:

- The Group has already negotiated with its main bankers to defer all loan repayment for Mauritius and Maldives entities up to 30 June 2021. Furthermore, short term loan includes a revolving loan of Rs 600m contracted for financing the redevelopment of Lux* Grand Baie. This loan will not be refunded, but will be converted into a term loan upon completion of the project;
- The Group has already negotiated Government sponsored COVID-19 loan of Rs 160 million to finance working capital during the financial year ending 30 June 2021;
- The Company and MIC have on 18 September 2020 signed a term sheet pursuant to which MIC has committed to subscribe to redeemable and convertible secured bonds (the "Bonds") having a nominal value of Rs 10 million to be issued by the Company for a total subscription amount of Rs 1 Billion. The Bonds will carry a fixed interest rate and interest will be payable twice yearly. The Bonds will mature on the ninth (9th) anniversary of the first subscription date of Bonds by MIC. The proceeds from the Bonds issue will be used principally for the working capital requirements of the Group's Mauritian operations and payment of interests due and payable in respect of the Group's existing indebtedness with commercial banks;



Notes to the Financial Statements
for the year ended 30 June 2020

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Financial risk management (continued)

*(v) Liquidity risk management (continued)*

- The Reunion entity has already contracted a Government sponsored loan of EUR 2 million carrying interest rate of EURIBOR + 2%. Based on expected business level in Reunion, the amount of EUR 2 million will be sufficient to cater for its working capital requirement during the financial year 2021; and
- The Group has already secured a term loan of USD 7.8 million for the Maldives entity and this loan coupled with operational income will be sufficient to enable the company in Maldives to meet all its commitments during the financial year 2021.

Finally, with the support of the Government of Mauritius through the Wage Assistance Scheme, the Group's operational cost saving on payroll is estimated at around Rs 25 million per month.

*Liquidity and interest rate risk tables - financial liabilities - undiscounted*

THE GROUP

| | Weighted average effective interest rate % | At Call Rs'000 | Within one year Rs'000 | 1 to 5 years Rs'000 | More than 5 years Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | |
| Non-interest bearing | - | **827,142** | - | - | - | **827,142** |
| Variable interest rate instruments | **4.05%** | **1,800,849** | **1,250,523** | **1,805,169** | **629,280** | **5,485,821** |
| Fixed interest rate instruments | **5.04%-9.33%** | - | **341,440** | **1,368,373** | **11,530,082** | **13,239,895** |
| Financial and other guarantees | - | **1,234,484** | - | - | - | **1,234,484** |
| Other contractual commitment | - | - | **871,803** | - | - | **871,803** |
| | | **3,862,475** | **2,463,766** | **3,173,542** | **12,159,362** | **21,659,145** |
| **30 June 2019** | | | | | | |
| Non-interest bearing | - | 760,666 | - | - | - | 760,666 |
| Variable interest rate instruments | 5.0% | 201,745 | 1,153,191 | 2,210,253 | 1,466,924 | 5,032,113 |
| Financial and other guarantees | - | 923,560 | - | - | - | 923,560 |
| Other contractual commitment | - | - | 244,958 | - | - | 244,958 |
| | | 1,885,971 | 1,398,149 | 2,210,253 | 1,466,924 | 6,961,297 |

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(c) Financial risk management (continued)**

*(v) Liquidity risk management (continued)*

*Liquidity and interest rate risk tables - financial liabilities - undiscounted*

THE COMPANY

| | Weighted average effective interest rate % | At Call Rs'000 | Within one year Rs'000 | 1 to 5 years Rs'000 | More than 5 years Rs'000 | Total Rs'000 |
|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | |
| Non-interest bearing | - | **1,044,281** | - | - | - | **1,044,281** |
| Variable interest rate instruments | **1% - 2.8%** | **58,260** | **165,419** | - | - | **223,679** |
| Fixed interest rate instrument | - | - | - | - | - | - |
| Financial and other guarantees | - | **1,008,604** | - | - | - | **1,008,604** |
| | | **2,111,145** | **165,419** | - | - | **2,276,564** |
| 30 June 2019 | | | | | | |
| Non-interest bearing | - | 933,894 | - | - | - | 933,894 |
| Variable interest rate instruments | 4% | 24,544 | 268,170 | - | - | 292,714 |
| Fixed interest rate instrument | - | - | - | - | - | - |
| Financial and other guarantees | - | 923,160 | - | - | - | 923,160 |
| | | 1,881,598 | 268,170 | - | - | 2,149,768 |

**(d) Fair value of financial instruments**

The carrying amounts of the Group's and the Company's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved. The carrying amounts of the interest-bearing loans and borrowings approximate their fair values since they carry interest rates which are linked to market rates. They are classified under Level 2 of the fair value hierarchy, with the significant input in determining fair value being the applicable interest rates.





## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(d) Fair value of financial instruments (continued)**

A summary of the carrying amounts and fair values of the financial instruments at 30 June 2020 and 30 June 2019 are as follows:

THE GROUP

| | Fair value hierarchy | 2020 Carrying value Rs'000 | 2020 Fair value Rs'000 | 2019 Carrying value Rs'000 Restated | 2019 Fair value Rs'000 Restated |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Amortised costs: | | | | | |
| Trade and other receivables | Level 2 | **460,526** | **460,526** | 602,908 | 602,908 |
| Cash and short-term deposits | Level 2 | **156,834** | **156,834** | 169,959 | 169,959 |
| | | **617,360** | **617,360** | 772,867 | 772,867 |
| **Financial liabilities:** | | | | | |
| Amortised costs: | | | | | |
| Interest-bearing loans and borrowings | Level 2 | **5,161,192** | **5,161,192** | 4,439,335 | 4,439,335 |
| Lease Liabilities | Level 2 | **2,871,642** | **2,871,642** | - | - |
| Trade and other payables | Level 2 | **827,142** | **827,142** | 760,666 | 760,666 |
| | | **8,859,976** | **8,859,976** | 5,200,001 | 5,200,001 |

THE COMPANY

| | Fair value hierarchy | 2020 Carrying value Rs'000 | 2020 Fair value Rs'000 | 2019 Carrying value Rs'000 Restated | 2019 Fair value Rs'000 Restated |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Amortised costs: | | | | | |
| Trade and other receivables | Level 2 | **2,178,692** | **2,178,692** | 1,534,729 | 1,534,729 |
| Cash and cash equivalents | Level 2 | **56,103** | **56,103** | 57,056 | 57,056 |
| | | **2,234,795** | **2,234,795** | 1,591,785 | 1,591,785 |
| **Financial liabilities:** | | | | | |
| Amortised costs: | | | | | |
| Borrowings | Level 2 | **223,360** | **223,360** | 282,400 | 282,400 |
| Trade and other payables | Level 2 | **1,044,281** | **1,044,281** | 933,894 | 933,894 |
| | | **1,267,641** | **1,267,641** | 1,216,294 | 1,216,294 |

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**(d) Fair value of financial instruments (continued)**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There has been no transfers between the hierarchy levels in the current and prior year.

Refer to Note 4 for classification of Land and Buildings and Note 9 for classification of other financial asset in the fair value hierarchy.

## 38. PRIOR YEAR ADJUSTMENTS

In prior years, outstanding cheques and outstanding deposits not cleared at end of year for settlement of balances due were included as payments in the cash book and the corresponding trade payable or trade receivable balances reduced accordingly. These amounts have therefore been reclassified under "Trade and other payables" and "Trade and other receivables" for the years ended 30 June 2018 and 30 June 2019 respectively in line with the requirements of IAS 39/IFRS 9 – "Financial Instruments: Recognition and Measurement". The following tables summarise the impact of the adjustments following the reclassification:

### THE GROUP

| | 2018 | | |
|---|---|---|---|
| **Consolidated statement of financial position (extract)** | **As previously stated Rs'000** | **Adjustments Rs'000** | **As re-stated Rs'000** |
| Cash and bank balances | 209,437 | (14,621) | 194,816 |
| Interest bearing loan and borrowings (Current liabilities) | (1,250,634) | 100,264 | (1,150,370) |
| Trade and other payables | (994,386) | (94,251) | (1,088,637) |
| Trade and other receivables | 819,808 | 8,608 | 828,416 |

| | 2019 | | |
|---|---|---|---|
| | **As previously stated Rs'000** | **Adjustments Rs'000** | **As re-stated Rs'000** |
| Cash and bank balances | 156,053 | 13,906 | 169,959 |
| Interest bearing loan and borrowings (Current liabilities) | (1,313,760) | 74,948 | (1,238,812) |
| Trade and other payables | (924,067) | (93,240) | (1,017,307) |
| Trade and other receivables | 747,274 | 4,386 | 751,660 |





