Sun

Hotels | Properties | Services

ANNUAL REPORT 2019

OVERVIEW 2019

>ABOUT SUN
OUR GLOBAL PRESENCE

REGIONAL SALES OFFICE

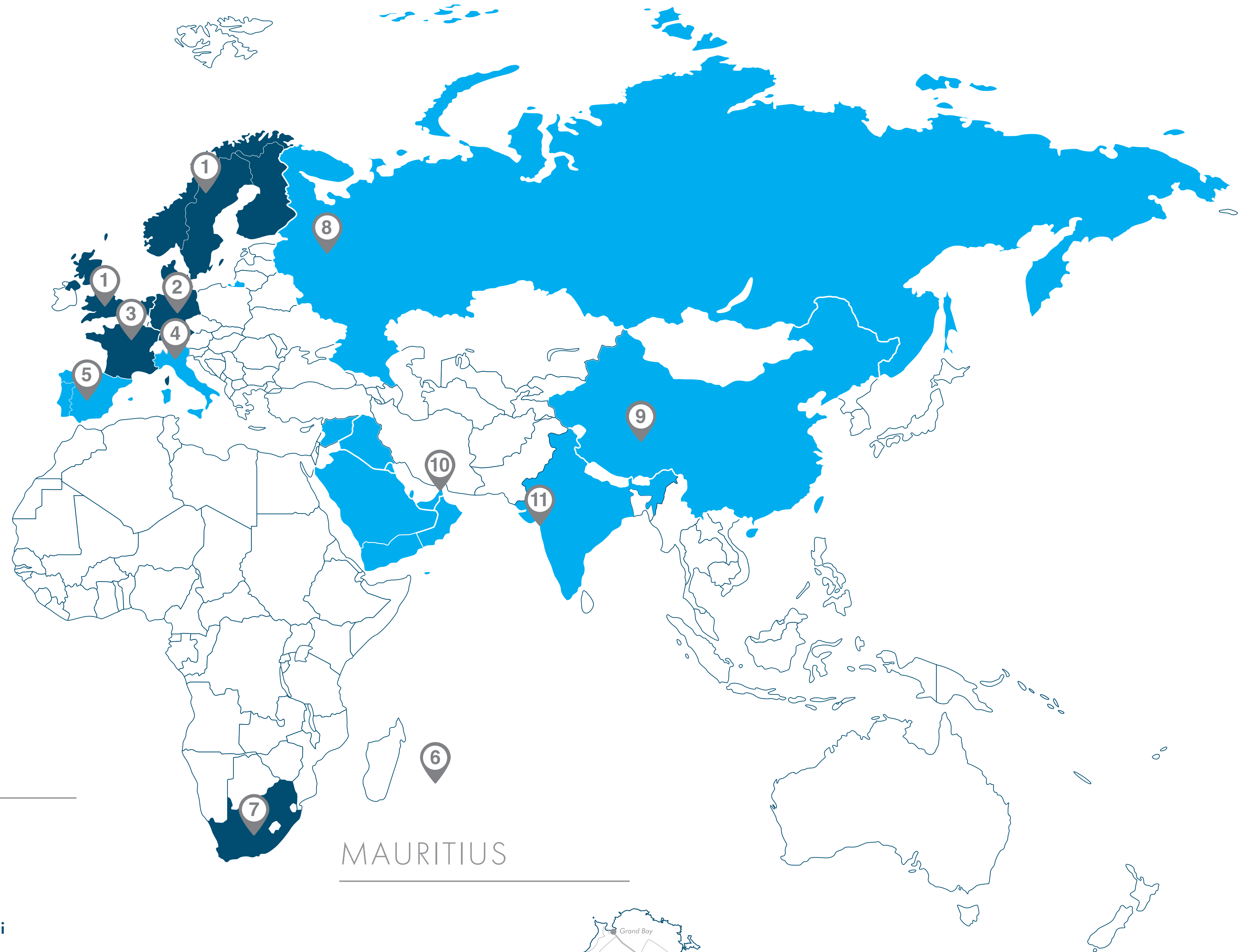
1 > UK, Scandinavia & Netherlands
2 > Germany, Austria & Switzerland
3 > France & Belgium SOLEA
4 > Italy
5 > Portugal & Spain
6 > Regional Market
7 > South Africa

GLOBAL SALES AGENCY

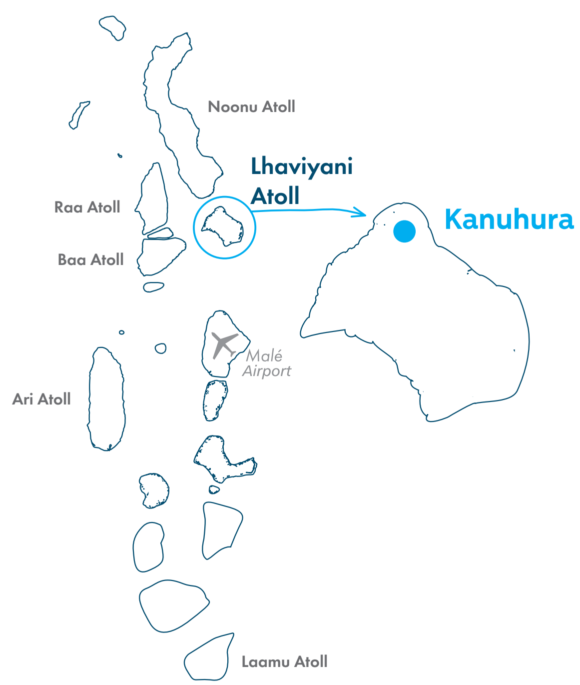
8 > Russia & CIS
9 > China
10 > GCC
11 > India

TOUR OPERATORS

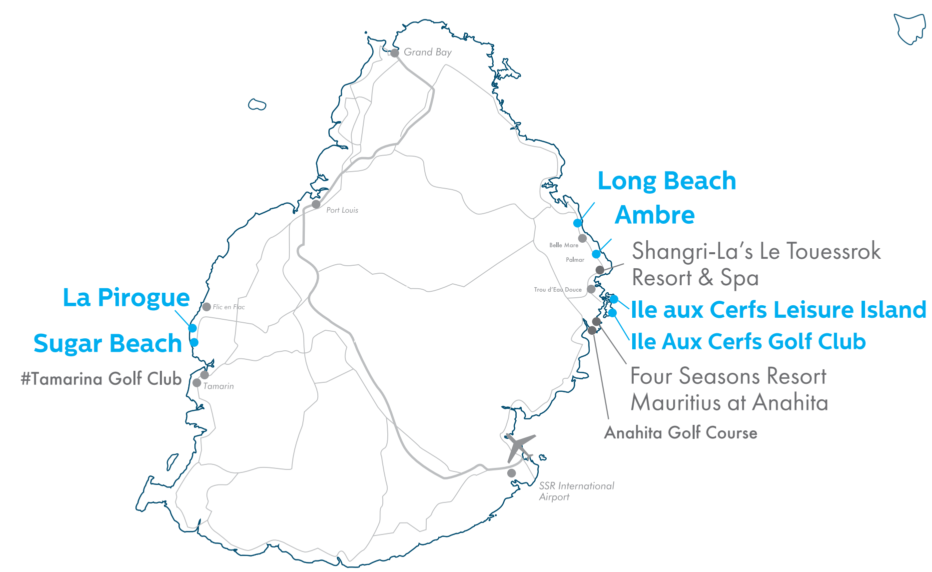
3 > SOLEA, France
7 > World Leasure Holidays, South Africa



MALDIVES



MAURITIUS



> ABOUT SUN

WHO WE ARE

Sun Limited is the owner of seven resorts in Mauritius and Maldives. Five are managed directly by Sun Resorts and two by recognised international brands: Shangri-La's Le Touessrok Resort & Spa and Four Seasons Resort Mauritius at Anahita.

Sun Hotels | Properties | Services

Sun Limited is organised in 4 clusters :

1 Hotel Management

Sun Resorts: LONGBEACH, ambre, KANUHURA, Sugar Beach, LA PIROGUE, Ile aux Cerfs

2 Centralised Services

TOUR OPERATORS: World Leisure Holidays, SOLEA

LAUNDRY & LINEN RENTAL: WASHRIGHT

PROCUREMENT

SUN STYLED BOUTIQUES

3 Asset Management

Four Seasons Resort Mauritius at Anahita

Shangri-La's Le Touessrok Resort & Spa Mauritius

4 Real Estate

LONGBEACH Invest Hotel Scheme

WE ARE SUN

OUR VISION

To be the leading hospitality group that inspires

Timeless Memories

OUR MISSION

We **delight** our guests
We **nurture** a passion for excellence
We **act as role model** in our communities
We **build** trustful partner relations
We **reward** our owners

OUR VALUES

EXCELLENCE
INTEGRITY
TRUST
PASSION
TEAMWORK

> ABOUT SUN

A LEADING HOSPITALITY GROUP IN THE INDIAN OCEAN

2 TOUR OPERATORS IN FRANCE AND SOUTH AFRICA

1,473 KEYS

4,200 ASSOCIATES

2 WORLD CLASS CHAMPIONSHIP GOLF COURSES

8 OWNED & MANAGED PROPERTIES IN THE INDIAN OCEAN

2 INTERNATIONAL OPERATORS: SHANGRI-LA'S LE TOUESSROK RESORT & SPA AND FOUR SEASONS RESORT MAURITIUS AT ANAHITA

AWARDED BEST HOTEL CHAIN VICTOIRE DU TOURISME

KEY HIGHLIGHTS

OUR PEOPLE, OUR PASSION

In line with our objectives on Operational and Service Excellence, the HR initiatives for FY2018/2019 remained focus on *employee engagement* with continuous emphasis on *employee development and employee welfare* while also progressing in our journey towards *HR Digitalisation*.

The employee survey results show that we are progressing towards our objectives; a clear correlation can be established between employee satisfaction and guest satisfaction.

EMPLOYEE ENGAGEMENT: ONE OF THE WINNERS OF THE KORN FERRY ENGAGED PERFORMANCE AWARD 2019

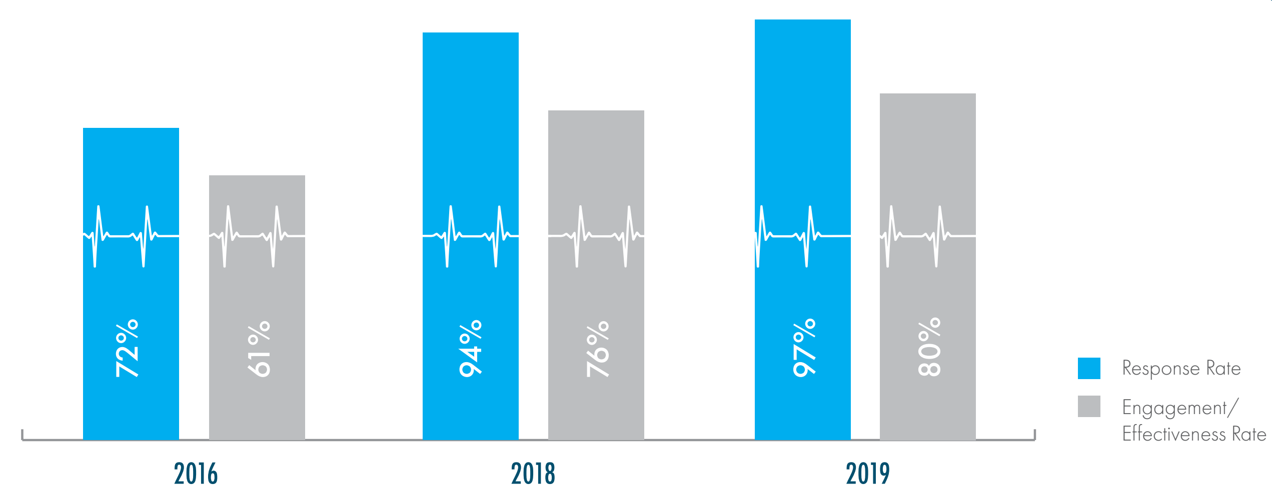
Our HR purpose statement and commitment is "to touch the heart of our people and earn the recognition as Best Employer". This implies nurturing a work environment in which each associate feels happy, respected, valued and inspired.

With the commitment of our people leaders, continuous improvements in the HR service, enhanced communication on the floor, and investment in People Development and our associates' well-being, SUN is progressing towards its objectives and this is clearly reflected in our Employee Engagement Survey results.

The Employee Engagement Pulse survey carried out by Korn Ferry in June 2019 shows a progression both in terms of the participation rate, from 94% in 2018 to 97% in 2019 and the employee effectiveness rate, from 76% to 80%.

SUN is proud to be one of the winners of the Korn Ferry Engaged Performance Award, in recognition of achieving a best-in-class level of engagement and enablement in the EMEA region.

Employee Engagement Pulse Survey Results



> ABOUT SUN

OUR PEOPLE, OUR PASSION

KEY HIGHLIGHTS

EMPLOYEE DEVELOPMENT JOURNEY –ABOVE 80% OF OUR ASSOCIATES HAVE UNDERGONE AT LEAST ONE FORMAL TRAINING

SUN has always fostered a learning culture and in line with the 'SUN Winning Well Training Programme' launched in 2018,

- All our front-liners completed the 'SUN Rise & Shine' Training programme with a company based in Singapore, specialised in service culture training.
- 196 Supervisors (60% of associates in a supervisory role) embarked on the 'SUN Shine' Management Training which is a graduate programme over two years that also includes coaching.
- All Heads of Department and Assistant Heads of Department completed the Leadership Development programme.
- 5 members of the Senior Management team were enrolled on a Leadership Development Programme with HEC, as part of CIEL Group Talent Development initiative.