## 38. PRIOR YEAR ADJUSTMENTS (continued)

### THE GROUP

| | 2018 | | |
|---|---|---|---|
| **Consolidated statement of cash flows (extract)** | **As previously stated Rs'000** | **Adjustments Rs'000** | **As re-stated Rs'000** |
| Changes in working capital | | | |
| - Decrease/(increase) in trade and other receivables | (43,528) | (8,608) | (52,136) |
| - (Increase)/decrease in trade and other payables | (32,120) | 94,251 | 62,131 |
| Cash and cash equivalent | (98,999) | 85,643 | (13,356) |

| | 2019 | | |
|---|---|---|---|
| | **As previously stated Rs'000** | **Adjustments Rs'000** | **As re-stated Rs'000** |
| Changes in working capital | | | |
| - Decrease/(increase) in trade and other receivables | 134,022 | 4,222 | 138,244 |
| - (Increase)/decrease in trade and other payables | (213,283) | (1,011) | (214,294) |
| Cash and cash equivalent | (120,640) | 88,854 | (31,786) |

### THE COMPANY

| | 2018 | | |
|---|---|---|---|
| **Separate statement of financial position (extract)** | **As previously stated Rs'000** | **Adjustments Rs'000** | **As re-stated Rs'000** |
| Cash and bank balances | 42,608 | (16,972) | 25,636 |
| Interest bearing loan and borrowings | (275,973) | 19,218 | (256,755) |
| Trade and other payables | (960,930) | (2,246) | (963,176) |

| | 2019 | | |
|---|---|---|---|
| | **As previously stated Rs'000** | **Adjustments Rs'000** | **As re-stated Rs'000** |
| Cash and bank balances | 47,388 | 9,668 | 57,056 |
| Interest bearing loan and borrowings | (291,561) | 9,161 | (282,400) |
| Trade and other payables | (915,065) | (18,829) | (933,894) |

## 38. PRIOR YEAR ADJUSTMENTS (continued)

### THE COMPANY

| Separate statement of cash flows (extract) | 2018 As previously stated Rs'000 | 2018 Adjustments Rs'000 | 2018 As re-stated Rs'000 |
|---|---|---|---|
| Changes in working capital | | | |
| - (Increase)/decrease in trade and other payables | 67,200 | 2,246 | 69,446 |
| Cash and cash equivalent | 22,928 | 2,246 | 25,174 |

| | 2019 As previously stated Rs'000 | 2019 Adjustments Rs'000 | 2019 As re-stated Rs'000 |
|---|---|---|---|
| Changes in working capital | | | |
| - (Increase)/decrease in trade and other payables | (45,865) | 16,583 | (29,282) |
| Cash and cash equivalent | 13,683 | 18,829 | 32,512 |

## 39. FINANCIAL SUMMARY

### (a) THE GROUP

| | 2020 Rs'000 | 2019 Restated Rs'000 | 2018 Restated Rs'000 |
|---|---|---|---|
| Non-current assets | **14,200,317** | 11,199,395 | 11,688,446 |
| Current assets | **874,789** | 1,112,262 | 1,234,480 |
| Issued capital | **1,371,159** | 1,371,159 | 1,371,159 |
| Share premium | **1,320,986** | 1,320,986 | 1,320,986 |
| Other reserves | **1,859,304** | 1,378,128 | 1,663,218 |
| Retained earnings | **1,014,411** | 1,936,767 | 1,653,411 |
| Current liabilities (excluding liabilities held-for-sale) | **4,247,096** | 2,462,151 | 2,609,964 |
| Non-current liabilities | **5,587,183** | 3,842,466 | 4,302,665 |
| Total revenue | **4,653,907** | 6,156,354 | 5,644,199 |
| (Loss)/profit before tax | **(820,637)** | 622,252 | 493,832 |
| (Loss)/profit attributable to owners of the parent | **(877,643)** | 725,357 | 414,715 |
| Dividends | - | 460,712 | 171,395 |





## 39. FINANCIAL SUMMARY (continued)

### (b) THE COMPANY

| | 2020 Rs'000 | 2019 Restated Rs'000 | 2018 Restated Rs'000 |
|---|---|---|---|
| Non-current assets | **2,512,396** | 3,701,746 | 3,616,443 |
| Current assets | **2,240,360** | 1,591,785 | 2,005,000 |
| Issued capital | **1,371,159** | 1,371,159 | 1,371,159 |
| Share premium | **1,320,986** | 1,320,986 | 1,320,986 |
| Other reserves | **41,252** | 41,428 | 41,707 |
| Retained earnings | **693,048** | 1,331,963 | 1,383,480 |
| Current liabilities | **1,271,794** | 1,216,294 | 1,391,326 |
| Non-current liabilities | **54,517** | 11,701 | 112,785 |
| Total revenue | **713,273** | 583,199 | 340,000 |
| (Loss)/ profit before tax | **(578,709)** | 392,329 | 216,577 |
| (Loss)/ profit for the year | **(614,598)** | 410,452 | 213,921 |
| Dividends | - | 460,712 | 171,395 |

## 40. ULTIMATE HOLDING COMPANY

The ultimate holding company is IBL Ltd, a company incorporated in Mauritius and listed on the Stock Exchange of Mauritius. The registered office is situated at 4th Floor, IBL House, Le Caudan Waterfront, Port Louis.

## 41. DIVIDENDS

No dividends have been declared with respect to the year ended 30 June 2020. (2019: Cash dividend of Rs 1.35 per share representing Rs 185.1 million and dividend in specie of Rs 2.01 per share representing an amount Rs 275.6m).
Amount paid in cash flow represents cash dividend of Rs 185.1 million for financial year 2019 and dividend proposed for financial year 2018 paid in 2019 amounting to Rs 171.4 million).

## 42. EVENTS AFTER THE REPORTING DATE

There are no significant events after the reporting date which require adjustments or additional disclosures in the financial statements, except for the following:

***Waiver of financial covenants and rescheduling of repayment of loans by the commercial banks***

As more fully explained in note 17, the Group has obtained confirmation from its bankers about rescheduling of repayment of loans up to 30 June 2021 for most loans of Mauritius and Maldives entities. As at the date of reporting, the Group has received written confirmation from 3 banks and the 2 other banks have confirmed verbally the deferment of capital repayment up to 30 June 2021.

# Notes to the Financial Statements

for the year ended 30 June 2020

## 42. EVENTS AFTER THE REPORTING DATE (continued)

***Signature of the Term Sheet with the Mauritius Investment Corporation (MIC)***

The Company and MIC have on 18 September 2020 signed a term sheet pursuant to which MIC has committed to subscribe to redeemable and convertible secured bonds (the "Bonds") having a nominal value of Rs 10 million each to be issued by the Company for a total subscription amount of Rs 1 billion. The Bonds will carry a fixed interest rate and interest will be payable twice yearly. The Bonds will mature on the ninth (9th) anniversary of the first subscription date of Bonds by MIC. The proceeds from the Bonds issue will be used principally for the working capital requirements of the Group's Mauritian operations and payment of interests due and payable in respect of the Group's existing indebtedness with commercial banks.

***Term loans from the Commercial Banks***

The Group has already secured a term loan of USD 7.8 million for the Maldives entity and a Government sponsored loan of MUR 160 million for its hotels based in Mauritius. These loans coupled with operational income and MIC financing will be sufficient to enable the Group to meet all its commitments during the financial year 2021.

***Sale of Hotel Le Recif***

As more fully explained in note 13, on 01 August 2020, the Group has finalised the sale of Hotel Le Recif, in Reunion Island for a total proceeds of EUR 9 million. Part of the proceeds as per the deed of sale representing EUR 7 million has already been paid by the acquirer. This money will be used to finance any shortfall that might arise in case the above financing is not sufficient.



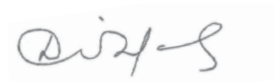
# Notice to Shareholders

**Notice is hereby given that the Annual Meeting of Shareholders of the Company will be held at its Registered Office, Pierre Simonet Street, Floréal on Wednesday 30 December 2020 at 16hrs with the following agenda:**