The on-boarding experience has also been enhanced to accompany our new associates and to ensure their happiness and integration within the SUN family.

DRIVING AND RECOGNISING EXCELLENCE – LAUNCHING OF SUN EXCELLENCE AWARD

Each Business Unit has taken a number of initiatives to drive excellence and guest satisfaction since 2018.

In view of recognising and rewarding our dedicated teams for their contribution and achievements as well as encouraging sharing of best practices across Business Units, thus enabling cross-fertilisation, the **SUN Excellence Award was launched in March 2019.**

Sun RESORTS Excellence AWARDS

- THE CEO'S AWARD
- THE CHAIRMAN'S AWARD
- BEST OPERATIONAL EXCELLENCE AWARD
- BEST PEOPLE MANAGEMENT AWARD
- BEST GUEST EXPERIENCE AWARD
- BEST ROLE MODEL IN OUR COMMUNITY AWARD
- BEST INNOVATION/ INITIATIVE AWARD
- BEST FINANCIAL PERFORMANCE AWARD

HR DIGITALISATION

Following the introduction of a Performance Management System in 2017 which has enhanced the overall Performance Management and Employee Development process and experience, a new integrated HR, Payroll and Attendance system has been implemented in view of improving operational efficiency, enhancing HR Analytics and improving the service to our people. Since March 2019, the e-payslip and e-statement of emoluments have been implemented. This project has also been an opportunity to simplify the payroll process while re-enforcing more efficient control measures across the Group.

Our objective is to enhance our associate's journey while also supporting our People Leaders through more efficient People Management tools. The next evolution will be the online Leave Management platform.

> CHAIRMAN'S REPORT

JEAN-PIERRE DALAIS

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report of Sun Limited ("SUN") for the financial year ended 30 June 2019.

The Group had a challenging year with a marginal increase of 1% in tourist arrivals by air in Mauritius, coupled by the competitive environment in Maldives intensifying with the opening of several high-end resorts. The renovation of the Sugar Beach also led to a material reduction in room inventory during the year, thus impacting Group revenue. The normalised profit after tax ended June 2019 was at Rs 166 million, slightly below prior year.

SUN's key accomplishments and enhancements during the year, aligned with its strategic and operational development were:

- Investment in training, resulting in a marked improvement in our associates' effectiveness/engagement survey score to 80%.
- Continuous investment in our resorts with:
  - o Part renovation of Sugar Beach to upgrade the resorts' positionings.
  - o Upgrade of Long Beach lobby area and the creation of a guest departure lounge and art gallery.
  - o Addition of a new conference centre and a guest departure lounge at Ambre.
- Strategic partnership with a joint venture with the Marietton group in France for Solea that should reinforce our market share in our main source market for Mauritius.
- Reinforcing our drive to sustainability initiatives with our entry into the Stock Exchange of Mauritius Sustainability Index in July 2018.
- Very encouraging progress in the TripAdvisor ranking for our resorts. Of note, is the award obtain by the Sugar Beach as the "Mauritius' Leading Beach Resort Award 2019" at the World Travel Awards and Long Beach ranked within the top 10 hotels in Mauritius.

FINANCIAL PERFORMANCE

SUN showed resilience in the prevailing market conditions, posting revenues of Rs 6.6 billion, which was 0.2% behind the prior year on a comparative basis. We continue to pursue our rate positioning strategy with a 5% growth achieved in the average daily rate in the face of strong competition and negative exchange rate fluctuations.

Normalised EBITDA of Rs 1,260 million represents a stable margin of 19% compared to prior year, benefitting from performing assets such as La Pirogue, Sugar Beach and Four Seasons Resorts Mauritius at Anahita coupled with effective cost management at SUN managed properties. Unfortunately, the financial performance of some of our resorts has negatively impacted the Group. In particular, Kanuhura has had a very difficult year due to the increasing supply of luxury resorts in the Maldives, growing uncertainties around Brexit and a slower than projected economic growth in Europe. As a result, management has had to downscale its future projections which lead to a non-cash impairment charge of Rs 1.88 billion, corresponding mainly to the purchased goodwill of Kanuhura back in 2007.

Our cash flow remained sound with total net debt being reduced from Rs 8.6 billion to Rs 8.2 billion. Consequently, the Board decided to declare a dividend of Rs 0.75 per share compared to Rs 0.50 per share in the previous financial year.

STRATEGY

When the renovation and upgrading of Sugar Beach will be completed next year, SUN will possess a portfolio of revamped assets and is well-positioned to reap the benefits of its investments in the future. Our strategy to focus on improving guests' experience and satisfaction with fully engaged associates will ultimately drive the Group to achieve best-in-class in its competitive set. SUN will focus on realigning its sale and marketing strategy to ensure that all distribution channels are optimised.

Our goal is to drive superior return on investment from our marketing activities with a stronger focus on digital campaigns. The fact remains that digitalisation of the tourism sector is impacting destinations by bringing new challenges and opportunities to host countries, private providers and guests and is now an indispensable medium for promoting destinations. Our aim is to accelerate direct bookings by increasing online awareness of our brand through search engine optimisation and investment in technological enhancement to provide live inventory availability.

Our SUNCARE objectives addresses sustainability initiatives as per the triple-bottom line approach of environmental, social and financial responsibilities by finding innovative ways to do more with less. SUNCARE is our structured in-house program with a vision and a set of pre-defined objectives for a Mauritian Sustainable Tourism Industry to the benefit of our people and our country. It englobes the practice and promotion of sustainable tourism in Mauritius (measures that protect and preserve natural and cultural heritage resources), mitigate negative impacts of tourism on the natural and cultural environment and respect, involve and engage other stakeholders and host communities.

SUN has also established a Sustainability Committee, chaired by the CEO and led by all business units to ensure the right level of engagement and communication on its sustainability initiatives with all its stakeholders.

ASSOCIATES' ENGAGEMENT

We strongly believe that our associates are our most valuable resource and that our success depends upon establishing and maintaining a capable team of delivering top-notch service to all our guests. The Group has continued to invest in various training programs to enable the associates deliver the required standards. Therefore, their opinions and feedback are highly valued and the survey carried out with our employees showed a good improvement in the average engagement score from 76% to 80%. This demonstrates the absolute commitment of our entire team.

OUTLOOK

With the appointment of the new CEO, his principal mission is to focus on driving sales by reorganising the commercial and marketing department to adapt the business to the changing tourism market globally and in Mauritius. We are constantly striving to leverage on our unique portfolio of renovated properties to drive growth and profitability as well as enhancing the guest experience with our high level of associate engagement. The new leadership is expected to give a new boost to our growth journey and thus further enhance the Group's resilience and value creation capabilities.

ACKNOWLEDGMENTS

On behalf of the Board, I would like to express my gratitude to our outgoing Chief Executive Officer, Mr. David J. Anderson, for leading the Company over the past three and a half years. Likewise, I would like to formally welcome Mr. François Eynaud, our new CEO who will help SUN continue to grow sustainably.

I would also like to thank all our associates and my fellow Board members as I feel privileged to work with a team of highly dedicated, skilled and experienced people.

Jean-Pierre Dalais
Chairman

22 October 2019

> BOARD OF DIRECTOR'S


JEAN-PIERRE DALAIS


ALEXIS CAUDE


P. ARNAUD DALAIS


R. THIERRY DALAIS


L. J. JÉRÔME DE CHASTEAUNEUF


FRANÇOIS EYNAUD


HÉLÈNE ECHEVIN


M. G. DIDIER HAREL


TOMMY WONG YUN SHING


OLIVIER RICHÉ


J. HAROLD MAYER


JEAN-LOUIS SAVOYE


NADERASEN PILLAY VEERASAMY


PIERRE VAQUIER

THE YEAR IN REVIEW

> FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (THE GROUP)

FOR THE FINANCIAL YEAR ENDED 30 JUNE	2019	2018
Revenue (Rs'M)	6,615	6,724
Normalised earnings before interest depreciation and amortisation (EBITDA) (Rs'M)	1,260	1,290
Normalised operating profit (Rs'M)	692	744
Normalised profit after tax (Rs'M)	166	194
(Loss)/profit after tax (Rs'M)	(1,886)	194

AS AT 30 JUNE	2019	2018
Net debt* (Rs'M)	8,236	8,621
Total equity (Rs'M)	8,449	10,863

**Total borrowings net of cash and short term deposits*

PERFORMANCE MEASURES (THE GROUP)

FOR THE FINANCIAL YEAR ENDED 30 JUNE	2019	2018
Basic earnings/(loss) per share (Rs)	(10.81)	1.07
Normalised basic earnings per share (Rs)	0.96	1.07
Net worth per ordinary share (Rs)	43.78	57.57
Normalised EBITDA margin (%)	19.05	19.19
Normalised operating profit margin (%)	10.46	11.07

AS AT 30 JUNE	2019	2018
Net debt*/normalised EBITDA	6.54	6.68
Gearing ratio excluding finance leases (%)	48.10%	43.0%
Stock Price - At 30 June (Rs)	35.00	51.00

> EXECUTIVES' REPORT

The financial year ended 30 June 2019 proved to be a challenging one for SUN with external factors impacting the industry. However, the Group showed its resilience with a satisfactory financial performance on a normalised basis, excluding exceptional items.

REVENUE[1] (Rs)
6,615m
(14[1]) *vs LY*

NORMALISED[2] EBITDA (Rs)
1,260m
(30) *vs LY*

NORMALISED[2] OPERATING PROFIT (Rs)
692m
(52) *vs LY*

NORMALISED[2] PAT (Rs)
166m
(28) *vs LY*

OCCUPANCY
71%
(3.6) pts *vs LY*

ADR (Rs)
9,869
487 *v LY*

REVPAR (Rs)
7,009
11 *vs LY*

TREVPAR (Rs)
11,475
(102) *vs LY*

KEY HIGHLIGHTS

- Slight decrease in Group revenue of Rs 6.6 billion, (-Rs 14 million on a comparable basis[1]) versus FY 18 despite the Sugar Beach reduced inventory due to renovation.
- A 5% growth in Group Average Daily Rate at Rs 9,869 in the current challenging market conditions and adverse foreign exchange rate versus the Mauritian Rupee.
- Normalised[2] EBITDA margin stable at 19% of revenue, benefitting from good cost management at SUN properties and positive contributions from La Pirogue (Mauritius) and Kanuhura (Maldives).
- Normalised[2] Profit After Tax of Rs 166 million (- Rs 28 million vs FY 18), mainly impacted by Sugar Beach renovation.

INDUSTRY OVERVIEW

TOP 10 MARKETS	MAURITIUS			MALDIVES		
	2019	2018	Var	2019	2018	Var
France	291,004	282,224	▲ 3%	57,499	48,080	▲ 20%
UK	150,491	151,609	▼ -1%	121,859	109,775	▲ 11%
Reunion	135,847	139,386	▼ -3%	-	-	-
Germany	135,181	125,180	▲ 8%	128,942	116,244	▲ 11%
RSA	128,685	119,691	▲ 8%	8,997	7,173	▲ 25%
India	78,254	87,684	▼ -11%	131,532	86,572	▲ 52%
China	53,861	67,673	▼ -20%	295,969	292,447	▲ 1%
Switzerland	41,116	41,282	▼ 0%	33,503	33,074	▲ 1%
Italy	40,295	34,775	▲ 16%	124,301	97,545	▲ 27%
Australia	20,451	21,354	▼ -4%	39,767	32,583	▲ 22%
Total for top 10 markets	1,075,185	1,070,858	▲ 0%	942,369	823,493	▲ 4%
Total for the year by air	1,351,686	1,331,711	▲ 1%	1,615,774	1,463,091	▲ 10%

- Although, the industry in Mauritius experienced a marginal increase of 1% in tourist arrivals travelling by air, there was negative growth in the December and Easter peak periods. The UK market remained very fragile with uncertainty around the BREXIT and was down 1%. Arrivals from emerging markets such as China and India were down by 20% and 11% respectively due to a significant reduction in flights.
- Healthy growth of 10% in tourist arrivals was achieved in the Maldives but the market remains competitive with the opening of 15 new resorts. The oversupply of rooms outweighed the growth in arrivals.

[1] *On a comparable basis (adjusting for the IFRS15 impact on FY18)*
[2] *Normalised: recurring results excluding the impairment losses, write off of project costs, loss on sale of subsidiary and deferred tax asset reversal*

> EXECUTIVES' REPORT

RESORTS

SUGAR BEACH

Sugar Beach was awarded the "Mauritius' Leading Beach Resort Award 2019" at the World Travel Awards held this year. However, this is a transitional year for the resort with the ongoing renovation affecting the booking pattern in addition to the reduced room inventory in the last quarter ended 30 June 2019. Even though the financial performance was impacted by lower occupancy, the resort still posted a positive result in the financial year. The newly refurbished rooms as well as the launching of the Buddha Bar Beach restaurant have received positive feedback from travel trade and guests.

LONG BEACH

The year was particularly challenging for Long Beach, considering the slowdown in the local sector and the decline in its key Chinese and Indian markets. The resort continued to grow its ADR in line with the repositioning strategy but occupancy rate suffered from the intense competition in the high-end segment and the drop in the two emerging markets mentioned above. In that respect, management reviewed its projections downwards, which resulted in an impairment of assets of Rs 174.6 million, of which Rs 37 million was charged to the statement of profit and loss. .