## Resolutions

1. To consider and approve the audited financial statements for the year ended 30 June 2020
2. To receive the auditors report
3. To consider the annual report
4. To re-elect Mr Jean-Claude Béga as Director of the Company *
5. To re-elect Mr Désiré Elliah as Director of the Company *
6. To re-elect Mr Jan Boullé as Director of the Company *
7. To re-elect Mr Laurent de la Hogue as Director of the Company *
8. To re-elect Mrs Pascale Lagesse as Director of the Company *
9. To re-elect Mr Thierry Lagesse as Director of the Company *
10. To re-elect Mr Reshan Rambocus as Director of the Company *
11. To re-elect Mr Maxime Rey as Director of the Company *
12. To elect Mr Gerhard Hecker as Director of the Company**
13. To ratify the remuneration paid to the non-executive directors for the year ended 30 June 2020
14. To ratify the remuneration paid to the auditors for the year ended 30 June 2020
15. To appoint the auditors under Section 200 of the Companies Act 2001 and to authorise the Board to fix their remuneration

By Order of the Board



**IBL Management Ltd**
Secretary

8 December 2020

**** Biography of the directors can be found at pages 14-15 of the Annual Report.***
***** Biography of Mr Gerhard Hecker is set out at the verso of this notice.***

*In accordance with the Practice Directions issued by the Registar of Companies on the sending of Annual Reports, we wish to inform you that the Integrated Annual Report 2020 can be viewed on the Company's website : www.luxislandresorts.com.*
*Shareholders may request a hard copy of the Integrated Annual Report 2020 by sending an email to: corporate@lir.mu or a letter addressed to the Manager Corporate & Company Secretariat, Lux Island Resorts Ltd, Pierre Simonet Street, Floréal.*

*A shareholder of the Company entitled to attend and vote at this meeting may appoint a proxy (in the case of an individual shareholder) or a representative (in the case of a shareholder company, by way of a written board resolution), whether a member or not, to attend and vote on his behalf.*

*The instrument appointing a proxy, any general power of attorney or the written resolution appointing a representative should reach the Registered Office of the Company, Pierre Simonet Street, Floréal, Mauritius, not less than twenty four hours before the time fixed for the holding of the meeting or adjourned meeting. In default, the instrument of proxy shall not be treated as valid.*

*A proxy form is included 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 (3) 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 1 December 2020.*

*This notice is issued pursuant to Listing Rule 11.16.*

*The Board of Lux Island Resorts Ltd accepts full responsibility for the accuracy of the information contained in this notice.*

## Biography - Gerhard Hecker

Born in 1955 in Germany, Gerhard Hecker graduated with a diploma as Hotel Economist from the School of Hotel Administration and Business Management in Munich, Germany. He later enhanced his academic knowledge attending programs at the Graduate School of Business Stanford University, the Cornell Nanyang Institute of Hotel Management and the Singapore Management University.
Gerhard's career spans over 44 years in the hospitality industry and he served in senior management positions for the Intercontinental Hotels Group in Germany, Egypt, Hong Kong, Singapore, Malaysia and Thailand.
Gerhard joined Shangri-La Hotels & Resorts in 2006 to prepare the Futian Shangri-la for its opening and later managed the company's properties in Jakarta, Dubai and Mauritius.

*Directorship in other listed companies : None*



# Proxy form

Lux Island Resorts Ltd

I / We

of

being a shareholder of Lux Island Resorts Ltd hereby appoint

of

or failing him/her,

of

as my / our proxy to vote for me / us on my / our behalf at the Annual Meeting of Shareholders of the Company to be held at its Registered Office, Pierre Simonet Street, Floréal on Wednesday 30 December 2020 commencing at 16hrs and at any adjournment thereof.
I/We direct my/our proxy to vote in the following manner:

| Resolutions | *Vote with a tick* | |
|---|---|---|
| | **For** | **Against** |
| 1. To consider and approve the audited financial statements for the year ended 30 June 2020 | | |
| 2. To receive the auditors report | | |
| 3. To consider the annual report | | |
| 4. To re-elect Mr Jean-Claude Béga as Director of the Company | | |
| 5. To re-elect Mr Désiré Elliah as Director of the Company | | |
| 6. To re-elect Mr Jan Boullé as Director of the Company | | |
| 7. To re-elect Mr Laurent de la Hogue as Director of the Company | | |
| 8. To re-elect Mrs Pascale Lagesse as Director of the Company | | |
| 9. To re-elect Mr Thierry Lagesse as Director of the Company | | |
| 10. To re-elect Mr Reshan Rambocus as Director of the Company | | |
| 11. To re-elect Mr Maxime Rey as Director of the Company | | |
| 12. To elect Mr Gerhard Hecker as Director of the Company | | |
| 13. To ratify the remuneration paid to the non-executive directors for the year ended 30 June 2020 | | |
| 14. To ratify the remuneration paid to the auditors for the year ended 30 June 2020 | | |
| 15. To appoint the auditors under Section 200 of the Companies Act 2001 and to authorise the Board to fix their remuneration | | |

Signed this                                   Signature

Registered Office - Pierre Simonet Street Floreal

# Annex 1: Gri Standards Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

| GRI Standard | Index Disclosure | | Page References and Remarks | Mapping with Sustainable Development Goals (SDGs) |
|---|---|---|---|---|
| GRI STANDARD DISCLOSURES 'in accordance' Core option<br>GRI 101: Foundation 2016 | | | | |
| GRI 102 General Disclosures 2016 | 102-1 | Name of the organization | Page 1 | |
| | 102-2 | Primary brands, products, and services. | Pages 43 - 69 | |
| | 102-3 | Location of the organization's headquarters. | Page 9 | |
| | 102-4 | Number of countries where the organization operates | Page 37 | |
| | 102-5 | Nature of ownership and legal form | Pages 6 - 7 | |
| | 102-6 | Markets served, and types of customers and beneficiaries | Page 37 | |
| | 102-7 | Scale of the organisation | Page 7 | |
| | 102-8 | Total number of employees by employment contract, gender and region | Page 114 | |
| | 102-9 | Description of supply chain | Page 31 | |
| | 102-10 | Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain | Page 33 | |
| | 102-11 | Whether and how the precautionary approach or principle is addressed by the organisation | Pages 103 - 104 - 105 | |
| | 102-12 | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses. | Page 97 | |
| | 102-13 | Memberships in associations and national/ international advocacy organisations | | |





| GRI Standard | Index Disclosure | | Page References and Remarks | Mapping with Sustainable Development Goals (SDGs) |
|---|---|---|---|---|
| GRI 102 General Disclosures 2016 | 102-14 | Statement from senior decision-maker about the relevance of sustainability and organisation's strategy | Page 40 | |
| | 102-15 | Key impacts, risks, and opportunities | Page 80 | |
| | 102-16 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | Page 67 | SDG 8 |
| | 102-18 | Governance structure of the organisation, including committees of the highest governance body and those responsible for decision-making on economic, environmental and social impacts. | | |
| | 102-40 | List of stakeholder groups engaged by the organisation | Page 31 | |
| | 102-41 | Percentage of total employees covered by collective bargaining agreements | Page 115 | |
| | 102-42 | Basis for identification and selection of stakeholders with whom to engage | Page 31 | |
| | 102-43 | Organisation's approach to stakeholder engagement | | |
| | 102-44 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns | | |
| | 102-45 | All entities included in the organisation's consolidated financial statements or equivalent documents | Page 169 | |
| | 102-46 | Process for defining the report content and the Topic Boundaries; and how the organisation has implemented the Reporting Principles for Defining Report Content | Page 99 | |
| | 102-47 | All the material topics identified in the process for defining report content. | | |
| | 102-48 | Effect of any restatements of information provided in previous reports, and the reasons for such restatements. | No Restatements For The Fy 19-20 Report | |

| GRI Standard | Index Disclosure | | Page References and Remarks | Mapping with Sustainable Development Goals (SDGs) |
|---|---|---|---|---|
| GRI 102 General Disclosures 2016 | 102-49 | Significant changes from previous reporting periods in the Scope and Topic Boundaries | No significant changes in Scope or Topic Boundaries | |
| | 102-50 | Reporting period for information provided | Page 1 | |
| | 102-51 | Date of most recent previous report | LIR and Subsidiaries IAR 2018-2019 Page 95 | |
| | 102-52 | Reporting cycle | Page 97 | |
| | 102-53 | Contact point for questions regarding the report or its contents | evita.fakun@theluxcollective.com annabelle.forget@lir.mu | |
| | 102-55 | GRI Index with "in accordance" option chosen and references to External Assurance Reports | Page 222 | |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | Page 97 | |
| | 102-56 | Organisation's policy and current practice with regard to seeking external assurance for the report | Pages 97 - 98 | |