LA PIROGUE

The resort was our best performer for the year and showed strong resilience amidst the slowdown in the sector. The resort's overall strength and financial performance were exceptional with a considerable improvement in occupancy and EBITDA.

AMBRE

The resort also won the "Affordable Luxury Hotel of the Year Mauritius" award at the LTG Africa & Middle East Awards 2019.

Due to a better diversification on the British market, the resort managed to grow its ADR to compensate for the loss in occupancy. With good cost optimisation and the rent reduction successfully negotiated with the landlord in the prior year, the resort increased its EBITDA.

To improve guest facilities, a new departure lounge has been added and the gym and wellness area have been fully revamped. Additionally, to cater for larger group business, a brand new conference is operational as from the end of June 2019.

KANUHURA

The resort has significantly improved its occupancy rate but ADR was under pressure due to the extremely competitive market conditions in the Maldives attributable to the ongoing increase in room supply. The resort maintained its reputation for excellence in customer satisfaction and has consistently been ranked in the Top 10 results in Maldives. The financial results improved with a break-even point on EBITDA but were below our target.

With the intense competition on the market and uncertainties surrounding the economy in the source markets, revised projections have carried out, entailing impairment losses allocated to goodwill and assets of Rs 1.8 billion. The impairment losses were an exceptional non-cash item this year, and were charged to the statement of profit and loss.

The Directors are actively looking at various options to optimise the value of the resort.

FOUR SEASONS RESORTS MAURITIUS AT ANAHITA

In line with the industry, the resort experienced a drop in occupancy but continue to grow its ADR. This was due to the decline in the Chinese tourists, one of its main market coupled with the low growth in arrivals. Overall results were impacted but the resort maintained its position as the top performer in its competitive set.

SHANGRI-LA'S LE TOUESSROK RESORT & SPA

The resort lost occupancy mainly due to uncertainty on the UK market with the Brexit. Performance was thus subdued in this financial year but resort continued to make good progress in terms of reputation management.

FINANCIAL REVIEW

Despite of the unfavourable trading conditions prevailing on the market, we are pleased to announce that we had a satisfactory performance at La Pirogue, Four Seasons Resort Mauritius at Anahita and Sugar Beach. Kanuhura remains a challenge with the opening of new luxury resorts in Maldives and the uncertainties around the Brexit.

IMPAIRMENT OF GOODWILL AND OTHER NON-FINANCIAL ASSETS

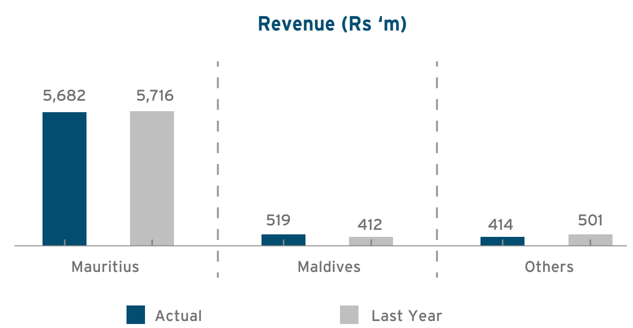
SUN has been exceptionally impacted by impairment charges this year following the weak economic outlook of the main source markets and challenges in the industry. Management has carried out an assessment of the recoverable amount of the cash generating units ("CGU") at 30 June 2019 and based on this assessment, assets of Kanuhura, Long Beach and Loisirs des Iles Ltée (Ile aux Cerfs golf and restaurants) that were not expected to perform as originally planned were impaired. A summary of the impairment charge is shown below:

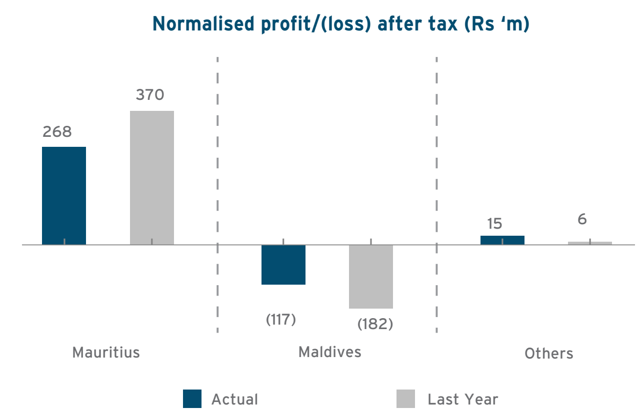
	Impairment charged to profit or loss		
CASH GENERATING UNIT	Kanuhura Maldives Rs '000	Long Beach Mauritius Rs '000	Total Rs '000
Impairment on property, plant and equipment	73,600	37,107	110,707
Impairment on leasehold rights and land prepayments	41,249	-	41,249
Impairment on goodwill	1,732,532	-	1,732,532
Total impairment	**1,847,381**	**37,107**	**1,884,448**

In determining the impairment of the carrying value of the CGU, the value in use calculation was carried out based on the discounted cash flow model for Kanuhura and Long Beach. For Loisirs des Iles Ltée, the approach for impairment assessment was to state the assets at their fair value less cost to dispose which was higher than the value in use.

The Group results were also impacted by the reversal of deferred tax assets of Rs 110 million arising on tax losses of the Maldivian operations. This amount has been included in the taxation charge of Rs 201 million for the financial year.

GEOGRAPHICAL ANALYSIS





The revenues in Mauritius which amounted to Rs 5,682 million were slightly down due to Sugar Beach renovation. However, this shortfall was compensated by the significant increase in revenue from Kanuhura, Maldives, which is now operating in its second full year since reopening. Revenues from other regions were down due to the deconsolidation of our in-house tour operator in France, following the sale of 50% of the equity to a strategic Joint Venture partner, Marietton group.

Although Kanuhura achieved a substantial revenue growth, the resort was still in a loss-making situation and impacted heavily on the Group's results.

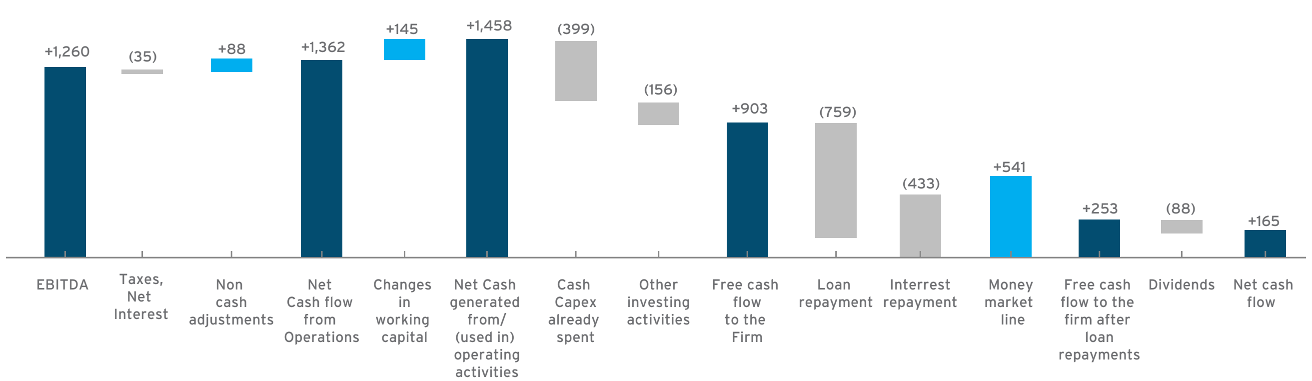
> EXECUTIVES' REPORT

Normalised EBITDA reached Rs 1,260 million, representing a decrease of Rs 30 million compared to the previous year, through savings and efficiency initiatives implemented since January 2019, together with a realignment of the business strategy.

THE GROUP	Year ended 30 June 2019 Rs'000	2018[1] Rs'000	Variance Rs'000
Revenue	**6,614,884**	**6,628,761**	**(13,877)**
Other income	115,260	50,277	64,983
Operating expenses	5,469,772	5,388,635	(81,137)
Normalised[2] EBITDA	1,260,372	1,290,403	(30,031)
EBITDA margin	*19%*	*19%*	
Depreciation and amortisation	568,498	546,079	(22,419)
Normalised[2] operating profit	691,874	744,324	(52,450)
Operating profit margin	*10%*	*11%*	
Net Finance costs	(436,375)	(463,510)	27,135
Share of results of associate	300	-	300
Profit (loss) before tax & non-recurring items	255,799	280,814	(25,015)
Income Tax Charge	(201,538)	(86,747)	(114,791)
Profit after tax before non-recurring items	**54,261**	**194,067**	**(139,806)**
Write off of project costs	(50,112)	-	(50,112)
Impairment of goodwill and other non-financial assets	(1,884,488)	-	(1,884,488)
Loss on disposal of subsidiary	(5,262)	-	(5,262)
(Loss)/profit/after Tax After Non-Recurring Items	(1,885,601)	194,067	(2,079,668)
Normalised[2] profit after tax	**166,162**	**194,067**	**(27,905)**

[1] On a comparable basis (adjusting for the IFRS15 impact on FY18)
[2] Normalised: recurring results excluding the impairment losses, write off of project costs, loss on sale of subsidiary and deferred tax asset reversal

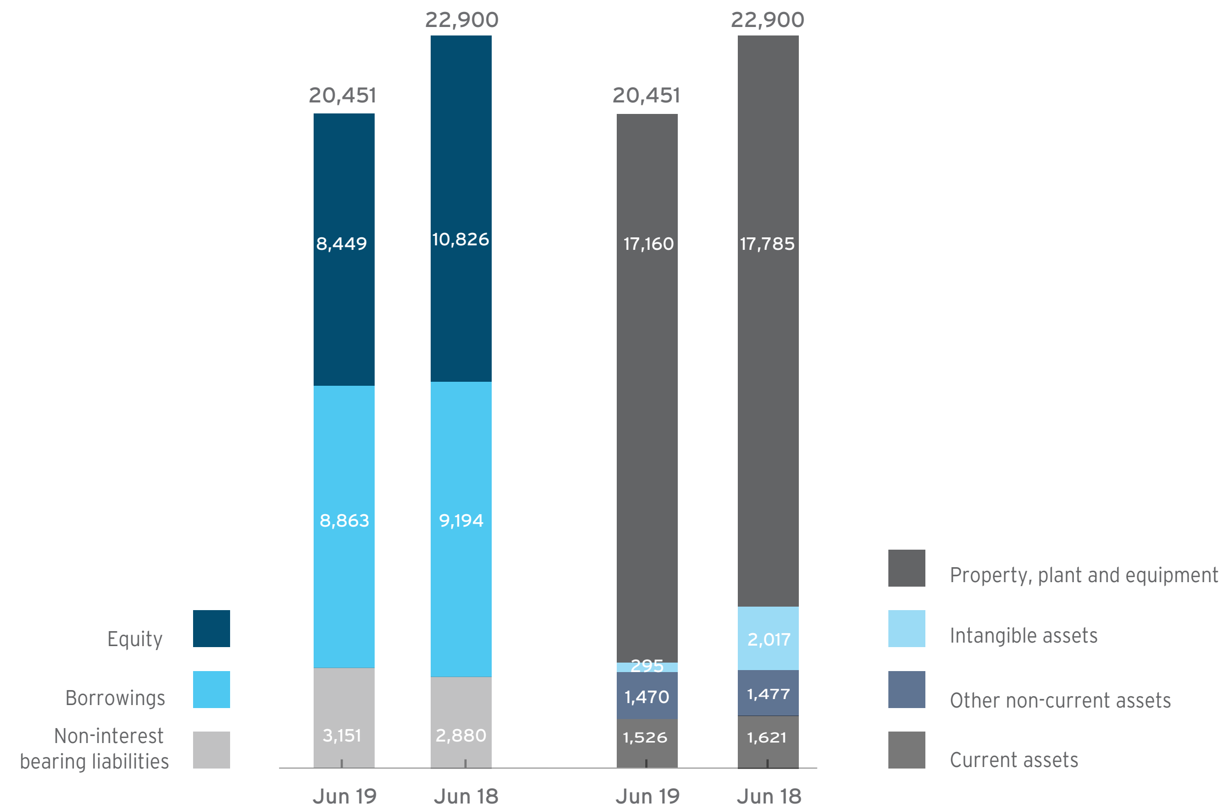
GROUP CASH FLOW



Net cash generated from operations amounted to Rs 1.46 billion. Capital expenditure in respect of on-going maintenance and Sugar Beach renovation amounted to Rs 399 million during the year. After capital expenditure spent and debt servicing, free cash flow generated was Rs 252 million.

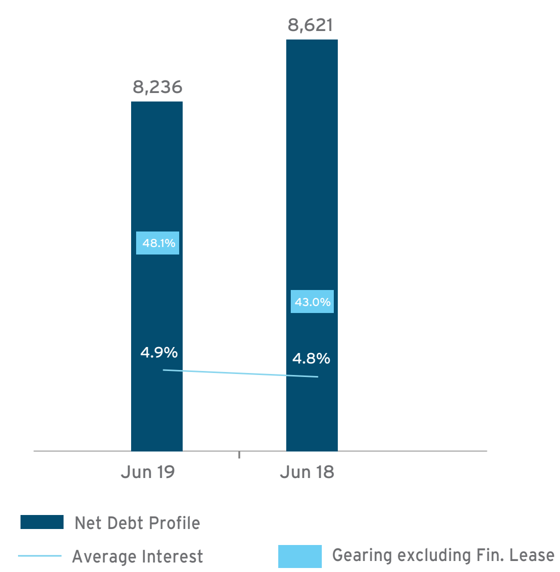
For the financial year, the Company declared a dividend of Rs 0.75/share (2018: Rs 0.50/share).