| GRI Standard | Index Disclosure | | Page References and Remarks | Mapping with Sustainable Development Goals (SDGs) |
|---|---|---|---|---|
| Material Topics<br>*This reference to GRI 103: Management Approach 2016 and Disclosures 103-1, 103-2 and 103-3 applies to all material topics covered by the topic-specific GRI Standards listed below.* | | | | |
| GRI 103 Management Approach 2016 | 103-1 | Explanation of Material Topic and its boundaries | LIR follows reporting principles of Materiality, Completeness, Balance, Compatibility, Accuracy, Timeliness, Clarity, Reliability and Stakeholder Inclusiveness.<br><br>The GRI topics that are material to LIR as reported in this index are: health & safety, water, corporate governance, emissions, energy, waste, anti-corruption, service quality, team members' engagement, customer privacy, economic performance, local communities, biodiversity, public policy, environmental compliance, training & education, child labour, freedom of association, forced or compulsory labour, human rights, employment & labour, non-discrimination, market presence, effluents, procurement practices, socio-economic compliance, supplier social assessment. | |
| | 103-2 | The Management Approach and its Components | | |
| | 103-3 | Evaluation of the Management Approach | | |

| GRI Standard | Index Disclosure | | Page References and Remarks | Mapping with Sustainable Development Goals (SDGs) |
|---|---|---|---|---|
| SPECIFIC STANDARD DISCLOSURES | | | | |
| ENVIRONMENT | | | | SDG 7,8,12,13 |
| GRI 302: Energy 2016 | 302-1 | Energy consumption within the organization | Page 100 | |
| | 302-2 | Energy consumption outside of the organization | N/A | |
| | 302-3 | Energy intensity | Page 100 | |
| | 302-4 | Reduction of energy consumption | Pages 100, 106 - 107 | |
| | 302-5 | Reductions in energy requirements of products and services | Pages 100, 107 | |
| GRI 303: Water 2016 | 303-1 | Total water withdrawal by source | Page 101 | SDG 3,12, 13,14,15 |
| | 303-2 | Water sources significantly affected by withdrawal of water | Page 101 | |
| GRI 304: Biodiversity 2016 | 304-3 | Biodiversity | Page 108 - 109 | |
| GRI 305: Emissions 2016 | 305-1 | Direct greenhouse gas (GHG) emissions (Scope 1) in metric tons of $CO_2$ equivalent | Page 102 | SDG 13,14,15 |
| | 305-2 | Energy indirect greenhouse gas (GHG) emissions (Scope 2): | | |
| | 305-3 | Other indirect greenhouse gas (GHG) emissions (Scope 3) | | |
| | 305-4 | Greenhouse gas (GHG) emissions intensity ratio: direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3). | | |
| | 305-5 | Reduction of greenhouse gas (GHG) emissions | Page 103 | SDG 3,12,14 |
| GRI 306: Effluents & Waste 2016 | 306-1 | Total water discharge by quality and destination | Page 101 | SDG 3,6,12 |
| | 306-2 | Total weight of waste by type and disposal method | Page 102 | |
| SOCIAL: HUMAN RIGHTS | | | | |
| GRI 412: Human Rights Assessment 2016 | 412-2 | Total hours of employee training on human rights policies or procedures | Page 115 | SDG 5,8,16 |
| GRI 406: Non-discrimination 2016 | 406-1 | Total number of incidents of discrimination and corrective actions taken | Page 115 | |





| GRI Standard | Index Disclosure | | Page References and Remarks | Mapping with Sustainable Development Goals (SDGs) |
|---|---|---|---|---|
| LABOR PRACTICES & DECENT WORK | | | | |
| GRI 401: Employment 2016 | 401-1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | Page 114 | SDG 5,8 |
| GRI 403: Occupational Health and Safety 2016 | 403-2 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | Page 115 | SDG 3,8 |
| GRI 404: Training and Education 2016 | 404-1 | Average hours of training per year per employee by gender, and by employee category | Page 114 | SDG4,5,8 |
| | 404-3 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | | SDG 5,8 |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group | Page 115 | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-2 | Ratio of basic salary and remuneration of women to men by employee category | Page 114 | |
| SOCIETY | | | | |
| GRI 413: Local Communities 2016 | 413-1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | Pages 108 - 109 , 110 - 113 | SDG 1,2,3,4, 5,14,15,16,17 |
| | | | | |
| ECONOMIC | | | | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | Page 111 | SDG 2,5,7,8,9 |
| | 201-2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | Pages 104, 105, 106, 107, 108, 109, 110 | |

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*LIGHTER. BRIGHTER.