BALANCE SHEET



With the impairment of Rs 1.9 billion booked in the accounts, total assets decreased from Rs 22.9 billion to Rs 20.5 billion.

NET DEBT*



**Total borrowings net of cash and short term deposits*

FINANCIAL RATIOS	FY 19
Interest bearing debt to equity	97%
Gearing Ratio	48%
Debt Service Coverage Ratio	1.24
Debt to Equity Ratio	0.97
Interest Cover Ratio	2.77
Net Debt* to normalised EBITDA	6.54

Net debt at 30 June 2019 was Rs 8.2 billion (2018: Rs 8.6 billion) resulting in a gearing of 48.1% which was up from prior year (43.0%) due to the decrease in equity with the impairment loss. Net debt to normalised EBITDA was still reasonable at 6.54.

>EXECUTIVES' REPORT

RENOVATION UPDATE

The Company continuously invest in the improvements of its resorts. The big project undertaken in this financial year is the renovation and upgrade of Sugar Beach. In parallel, new facilities at Long Beach and Ambre have been added to improve the guests' experience as well as enhancing revenue.

SUGAR BEACH

Renovation works at the resort was to be carried out in three phases which will span until next year without full closure of the resort. The first phase consisted of the refurbishment of rooms and restaurants as follows:

- Conversion of the TIDES restaurant into a Buddha Bar Beach restaurant which was completed in November 2018.
- The refurbishment of the 77 rooms in the North Village started at the end of April 2019 and was successfully completed in mid-August 2019.
- The Citronella's restaurant upgrade was completed in mid-August 2019.

The second phase will consist of the refurbishment of 101 rooms in the South Village and is already in progress since August 2019 and due to complete by end of October 2019. The third phase will complete the renovation of the remaining 80 rooms in the Manor House, the public areas and main dining area and will be executed in the low season of next year to end in September 2020.

Citronella's

Junior Family Suite

Buddha Bar Beach

Departure Lounge

LONG BEACH

In line with the upmarket repositioning strategy of this resort, three projects were executed this year:

- A new departure lounge was built in November 2018 to improve guests' experience on check-out.
- Transforming the main lobby and make it more appealing to welcoming guests started in June 2019 and was completed in July 2019.
- An art gallery has been added so that guests can indulge in unique art activities.

Art Gallery

Lobby

LOOKING FORWARD

SUN, with at the helm its newly appointed CEO, Mr François Eynaud, will ensure that a new momentum is given to its sales and marketing strategy in order to drive its top line to optimal levels.

In parallel, renewed efforts towards cost management and cash flow generation will remain a key focus to further enhance the company's resilience. The management team in place, under the leadership of Mr François Eynaud, is confident that the Group can be revitalised and rise up to the challenges ahead despite the current challenging environment.

The Executive Team

> AWARDS

Sun RESORTS

- Best Hotel Chain - Victoire du Tourisme - 2019
- Korn Ferry 2019 Employee Engagement Award
- Worldwide Hospitality Awards 2018 - Best Initiative in Sustainable development and Social Responsibility

LONGBEACH

- WeddingSutra Honeymoon Awards 2018 - Top Affordable Honeymoon hotel/ resort (International)
- Travelife Food Waste Champion 2018
- Travelife Gold Certification 2018
- Earth Check Silver Certified

Sugar Beach

- Mauritius' Leading Beach Resort 2019 - World Travel Awards
- Travelife Gold Certification 2018
- Earth Check Silver Certified

LA PIROGUE

- TUI Environmental Champion 2019
- Customer Excellence Award 2018 - British Airways Holidays
- EarthCheck Silver Accreditation

ambre

- Affordable Luxury Hotel of the Year Mauritius - LTG Africa & Middle East Awards 2019
- Travelife Gold Certification 2018
- Earth Check Silver Certified

KANUHURA

- World Luxury Hotel Awards 2019 - Luxury Family Beach Resort
- TripAdvisor Travelers' Choice Award 2019
- Travellers' Choice Award 2019 - Top 10 Hotels & Top 10 Luxury Hotels
- Best Beach Resort Destination in SEA - Asia Pacific Lifestyle Tourism Award 2018
- Best Spa Resort in Maldives - Asia Pacific Lifestyle Tourism Award 2018
- Asia Pacific Lifestlye Tourism Award 2018
- Earth Check Silver Certified

ILE AUX CERFS GOLF CLUB

- Best Places to play - Golf World Magazine, edition January 2019
- World's Top 100 Golf Courses 2019 - Golfscape
- Ranked FIRST in the UK - Top 20 of the world's "Must-Play" Golf Courses according to Golf World 2018
- Golf Journal Travel Awards 2018 - Ile Aux Cerfs Golf Club voted Best Golf in the World

CORPORATE RESPONSIBILITY PERFORMANCE

> SUNCARE : SUN'S JOURNEY TO SUSTAINABILITY

SUNCARE For What Really Matters

Sun Resorts has always been a pioneer with a futurist approach, when it comes to developing strategies, in order to insure sustainability in matters of continuous growth and development, not only in the tourism and hospitality industry, but in the Mauritian society. Sun Resorts has been massively investing in the environment and the community and has been rewarded several times for its unfailing commitment and engagement.

All the four resorts managed by Sun Resorts in Mauritius, La Pirogue, Ambre, Sugar Beach and Long Beach have been recognised for their commitment to sustainability by the global tourism advisory firm EarthCheck and the Group is listed on the Stock Exchange of Mauritius Sustainability Index.

We have linked our strategies, practices and initiatives to the United Nations Global Compact (UNGC) Principles and the Sustainable Development Goals (SDGs) to illustrate how we intend to meet the environmental, social and economic targets set by the United Nations, through responsible action and continuous contribution to the development of our business, planet and people.

ROAD MAP TO SUNCARE'S VISION

Phase 1	Phase 2		Phase 3
SUNCARE	SUNCARE Association	€1 per Room night	SUNCARE Label
Registered Trade Mark	Registered NGO	Voluntary Guest Contribution implemented since March 2019	Sustainability Label for the Group
2015	2016-2020		2021

OUR JOURNEY TOWARDS SUSTAINABILITY

2018

Registration of SUN on SEMSI.

Signature of MoU with University of Mauritius (UoM).

Registration of SUNCARE as local NGO

Grant of Rs 5 million from TEC to SUN and UoM.

Involvement of SUN in creation of UN Global Compact local network.

Refurbishment of SUN Children Cancer Ward.

Tourism Award from Ministry of Tourism.

Worldwide Tourism Hospitality Award.

2017

EarthCheck Silver Certification.

Partnership with Fashion and Design Sew Chic Project - converting old staff uniforms into art marvels.

Signature of Code of Conduct for the protection of children against sexual exploitation in Travel & Tourism.

2016

Registration of SUNCARE trademark.

2015

Launch of SUNCARE Corporate Sustainability programme.

Setting up of SUN Sustainability committee.

SUNCARE For What Really Matters

>SUNCARE : SUN'S JOURNEY TO SUSTAINABILITY

SUNCARE SUSTAINABILITY COMMITTEE

Governance is key in demonstrating and enabling the integration of sustainability into our business. To this end, we have implemented the SUNCARE Sustainability Committee, whose mission is to (1) ensure the integrity of our core values, (2) set the direction of the Group's sustainability policy and strategy, and (3) measure the impact of our sustainability initiatives on our business, planet and people.

The SUNCARE Sustainability Committee comprises "Sustainability Champions", who are in fact the General Managers and Functional Heads representing the different business units.

THE BOARD

↓↑

GROUP LEVEL

SUNCARE Sustainability Committee

Scheduled quarterly and chaired by the CEO

Governs and manages:

Group Sustainability performance through the SUNCARE programme.

SUNCARE guest voluntary contribution programme.

Group CSR programme.

SUN Children Cancer Trust.

↓↑

OPERATIONAL LEVEL

Local SUNCARE Sustainability Committee

Chaired by the General Manager, supported by the SHEQ team and HoDs to implement the SUNCARE programme at Business Unit level.

SUN CHILDREN CANCER FUND

The story behind the foundation of the SUN Children Cancer Fund is one of compassion and humanity. Ten years ago, one of Sun Resorts' employees' child was diagnosed with cancer and passed away at the age of 5. Our whole staff came together and raised Rs 8 million. From then, one positive impact became our North Star.

The funds raised were used to rebuild the Children's Cancer Ward at Victoria Hospital and break down the barriers to care: lack of medical equipment and basic supplies, lack of transportation to reach facilities, and lack of support for the patients and their families.

We believe every child with cancer should have access to essential healthcare and so much more to do.

> ENVIRONMENT

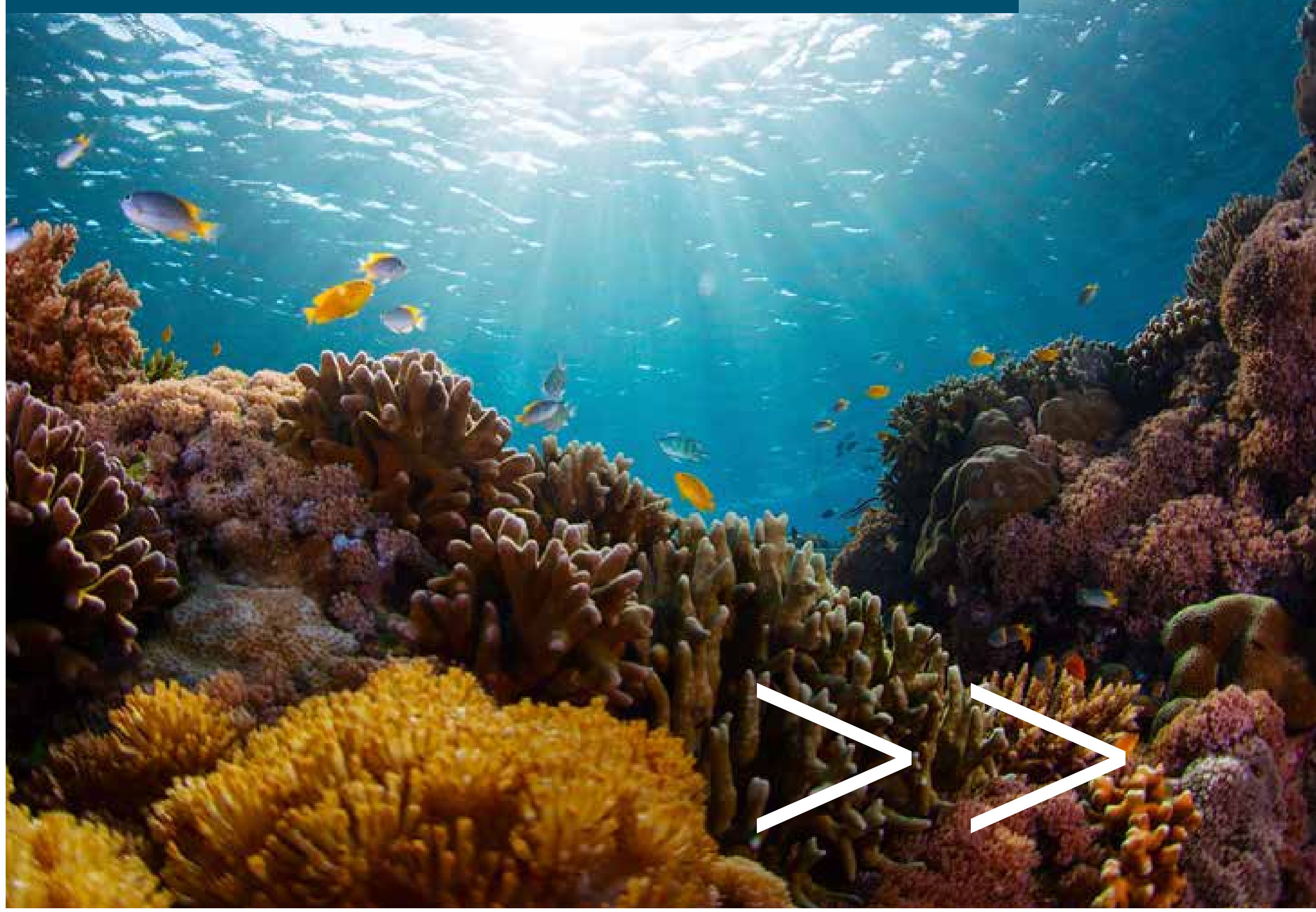
This century's biggest battle is undoubtedly climate change. With environment being one of our main pillar, we are taking action to protect the planet. As a Small Island Nation, Mauritius is at the frontline of climate action. Through SUNCARE we drive impactful, local action on climate change by implementing a strong sustainability policy but also initiatives that promote a sustainable future by reducing the company's environmental impacts, sourcing responsibly and building and operating sustainable hotels.

LA PIROGUE INTERNATIONAL MARINE RESEARCH CENTER

La Pirogue International Marine Research Center was launched on January 2019 with the presence of Prof Baruch Rinkevich, renowned marine scientist and professor from the National Institute of Oceanography in Israel. Fully funded by the Tertiary Education Commission, this new center will be useful during the Scientific Research Project on Beach Erosion in order to understand the state of the reef, corals and lagoon ecosystem.

The Marine Center is part of the national research work "Assessing sediment transport processes, erosion and biodiversity status at Flic-en-Flac region while using a novel ecological approach to rehabilitate the area". The project is fully funded by Tertiary Education Commission in collaboration with University of Mauritius, University of Western Australia and Sun Resorts.

The center will also be used by international students for research in the region, from University of Australia, Israel, Spain and Seychelles. It will also allow students from University of Mauritius to be more knowledgeable on marine research.



> SOCIAL ENGAGEMENT

One of the main pillar of our overarching sustainability principle is Community Engagement. In this light, we have designed a programme that builds on the philanthropic and children-focused commitment established in 2004 by SUN Group: Children at Heart. We believe the path out of poverty begins with equality for all—basic human rights, great education, adequate healthcare. Each of our hotels plays a part in the everyday lives of their neighbouring communities by collaborating with nonprofit partners to support the next generation.

Our community-based efforts are directed to supporting underprivileged children by providing them with the tools, care, and love, to lead healthy, productive, and meaningful lives.

Each one of our hotels reaches out to their surrounding community: Ambre, Long Beach, Sugar Beach and La Pirogue, support Mare La Chaux Government School, Flacq Disabled Centre, Flic en Flac Government School, SOS Children's Village in Bambous.

> QUALITY, HEALTH & SAFETY

As a responsible business player, SUN ensures that safety, health environment, quality, and operational excellence, remain a key focus for the Group, in order to improve performance, quality of the guest experience and inspire timeless memories.

Each of our Business Unit operation has their own health and safety committee meeting regularly to review performance and implement improvements. Our operations have systems and management procedures in place that comply with local regulations as a minimum and where possible to supplement with alignment to recognised occupational health and safety management standard.

Our food and beverage operation is an important aspect for SUN and it begins with our longstanding commitment to food safety. Our operations strictly adhere to local and international food safety standards. To further raise the bar, all our hotels have been certified ISO 22000 certification.

GOVERNANCE

> STATEMENT OF COMPLIANCE

(SECTION 75 (3) OF THE FINANCIAL REPORTING ACT 2004)

Name of Public Interest Entity ("PIE"): **Sun Limited ("SUN"/"the Company")**

Reporting Period: **30 June 2019**

On behalf of the Board of Directors of SUN, we confirm, to the best of our knowledge, that throughout the year ended 30 June 2019 and to the best of the Board's knowledge, the Company has partially complied with the obligations of the National Code of Corporate Governance for Mauritius (2016).

The area of non-compliance, whose reasons are included in the Corporate Governance Report, is as follows, namely:

- Principle 4 – Remuneration of Directors

Jean-Pierre Dalais
Chairman

Naderasen Pillay Veerasamy
Chairman of the Corporate Governance, Ethics, Nomination & Remuneration Committee

19 September 2019

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

Sun Limited ("SUN") at a Glance

- Public company listed on the Official Market of the Stock Exchange of Mauritius ("SEM").
- Public Interest Entity as defined by the Financial Reporting Act 2004.
- Listed on the SEM Sustainability Index (SEMSI).
- Over 44 years of experience in the hospitality industry and seven luxury resorts in two of the world's most coveted holiday destinations, Mauritius and the Maldives.

The Board of Directors ("Board") of SUN is committed to maintaining high standards of corporate governance and acknowledges its responsibility for applying and implementing the principles contained in the National Code of Corporate Governance for Mauritius (2016) ("the Code"). Throughout this report, it undertakes to explain its interpretation and application of the eight principles of the Code.

OUR VISION

To be the leading hospitality group that inspires

Timeless Memories

OUR MISSION

We delight our guests
We nurture a passion for excellence
We act as role model in our communities
We build trustful partner relations
We reward our owners

OUR VALUES

Excellence
Integrity
Trust
Passion
Teamwork

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

PRINCIPLE 1:
SUN's GOVERNANCE STRUCTURE

THE ROLE OF THE BOARD

- Provides effective leadership and direction to enhance the long-term value of the Group, for its shareholders and other stakeholders.
- Assumes its responsibility in (i) overseeing the business affairs of the Group, (ii) reviewing its strategic plans, performance objectives, financial plans, annual budget, key operational initiatives, major funding, investment proposals, financial performance reviews and corporate governance practices.
- Ensures that all legal and regulatory requirements are met.

CODE OF CONDUCT

SUN operates a Code of Conduct for all its employees, officers, Directors and suppliers which demonstrates not only its unwavering commitment to provide outstanding service but ensures that its business is done according to the highest ethical standards.

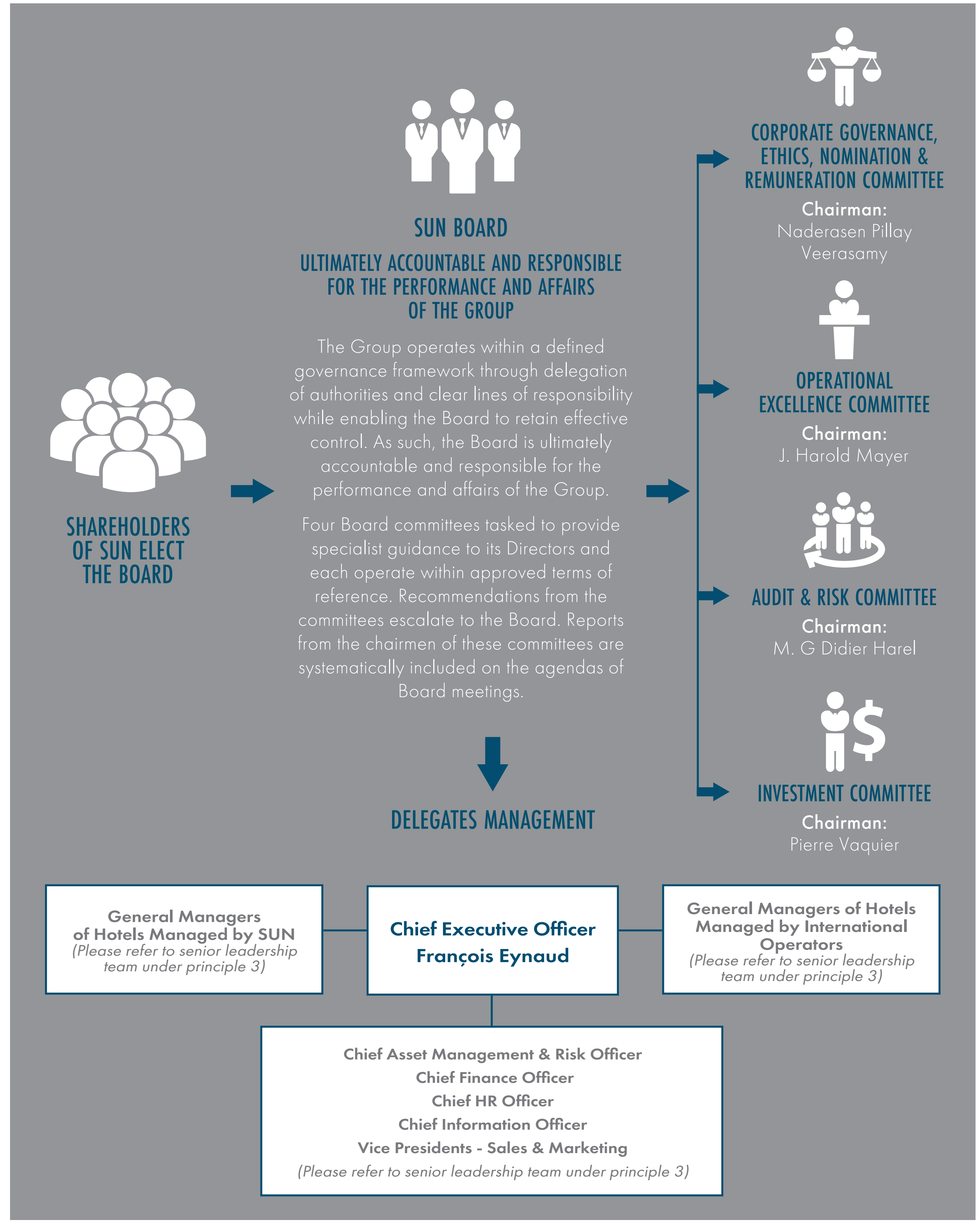
RESPONSIBILITIES AND ACCOUNTABILITIES

SUN has approved job descriptions for key senior governance positions that provide a clear definition of their roles and responsibilities. It has also implemented a Board charter to define, amongst other items, the composition, role and duties of the Directors and the Chairman of the Board as well as the responsibilities assigned to the Board's sub-committees. The Board Charter is reviewed on an annual basis and has been updated during the financial year ended 30 June 2019 with regards to (i) composition of the Board, (ii) Investment Committee (composition and main terms of reference). The roles of the Chairman of the Board and that of Group Chief Executive are held separately. Jean-Pierre Dalais assumes the role of the Non-Executive Chairman and François Eynaud is the new CEO since 1 September 2019. As recently announced in a communiqué issued by the Board on 24 June 2019, David J. Anderson, has decided to leave the Company to pursue other opportunities.

CONSTITUTION

The constitution of SUN complies with the provisions of the Companies Act 2001 and the Listing Rules of the SEM. There are no clauses of the constitution deemed material enough for special disclosure.

SUN'S ORGANISATIONAL CHART AND STATEMENT OF ACCOUNTABILITIES



> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

GOVERNANCE WITHIN THE GROUP

The guidance under the Code for groups provides that the ultimate holding of group companies should apply all principles of the Code and provide appropriate explanations. Wholly-owned subsidiaries are thus exempted from applying the principles of the Code. As holding company, SUN's governance structure contributes to the effective oversight of its subsidiaries considering the nature, scale and complexity of the different risks to which the Group is exposed such that the governance structure remains appropriate considering its growth, increased complexity and geographic expansion.

FIND OUT MORE

https://www.sunresortshotels.com/en

- Code of conduct
- Board charter
- Constitution
- Job descriptions of key senior governance positions

PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITEES

BOARD SIZE AND STRUCTURE

The Board is composed of Directors coming from different industries and backgrounds with strong business, international and management experience which are important considering the nature and scope of the Group's business and the number of board committees.

Tenure of Directorships:

Between 0 and 2 years: 3

Between 2 and 4 years: 4

Between 4 and 6 years: 5

More than 6 years: 2

Company Secretary: This function is fulfilled by CIEL Corporate Services Ltd ("CCS"), through a service agreement it holds with SUN. It employs qualified secretaries from the Institute of Chartered Secretaries & Administrators to fulfill its duties as Company Secretary. In addition to the service agreement, a position statement defines the main duties and responsibilities of the company secretary.

Type of Mandate: Unitary Board of **14 Directors**

Constitution: Not less than **8** or more than **14 Directors**

Executive Directors: 2

Non-Executive Directors, including the Chairman: 9

Independent Non-Executive Directors: 3

Board Meetings during the financial year: 6

Decisions adopted by way of written resolution in lieu of holding Board Meetings: 4

Areas of expertise: Finance, Hospitality, Asset & Risk Management, Textile, Private Equity, Strategic Business Development

Quorum for the Board: Majority of Directors and in case of equality of votes, Chairman has a casting vote

Gender: 1 13

BOARD SIZE AND STRUCTURE (CONT'D)

Directors	Gender	Age	Board Attendance	Country of Residence	Category
Jean-Pierre Dalais (Chairman)	M	55	6/6	Mauritius	NEC
David J. Anderson, until 19 September 2019	M	51	6/6	Mauritius	ED
Alexis Caude	M	50	6/6	Mauritius	NED
P. Arnaud Dalais	M	64	5/6	Mauritius	NED
R. Thierry Dalais	M	60	6/6	Mauritius	NED
L. J. Jérôme De Chasteauneuf	M	53	6/6	Mauritius	NED
Hélène Echevin	F	42	6/6	Mauritius	NED
M. G. Didier Harel	M	67	6/6	Mauritius	INED
J. Harold Mayer	M	54	5/6	Mauritius	NED
Olivier Riché	M	63	5/6	France	NED
Jean-Louis Savoye	M	46	6/6	France	NED
Pierre Vaquier	M	62	6/6	France	INED
Naderasen Pillay Veerasamy	M	61	5/6	Mauritius	INED
Tommy Wong Yun Shing	M	52	6/6	Mauritius	ED
Appointed after financial year end					
François Eynaud, as from 19 September 2019	M	58	1/2	Mauritius	ED

NEC - Non-Executive Chairman • NED - Non-Executive Director • INED - Independent Non-Executive Director • ED - Executive Director

Focus Areas during the Year

Recurring Agenda Items

- Declaration of interests (as applicable)
- Minutes of proceedings of meetings
- Reports from chairmen of committees
- Quarterly reports and review of operations

Governance and Risk

- Enterprise Risk Management, dashboard
- Remuneration of the Directors
- Renewal of the insurance covers for the Group
- Terms of reference of the investment committee
- Updated terms of reference of the Audit & Risk Committee
- Position statements – key senior positions
- Report on internal audit through the report from the chairman of the Audit & Risk Committee
- Definition on the independence criteria for the Directors
- Appointment of a new CEO
- Update of the board charter

Strategy, Performance, Financial Monitoring

- Annual and quarterly financial statements
- Annual Report
- Budget
- Dividend declaration

The Board is of the view that its composition is adequately balanced and that the current directors have the range of skills, expertise and experience to carry out their duties properly. Independence criteria has been defined by the Corporate Governance, Ethics, Nomination & Remuneration Committee to facilitate the annual assessment of independence of SUN's Non-Executive Independent Directors.

BOARD PROCESSES AND ATTENDANCE AT BOARD/COMMITTEE MEETINGS

The dates of Board and committee meetings as well as the annual meeting of shareholders are planned well in advance with the assistance of the company secretary. The Board meets at least five times a year and ad-hoc meetings may also be convened to deliberate on urgent substantive matters. Decisions of the Board are also taken by way of written resolutions.

DEDICATED COMMITTEES ASSISTING THE BOARD IN ITS DUTIES

Whilst the Board retains the overall responsibility, committees probe subject more deeply and report on the matters discussed, decisions taken, and where appropriate, make recommendations on items requiring Board approval. The committees play a key role in supporting the Board. The company secretary of the Board acts as secretary to these committees. The chairmen of each of the committee report verbally to the Board on their activities. The Board is satisfied that the committees are appropriately structured, skilled and competent to deal with both the Group's existing and emerging issues, and that they have effectively discharged their responsibilities during the year under review according to their terms of reference. The terms of reference of the committees are updated as and when necessary. During the year, those of the Audit & Risk Committee were updated and aligned, where appropriate, to the exemplar of the Code.

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

DEDICATED COMMITTEES ASSISTING THE BOARD IN ITS DUTIES (CONT'D)

Audit & Risk Committee

Meetings	Members	Attendance
8	M. G. Didier Harel, Chairman	8/8
	L. J. Jérôme De Chasteauneuf	8/8
	Jean-Louis Savoye	6/8
	Naderasen P. Veerasamy	6/8

Main Terms of Reference

- Examine and review the quality and integrity of the Group financial statements and any formal announcements relating to its financial performance.
- Review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the Committee by the auditors.
- Assess the robustness of the Company's internal controls, including financial and management accounting controls.
- Monitor the effectiveness of the internal control and risk management systems, as well as the conclusions of any verification performed by internal and external auditors.
- Ensure that the Company develops and executes a comprehensive and robust system of risk management.
- Appointment, reconduction and termination of internal and external auditors.

Focus Areas during the Year

- Terms of reference of the committee – reviewed and updated.
- Internal audit reports and extension of the internal auditor's mandate.
- Risk management updates.
- Cyber Security Maturity Assessment Report.
- Review of the adequacy of the insurance coverage for SUN and its subsidiaries.
- Summary of the material legal cases.
- Business continuity plan of SUN.
- Key audit findings for the FY 30 June 2018 and potential key audit matters for the FY 30 June 2019.
- Audited accounts of the Company and its subsidiaries for the FY 30 June 2018 and the abridged version of these accounts together with the relevant publication notes.
- Meeting with the external auditors without management's presence (in line with the Code).
- Review of quarterly financial results and respective abridged versions.

Corporate Governance, Ethics, Nomination & Remuneration Committee

Meetings	Members	Attendance
5	Naderasen P. Veerasamy, Chairman	5/5
	Jean-Pierre Dalais	5/5
	P. Arnaud Dalais	5/5
	M. G. Didier Harel	5/5
	Olivier Riché	4/5

Main Terms of Reference

- Ensure that the Company's reporting requirements on corporate governance are in accordance with the principles enunciated in the Code and guide the Board on the adoption of other governance policies and best practices.
- Analyse, advise and make recommendation to the Board with respect to ethics, remuneration and nomination matters.
- Monitor the implementation of the code of conduct and set the tone for its implementation by management.

Focus Areas during the Year

- Corporate governance report.
- Group salary increase and performance incentive scheme.
- Directors' fees .
- Appointment of the CEO.

DEDICATED COMMITTEES ASSISTING THE BOARD IN ITS DUTIES (CONT'D)

Operational Excellence Committee

Meetings	Members	Attendance
4	J. Harold Mayer, Chairman	4/4
	David J. Anderson	4/4
	Jean-Pierre Dalais	4/4
	Hélène Echevin	3/4
	Jean-Louis Savoye	2/4

Main Terms of Reference

- Review, evaluate and enhance the ultimate and root key performance indicators ("KPIs") - Customer satisfaction results and processes, quality of teams, employee engagement, excellence at grass roots, people processes, management infrastructure.
- Review, evaluate and enhance the other parameters forming part of the CIEL Group operational excellence plan.
- Provide the relevant guidance to management in building customer satisfaction dashboards, Board books and other root KPIs dashboards.

Focus Areas during the Year

- Customer satisfaction processes and results, including the interpretation of the customer satisfaction dashboard; setting the criteria for the customer satisfaction award process and discussion of the cross-fertilisation best practices.
- People processes with much focus on the senior management matrix format with the accountability lines.
- SUN Excellence award process.
- Budget presentation on new management accounting format.
- Defining the benchmarking of KPIs vis-à-vis national and global competition.
- Focusing on the three biggest financial bolts, namely, procurement, utilities and people value management with the objective of securing some savings

Investment Committee

Meetings	Members	Attendance
2	Pierre Vaquier, Chairman	2/2
	David J. Anderson	2/2
	Jean-Pierre Dalais	2/2
	Olivier Riché	2/2

Main Terms of Reference

- Ensure that investment and development strategies meet the strategic objectives set.
- Ensure that effective and regular access exists for the debate of the Group's investment strategy options and changes thereto.
- Understand and assess potential investment and divestment opportunities available to the Group.
- Understand and match the Group's investment strategy options with its financing and treasury strategies.
- Be a forum to debate deal flow opportunities.

Focus Areas during the Year

- Property development opportunities.
- Sugar Beach refurbishment.
- Long Beach refurbishment.

FIND OUT MORE https://www.sunresortshotels.com/en Terms of Reference of Board Committees

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES

APPOINTMENT AND RE-ELECTION OF DIRECTORS/CHAIRMAN

The Board is composed of Directors coming from different industries and backgrounds with strong business, international and management experience which are important considering the nature and scope of the Group's business and the number of Board committees.

STEP 1

- The Board charter provides that the Directors shall be a natural person of not less than 18 years old and not more than 75 years old.
- It also provides that the Chairman of the Board shall not be older than 70 years old and shall hold office for a period of five years and may, at the term of his office, be re-elected by the Board for a further period of five years or such other term as may be determined by simple majority of the Board. Jean-Pierre Dalais, has been chairing the Board since 13 February 2017.
- The Corporate Governance, Ethics, Nomination & Remuneration Committee recommends all new appointments on the Board and committees. Skills, knowledge, industry experience, diversity and independence are important factors that are being considered prior to recommending any appointment.

STEP 2

- Board approval - The Directors have power at any time, and from time to time, to appoint any person to-be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number fixed in accordance with this constitution.
- The Director appointed to fill up the vacancy or as an addition to the existing Directors shall hold office only until the next following annual meeting of shareholders and shall then be eligible for re-election.

STEP 3

- Induction process.

STEP 4

- Board nomination submitted for approval by the shareholders at Annual Meeting ("AM").
- Directors are also re-elected annually at the AM by way of separate resolutions.
- Directors over the age of 70 are appointed at the AM in accordance with section 138(6) of the Companies Act 2001.

INDUCTION OF THE DIRECTORS

The Board assumes its responsibility for the induction of newly appointed Directors, through a process which is facilitated by the company secretary. They undergo an induction programme under the guidance of the Chairman and the company secretary, which enable them to gain an in-depth understanding of the Company's business model, governance framework, activities and strategy. In addition to receiving statutory documents, newly appointed directors meet the Executive Directors and perform site visits to acquaint themselves with SUN's operations and culture. All Directors have unrestricted access to the Company's records.

DIRECTORS' PROFILES

The biographical details of the Directors of the Company are provided hereunder. The Board has decided to only disclose directorships in listed companies.

JEAN-PIERRE DALAIS

Non-Executive Chairman - Joined the Board on 7 April 2010 and appointed Chairman on 13 February 2017

Member of the Corporate Governance, Ethics, Nomination & Remuneration Committee

Member of the Operational Excellence Committee

Member of the Investment Committee

With an MBA from The International University of America, San Francisco, Jean-Pierre Dalais acquired working experience from Arthur Andersen (Mauritius and France) before joining the CIEL Group in January 1992. He played an active role in the management and development of the different group's clusters in Mauritius and internationally before being nominated Group Chief Executive of CIEL Limited on 1 January 2017.

Directorships in other listed companies: Alteo Limited, CIEL Limited, Phoenix Beverages Limited (Alternate Director)

ALEXIS CAUDE

Non-Executive Director - Joined the Board on 14 February 2018

Alexis Caude is a French entrepreneur particularly successful in the fields of digital media, hospitality and real estate. He was the founder and Chairman of the Executive Board of NEWSWEB, a leading online publisher that went public in 2006 on the Paris Stock Exchange (Euronext) and was subsequently acquired by the LAGARDERE Group for €74 million. He was also the co-founder of BETCLIC, the leading French online gaming company that was sold in 2008 to seasoned French investor Stéphane Courbit. In April 2015, he sold his last online publishing company to NEXTRADIO. He is the co-founder and owner of VALUESTATE, a mid-scale hotel operator that owns 10 hotels across Europe. He currently serves as Managing Director of private equity fund Adenia Partners. He holds an MBA from Harvard Business School.

Directorships in other listed companies: none

P. ARNAUD DALAIS

Non-Executive Director – joined the Board on 3 December 1991

Member of the Corporate Governance, Ethics, Nomination & Remuneration Committee

P. Arnaud Dalais joined the CIEL Group in August 1977. Under his leadership, the CIEL Group at large has gone through an important growth, both locally and internationally.
He has played and continues to play an active role at the level of the Mauritian private sector and has assumed the Chairmanship of several organisations including the Joint Economic Council from 2000 to 2002 and Business Mauritius from 2015 to 2017. He was appointed Group Chairman of CIEL in 2010 and Chairman of CIEL Limited following the recent reorganisation of the group in 2014. He has chaired the Board between February 2011 and 2017.

Directorships in other listed companies: Alteo Limited, CIEL Limited (Chairman)

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

DIRECTORS' PROFILES (CONT'D)

R. THIERRY DALAIS

Non-Executive Director – joined the Board on 13 February 2017

R. Thierry Dalais has more than 30 years' experience in the financial services and private equity investment industry. He was the co-founder of two private equity investment firms and acted as a key person and principal in numerous private investment programs over the last 25 years. R. Thierry Dalais was also former director and trustee on numerous boards, including listed companies in Mauritius and abroad. He completed degrees in Commerce and Accounting at the University of the Witwatersrand and qualified as a Chartered Accountant in South Africa.

Directorships in other listed companies: CIEL Limited

L. J. JÉRÔME DE CHASTEAUNEUF

Non-Executive Director – joined the Board on 12 November 2014

Member of the Audit & Risk Committee

L. J. Jérôme De Chasteauneuf is a Chartered Accountant of England and Wales and holds a BSc Honours in Economics from the London School of Economics and Political Science. He joined CIEL Group in 1993 as Corporate Finance Advisor and became Head of Finance of the CIEL Group in 2000. He is closely involved with the corporate affairs of the CIEL Group and the major financial re-engineering which accompanies the development of the Group. He was nominated CIEL Group Finance Director on 1 January 2017. He represents CIEL on numerous boards of its subsidiaries.

Directorships in other listed companies: Alteo Limited, CIEL Limited, Harel Mallac & Co. Ltd, C-Care (Mauritius) Ltd

FRANÇOIS EYNAUD

Executive Director – joined the Board on 19 September 2019

François Eynaud is the Chief Executive Officer of SUN since 1 September 2019. Prior to joining SUN, François Eynaud was the CEO of Veranda Leisure & Hospitality ("VLH"), managing the Hotels Division of Rogers Group, where he spent 11 years. Prior to joining VLH, Mr. Eynaud had spent 14 years with CIEL Textile where he was Executive Director at Tropic Knits. François Eynaud was President of AHRIM (the National Hotel Association) in 2013 and 2014. Prior to returning to Mauritius in 1991, François has worked 7 years at SAGEM, France as Export Director, Country Manager in the Caribbean and the UK. He holds a French Business School Diploma (Institut Commercial de Nancy – ICN).

Directorships in other listed companies: none

DIRECTORS' PROFILES (CONT'D)

HÉLÈNE ECHEVIN

Non-Executive Director – joined the Board on 22 June 2017

Member of the Operational Excellence Committee

Since 1 July 2019, Hélène Echevin is the Chief Executive Officer of CIEL Healthcare Ltd which regroups all healthcare activities – C-Care (Mauritius), IMG (Uganda) and Hygeia (Nigeria) of the CIEL Group. In this capacity, she is also the Executive Chairman of C-Care (Mauritius) Ltd and sits on the Board of Directors of CIEL Healthcare. Since joining CIEL in March 2017, she has played a key role developing our healthcare portfolio and leading CIEL's operational excellence journey. Prior joining CIEL, Hélène Echevin worked for Eclosia Group and Harel Mallac Group and counts 17 years of experience in operations and project management, at both company and corporate levels. She holds an engineering degree in Food Technology from Polytech, France and completed her academic skills by an executive management program at INSEAD. Hélène Echevin was the first lady President of the Mauritius Chamber of Commerce. She is a member of the Board of Maurilait Ltd and MARENA.

Directorships in other listed companies: C-Care (Mauritius) Ltd (Chairman)

M.G. DIDIER HAREL

Independent Director – joined the Board on 18 August 2015

Chairman of the Audit & Risk Committee

Member of the Corporate Governance, Ethics, Nomination and Remuneration Committee

M. G. Didier Harel has spent his career in the downstream sector of the oil industry, working for the EXXON and TOTAL Groups. Starting in operational positions, he progressed into general management, first heading up smaller country subsidiaries (in Reunion Island and across Southern Africa), and then progressing to some of the largest under TOTAL's ownership (in South Africa and in the United Kingdom). He also held executive positions in the general management of core activities, on both business support and operational fronts, within TOTAL's subsidiary in France and at Africa/ Middle East Head Office level. After a rich international career spanning over some 34 years, M. G. Didier Harel has retired from the TOTAL Group and has decided to apply his acquired skills and executive management experience in prominent corporates in Mauritius. He holds an MBA (Distinction) from INSEAD (Fontainebleau, France) and a BSc. Eng (First Class Honours) Degree in Chemical Engineering and Chemical Technology at Imperial College of Science and Technology, London. In 1973, he was awarded the Governor's Prize and William Hinchley Medal for Proficiency in Chemical Engineering.

Directorships in other listed companies: MCB Group Limited (Chairman), Terra Mauricia Ltd

J. HAROLD MAYER

Non-Executive Director – joined the Board on 24 July 2014

Chairman of the Operational Excellence Committee

J. Harold Mayer holds a Bachelor in Commerce and is qualified as Chartered Accountant - South Africa. He joined CIEL Textile in 1990 and has been holding key positions within the Group since then. He started his career as Head of Finance of New Island Clothing and was promoted General Manager of Aquarelle Clothing Ltd in 1995. He was also Chief Operating Officer of the clothing operations. He is the Chief Executive Officer of CIEL Textile.

Directorships in other listed companies: CIEL Limited, Omnicane Limited

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

DIRECTORS' PROFILES (CONT'D)

OLIVIER RICHÉ

Non-Executive Director – joined the Board on 22 June 2017

Member of the Corporate Governance, Ethics, Nomination and Remuneration Committee

Member of the Investment Committee

Olivier Riché is a member and the President of the Supervisory committee of Dentressangle Foncière Immobilière, a real estate investment company wholly-owned by Dentressangle (Holding company of the Dentressangle Family). Prior to joining Dentressangle Foncière Immobilière in 2016, Olivier Riché has been Managing Director of Foncière de Paris for 30 years. He is a member of the Corporate Governance of several companies as Axa Mutuelle Vie and IARD, Mutuelles le Conservateur. Olivier Riché is a graduate in Business and Corporate Law.

Directorships in listed companies: none

JEAN-LOUIS SAVOYE

Non-Executive Director – joined the Board on 22 June 2017

Member of the Audit & Risk Committee

Member of the Operational Excellence Committee

Jean-Louis Savoye is Deputy General Manager of the Dentressangle, a French société par actions simplifiée which is the investment holding company of the Dentressangle family. He has been instrumental in helping Dentressangle to realise its investment strategy during the last 15 years. Prior to joining Dentressangle in 2003 as CFO, Jean-Louis Savoye, served with PwC and ran due-diligences acquisitions in M&A for various Private Equity firms and French leading industrial companies. Jean-Louis Savoye is a graduate of the Toulouse Business School with a major in Finance.

Directorships in listed companies: Tessi

NADERASEN PILLAY VEERASAMY

Independent Director – joined the Board on 24 July 2014

Member of the Audit & Risk Committee (Committee he has chaired from 13 February 2015 until 30 June 2016)

Chairman of the Corporate Governance, Ethics, Nomination & Remuneration Committee

Born in 1957, Naderasen Pillay Veerasamy holds an LLB degree from the University of Buckingham in the United Kingdom. He was called to the Bar at Middle Temple in 1982. In 1989, he completed his Masters in Private Law at Université de Paris II (Assas) and thereafter sat for examinations for attestation as Barrister at La Cour d'Appel de Paris in 1990. He practised as Barrister-at-Law in Mauritius from 1982 to 1987. He started practice in Paris, France, and joined SCP J. C. Goldsmith & Associates, and thereafter SCP Azéma Sells both firms of lawyers at the Paris Bar. In 1995, he created his own Chambers in Paris exercising mainly in Business Law. In 1997 he participated in the setting up of the Chambers Fourmentin Le Quintrec Veerasamy et Associés, comprising now of 8 associates and dealing with litigation, arbitration and Business Law. He is also a member on the Comité Français d'Arbitrage and the Chambre de Commerce et d'Industrie France Maurice. Since 2014, he is based in Mauritius as partner of the French law firm and resuming his practice at the Mauritian Bar on a permanent basis.

Directorships in listed companies: Ascencia Limited

DIRECTORS' PROFILES (CONT'D)

PIERRE VAQUIER

Independent Director - Joined the Board on 14 February 2018

Chairman of the Investment Committee

Pierre Vaquier has 37 years principal investment and asset management experience. Having worked since 1980 in financial institutions with global activities, all his career was in business positions held in Europe, the US and Asia. Until recently, he was the Chief Executive Officer of AXA Investment Managers-Real Assets (AXA IM-Real Assets), position he held for 10 years. He chaired the Management Board and Executive Committee of AXA IM-Real Assets and was as well member of the AXA Investment Managers Management Board. His responsibilities included the definition of AXA IM-Real Assets strategy and its implementation. Prior to the launch of AXA IM-Real Assets, he was Director of Business Development at AXA Immobilier. His key assignments were the restructuring of real estate investment generated through the property crisis of the late 80's early 90's, the evaluation of Mergers and Acquisition transaction made by the AXA Group and the governance of Equitable Real Estate Investment. Prior to AXA, he spent 13 years at Paribas in different investment and merchant banking functions. After two years as an associate at Paribas International Private Banking, he moved to the US to manage real estate investment made for Paribas and its clients. He set- up a real estate investment and advisory platform based in New York, Paribas Properties Inc. At the different stage of the property cycle, he managed opportunistic investments, work out situation and investment banking assignments. He graduated from HEC in 1980. He is a Director of the listed company Foncières des Régions and member of its remuneration committee.

Directorships in listed companies: none

TOMMY WONG YUN SHING

Executive Director - joined the Board on 12 November 2014

Chief Finance Officer

A BSC graduate from the London School of Economics and fellow member of the Institute of Chartered Accountants of England and Wales, Tommy Wong Yun Shing acquired his working experience as a chartered accountant in UK with Deloitte before returning to Mauritius. As a partner in Deloitte Mauritius, he oversaw the corporate finance department together with the auditing of some publicly listed companies and large corporations. In July 1998, he joined the Executive team of SUN to take over the responsibilities of finance, project studies and the group accounts. As Chief Finance Officer of the Group, he supervises all the finances, legal and treasury of the group as well as some operational responsibilities. Having been President of the Association des Hoteliers et Restaurateurs de l'île Maurice (AHRIM) previously, he is a Board member and acts as the treasurer and chairman of the finance committee.

Directorships in listed companies: none

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

SENIOR LEADERSHIP TEAM

SUN is managed by a skilled team of professionals with different backgrounds and experience from the world of tourism, financial, consulting, management and hospitality.

SENIOR LEADERSHIP TEAM AT HEAD OFFICE

FRANÇOIS EYNAUD

Chief Executive Officer since 1 September 2019

Please refer to the Directors' Profiles.

TOMMY WONG YUN SHING

Chief Finance Officer

Please refer to the Directors' Profiles.

BERNARD FORSTER

Chief Asset Management and Risk Officer

Bernard Forster has more than 25 years of solid hospitality experience. Prior to joining SUN in July 2015, he spent the last seven years with Aujan Group Holding and IFA Hotels & Resorts based in Dubai, where he asset-managed their hotel portfolios situated in the Middle East and Africa. Previously, Bernard Forster gained diverse experience through consulting as Director of HVS Global Hospitality Services, based in London, where he was responsible for Africa, the Middle East and Turkey during his ten-year tenure. Bernard Forster is a graduate of Ecole Hotelier Cesar Ritz, Switzerland; Oxford Brookes University, UK and a Savoy Group alumni. He is an experienced asset manager, with focus on the complete asset life cycle from acquisition to disposal spanning both, operational assets and development projects, in the hospitality field and the wider real estate market. He is an accomplished negotiator of hotel management agreements and has a detailed understanding of the implementation of mixed use projects.

VARUNA RAMLAGUN

Chief Human Resources Officer

Prior to joining SUN in March 2017, Varuna Ramlagun held the position of Secrétaire Générale at Banque des Mascareignes Ltée. Varuna Ramlagun holds a Master's degree in Management from the University of Surrey. She started her career in the HR field at Air Mauritius Ltd where she worked for 8 years. She then moved to Accenture and Mauritius Union Assurance Ltd subsequently. She has led the merger between Mauritius Union Assurance Co. Ltd and La Prudence Mauricienne Ltée on the Human Resources aspect. She joined Banque des Mascareignes Ltée in August 2012 as Head of Human Resources and was promoted as Secrétaire Générale in April 2015.

ABDOOL KADELL

Chief Information Officer

Abdool Kadell's core skills and experience is in Information Technology, Business Process Optimisation and Project Management, which include leading large IT and Non-IT Projects where he has over 16 years of professional experience. His experience base covers over 7 sectors including Banking, Insurance, Telecommunications, Hospitality, Healthcare, Petrochemicals and Automotive. Prior to joining SUN in July 2017, he occupied several positions both locally and internationally at the Mauritius Commercial Bank, KPMG, PricewaterhouseCoopers and more recently, at African Alliance Group as Chief Information Officer. He holds a Master's Degree in Business Administration from Coventry University, England and BSc Honors Computing Science from the University of Greenwich, England.

ALEXANDRE HULEN

Vice President – Sales & Marketing

Alexandre Hulen joined SUN on 13 March 2018 as Vice President of Sales & Marketing. He holds a BA (Hons) in Business Studies and has an extensive and rich experience, over 18 years within the hospitality industry, mainly in London, Seychelles, Maldives, Indonesia and Dubai. Prior to joining SUN, he was at the One & Only Royal Mirage, Dubai, where he held the position of Director of Sales & Marketing for more than 5 years.

Alexandre Hulen has also an extensive experience of the Maldives for more than 4 years as Cluster Director of Sales & Marketing for Anantara Resorts & Spas and Naladhu, Maldives and for the opening of the 2 Jumeirah Hotels & Resorts in Maldives. Alexandre Hulen is responsible of establishing the commercial strategies of SUN Resorts with a focus on the Mauritian market but also on the Asian, Middle Eastern, South African, Russian & CIS and East European markets where he has an extensive experience. The goal will be to grow SUN Resorts positioning and market share within the luxury hospitality industry and ultimately allow a further development with new hotels & resorts management contract acquisitions.

SENIOR LEADERSHIP TEAM - EUROPE

ALEXANDRE ESPITALIER NOËL

Vice President of Sales & Marketing, European Markets and Managing Director of Soléa Vacances SA

Alexandre Espitalier Noël reckons 20 years of experience in the hospitality world, T.O and travel agency. He started his career with SUN as Director of Sales in 2007 and was then promoted as the VP of Sales & Marketing for the European Markets in 2017, while retaining his position as Managing Director for Tour Operator, SOLEA Vacances. He started his career in 1995 as Sales Manager at Beaux Songes Tour Operator/Travel Agency and then moved to 'Naiade' Resorts in 1999 as Sales & Marketing Manager for the European Markets. His extensive experience in the field is completed by his Diploma in Management from ESSEC, specialising in Marketing and INSEAD diplomas first in Management and second in Finance.

GENERAL MANAGERS OF HOTELS MANAGED BY SUN

JEAN MARC MA-POON

General Manager of Long Beach

Jean-Marc Ma-Poon was appointed General Manager of Long Beach Mauritius in July 2016. He holds a Bachelor of Science in International Hospitality Management from Glion Hotel School, Switzerland. He has over 20 years' experience in the hotel industry mainly with Starwood Hotels and Resorts, spanning over 8 countries. In 2012, he was appointed Hotel Manager of W Retreat & Spa Bali, Seminyak. Prior to Long Beach, he has held the position of General Manager at Anantara Kihavah Villas and W Retreat & Spa, both in the Maldives.

NICOLAS BLANDIN DE CHALAIN

General Manager of Sugar Beach

Nicolas Blandin de Chalain was appointed General Manager of Sugar Beach Hotel on 19 January 2015. He has been with SUN for 22 years and started as Sales Manager in the M.I.C.E Department in July 1997 before being promoted to Resident Manager at Sugar Beach in 2000. In 2002, he joined the Corporate Office as Regional Sales Manager and was appointed General Manager of La Pirogue in May 2005. He spent 5 years as General Manager of La Pirogue between 2005 and 2010 before his appointment as General Manager of Long Beach in 2010. Subsequently, he returned to the corporate office as the Chief Sales Officer and Chief Marketing Officer. He holds a Bachelor of Commerce from the University of Natal and a Bachelor of Business Science from Rhodes University, RSA.

ANDREW SLOME, OBE

General Manager of La Pirogue

Andrew Slome has more than forty years' experience with the SUN Group and is currently the General Manager at La Pirogue. He was General Manager of Sugar Beach between from 1999 until January 2015 when he was transferred to La Pirogue Resort and Spa, where he brought his highly engaging vision of management to the team. More recently, he has overseen the renovation of La Pirogue which reopened in August 2017. Andrew Slome received the award of General Manager of the Year, and honorary citizenship of the village of Flic-en-Flac and Moka District and ultimate accolade of an OBE (Officer of the Most Excellent Order of the British Empire) from Queen Elizabeth II in recognition for his services to the tourism industry in Mauritius. In January 2012, he was appointed Honorary Consul of the Republic of Slovenia.

VIREN GOVINDA CHETTY

General Manager of Ambre

Viren G. Chetty was appointed General Manager of Ambre Hotel since 1 December 2018. He holds a BSc (Hons) in Economics and a Diploma in Hotel Management and over 20 years of proven extensive and rich experience within the hospitality industry. He started his career with SUN in 1997 in the Quality Department as Project Coordinator and since then grew with the Group in various positions and in different hotels. Viren's work experience encompasses Quality Assurance, Food and Beverage and Room Operations. His latest position is that of Resort Manager at Sugar Beach (appointed in 2016). Through his challenging roles within our Company, Viren G. Chetty evolved as a professional and reliable SUN leader by always living and inculcating our core values. He is respected for his expertise in hotel operations, renovation projects as well as his ability to drive innovation and outstanding guest experience.

CLENCY ROMEO

General Manager of Kanuhura (Maldives)

Clency Roméo joined the SUN Group in April 1989 and has been very much involved within the Food & Beverage sector and the Quality Management process both at La Pirogue and Le Touessrok. He is the General Manager of Kanuhura – A Sun Resort, Maldives since July 2017. He has been Resort Manager and Resident Manager of La Pirogue prior his appointment as General Manager in 2013. He also took over Ambre as General Manager in January 2015. Clency Romeo holds a Diploma in Hotel Management and is known for his great Leadership skills. In the Year 2000, he successfully completed a Management Course at Cornell University, New York, USA. He has also been a mentor for several Training and Quality projects & certifications being himself an experienced and certified trainer in the Hospitality field.

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

GENERAL MANAGERS OF HOTELS MANAGED BY INTERNATIONAL HOTEL OPERATORS

MICHEL VOLK

General Manager of Four Seasons Resort Mauritius at Anahita & Vice President Residential Operations (Europe Middle East Africa – EMEA)

Michel Volk is the General Manager of the Resort, since September 2016 and Vice President – Residential Operations for EMEA since 1 January 2019. He holds a diploma "EHL" in Hotel Management from Ecole Hotelière de Lausanne in Switzerland and has been working for the Four Seasons Group since 1996. Prior to moving to Mauritius, Michel Volk was the General Manager of Four Seasons Resort Bora Bora in French Polynesia, role he was assuming since September 2013.

GERHARD HECKER

General Manager of Shangri-La's Le Touessrok Resort & Spa, Mauritius

Gerhard Hecker has been appointed General Manager of Shangri-La's Le Touessrok Resort & Spa, Mauritius since 27 September 2017. During his 24 years of experience specialising in the management of luxury five-star hotels and resorts, Gerhard Hecker has also worked in various Shangri-La properties over the last decade, namely at Futian Shangri-La in Shenzhen, Shangri-La Jakarta and Shangri-La Hotel Dubai.

PROFESSIONAL DEVELOPMENT

As part of their duties as directors, it is critical for Board members to have a thorough knowledge of the environment within which the Group operate. Directors continuously receive information on the industry, benchmarks to industry players, tourism statistics, trip advisor's trends etc., as part of their Board packs. Apart from these, no training has been offered to the Directors.

SUCCESSION PLANNING

The Board assumes its responsibility for succession planning which is a systematic effort and process of identifying and developing candidates for key leadership positions over time to ensure the continuity of management and leadership in an organisation. The objective of succession planning is to ensure that the organisation continues to operate successfully when individuals occupying critical positions and hard to replace competencies depart. As part of its terms of reference, the Corporate Governance, Ethics, Nomination & Remuneration Committee has reviewed the succession plan for key executives of the Group. Top 20 roles, the Senior Management team, were, in the first place identified to kick-start the succession planning process as part of a long-term initiative to prepare potential candidates. The job incumbents in the current Top 20 roles (except the new recruits) went through an evaluation exercise with Labeille Conseil in view of assessing their potentials as well as understanding their ambitions to better address their personal career development plan. The outcome of this exercise has also been considered.

The Chief Human Resources Officer also carried out:

- a Talent Management Review in collaboration with the General Managers in Business Units (for employees at Head of Department level); and
- a career chat with the Head of Departments, both to understand their ambitions and as career counselling.

The output of this exercise was also considered in the identification of the successors.

The successors were identified in 4 categories, namely:

Emergency

The individual is ready to step in to the role/job/position in case of an emergency vacancy but may not be the most suitable successor long-term. Typically oversees role for 3-6 months pending permanent replacement.

Ready Now

This indicates that this employee was in the highest level of readiness and could transition into the role with minimal development.

Ready C+1

The employee would be ready for the role within the next two to three years and may include one additional role or assignment for development purposes.

Ready C+2

The employee will be ready for the role in 3 to 5 years and may include one or two additional roles or assignments for development purposes.

PRINCIPLE 4: DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

LEGAL DUTIES

Directors are made aware of their legal duties upon their appointment and are reminded of same annually when asked to update the register of interests. Several documents and policies have also been implemented to guide them, namely the code of conduct, conflict of interest/related party transactions policy, share dealings policy and board charter.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A liability insurance cover for Directors and Officers has been subscribed for by SUN and its subsidiaries, as part of the CIEL Group insurance cover.

CONFLICT OF INTERESTS/RELATED PARTY TRANSACTIONS POLICY

Transactions with related parties are disclosed in the financial statements. A Conflict of Interest/Related Party Transactions Policy has been approved by the Board to ensure that the deliberations and decisions made by SUN are transparent and in the best interests of the Company. It also aims to protect the interests of the Officers from any appearance of impropriety and to ensure compliance with statutory disclosures and law. Notwithstanding the above, Directors of SUN are also invited by the Company Secretary, on an annual basis, to notify the Company of any direct and interest in any transactions or proposed transaction with the Company. Declarations made by the Directors are entered in the interests' register which is maintained by the company secretary and which is available for inspection by the shareholders upon written request to the company secretary.

INFORMATION, INFORMATION TECHNOLOGY AND INFORMATION SECURITY GOVERNANCE

Board Information

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

Information Technology Policy

There are formalised Information Technology and Information Security Policies in place currently at Sun which is updated on an annual basis. An IT Steering Committee ("ITSC") composed of representatives of management ensures that companies within the Group are involved in critical information technology decision-making which are based on organisational goals. The ITSC meets on a half yearly basis, at which, major information technology investments are considered for approval.

A budget for information technology is allocated annually, based on business needs for the financial year. A clear process has been determined to drive Information technology projects from start to end, while adopting a cost/time effective approach.

EU General Data Protections Regulations ("EU GDPR")

In compliance with new data protection laws, EU GDPR and the Data Protection Act 2017, SUN has worked on a Group Data Privacy Policy and Personal Data Breach Policy ("the Policies") with a view to promote a privacy culture within the Group and ensure that all clusters, business units and employees protect the privacy of personal information of individuals in their daily operations. The Policies were reviewed by the ARC and further approved by the Board on 19 September 2019. The Policies define the Group's requirements regarding the collection, storage, use, transmission, disclosure to third parties and retention of personal information. SUN's Group Risk and Quality Assurance Manager has been designated as the Group Data Protection Officer.

SHARE DEALING POLICY

The Directors ensure that their dealings in the shares of the Company are conducted in accordance with the principles of the Model Code for Securities Transactions by Directors of Listed Companies, as detailed in Appendix 6 of Listing Rules of the SEM. In that spirit, the Board has approved a Share Dealing Policy that reiterates the procedures to provide clear guidance to the Directors and Officers of SUN on the practice to be followed when dealing in shares of the Company to avoid the abuse of price-sensitive information (insider dealing). Directors are strictly prohibited to deal in shares of the Company during close periods.

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DIRECTORS' INTERESTS IN THE SHAREHOLDING OF THE COMPANY AS AT 30 JUNE 2019

	Direct	Indirect
Jean-Pierre Dalais (Chairman)	192,301	17,266
David J. Anderson	Nil	Nil
Alexis Caude	Nil	Nil
P. Arnaud Dalais	139,273	23,656
R. Thierry Dalais	Nil	Nil
L. J. Jérôme De Chasteauneuf	Nil	6
Hélène Echevin	Nil	Nil
M. G. Didier Harel	Nil	Nil
J. Harold Mayer	349,829	340
Olivier Riché	Nil	Nil
Jean-Louis Savoye	Nil	Nil
Pierre Vaquier	Nil	Nil
Naderasen Pillay Veerasamy	Nil	Nil
Tommy Wong Yun Shing	331,048	11,180

During the year under review, the following Directors increased their shareholding in the Ordinary Shares of the Company as follows:

	Direct	Indirect
	No. of Shares	No. of Shares
Jean-Pierre Dalais (Chairman)	-	6
Tommy Wong Yun Shing	-	6,500

BOARD ASSESSMENT

The services of EY were retained to perform a Board assessment over the review period 1 July 2018 to 30 June 2019. The following steps were followed:

STEP 1

- EY, in collaboration with the Company Secretary and the Corporate Governance, Ethics, Nomination & Remuneration Committee ("CGENRC"), designed a self-assessment survey questionnaire based on key criteria for assessment of the Board effectiveness in line with the eight principles underpinning the National Code of Corporate Governance for Mauritius (2016). Areas covered in the assessment previously conducted 2 years back were taken into consideration to avoid duplication and place emphasis where improvements were required. Open-ended questions were also included in the questionnaire.

STEP 2

- An online electronic version of the survey questionnaire was released to the Directors with a deadline for completion. Anonymity of the survey respondents was preserved.

STEP 3

- Meetings were held with a sample of no more than 5 directors of the Board and Sub-Committees to discuss their responses to the questionnaire. This, to ensure the correct interpretation of the results and feedback, allowing EY to understand their experiences and dive deeper into some of the open questions contained in the questionnaire.

STEP 4

- A report was issued covering both points of conformity, strength as well as points of non-conformity and improvement opportunities. The report also contained proposed remedial actions to address exceptions noted. In doing so, EY provided a list of training requirements for Directors to ensure they remained up to date on topics relevant to their role as directors of SUN.
- The report was reviewed by the CGENRC, in the presence of EY.

STEP 5

- The report was shared with the Board.
- An action plan was defined, based on the outcome of the report to address gaps identified.

REMUNERATION POLICY

The underlying philosophy is to set remuneration at the right level to attract, retain and motivate high calibre personnel and reward in alignment with their individual as well as joint contribution towards the achievement of SUN's objective and performance, whilst taking into consideration the current market conditions and the Company's financial position. The Directors are remunerated for their knowledge, experience and insight given to the Board and Committee. The fees paid to the Directors are submitted to the Board's approval upon recommendation from the Corporate Governance, Ethics, and Nomination & Remuneration Committee.

BOARD AND COMMITTEE FEES

The following Directors' fees were approved by the Board on recommendation of the Corporate Governance, Ethics, Nomination & Remuneration Committee for the financial year under review:

- Director fee - Rs 150,000
- Chairman of the Audit and Risk Committee - Rs 300,000
- Other members of the Audit & Risk Committee - Rs 150,000
- Chairman of the Corporate Governance, Ethics, Nomination & Remuneration Committee - Rs 200,000
- Other members of the Corporate Governance, Ethics, Nomination & Remuneration Committee - Rs 50,000
- Chairman of the Investment Committee - Rs 300,000

P. Arnaud Dalais, Jean-Pierre Dalais, L. J. Jérôme De Chasteauneuf and Hélène Echevin are remunerated by CIEL Corporate Services Ltd, which holds a service agreement with SUN for the provision of strategic support & Group strategy harmonisation, legal, company secretarial and payroll services. They therefore do not perceive Board and Committee fees.

Non-Executive Directors have not received remuneration in the form of share options or bonuses associated with the Company's performance.

In addition to Directors' fees, Directors are encouraged to experience SUN's resorts and quality standards to assess management's performance and receive an annual hotel and golf allowance. Unused allocations during the year are not carried forward to the following year. They do not perceive Board fees.

To retain and reward its executives while strengthening the mutuality of interests between the latter and the Company, Executive Directors are entitled to a long-term incentive plan, the details of which are included under note 21(b) of the financial statements.

The Board believes that the remuneration of individual directors is sensitive information and has resolved not to disclose such information in the Annual Report. For the remuneration and benefits received, or due and receivable by the Directors of the Company and its subsidiaries as at 30 June 2019, please refer to the section Statutory Disclosures made pursuant section 221 of the Mauritius Companies Act 2001.

FIND OUT MORE

https://www.sunresortshotels.com/en

- Share Dealing Policy
- Conflict of Interest / Related Party Transactions Policy

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

RISK MANAGEMENT

The Board is ultimately accountable for ensuring that the Company develops and executes a comprehensive and robust system of risk management. The Audit & Risk Committee is mandated by the Board to monitor the Company's risk management process and systems of internal control.

The Company's risk management and internal control systems are designed to meet the Company's needs and manage the risks to which it is exposed. It should however be noted that such risks cannot always be eliminated and that systems can only provide reasonable, but not absolute outcomes. The systems can never completely protect against such factors as unforeseeable events, fraud and errors in judgement even after due consideration.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Company's internal controls and risk management system aims to support the achievement of business objectives and protect its business, in particular:

- Its business model, brand and reputation across key stakeholders;
- The delivery of strategy, commercial targets and plans for change;
- The safeguarding of physical assets, people, systems and processes.

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

INTERNAL CONTROLS AND RISK MANAGEMENT (CONT'D)

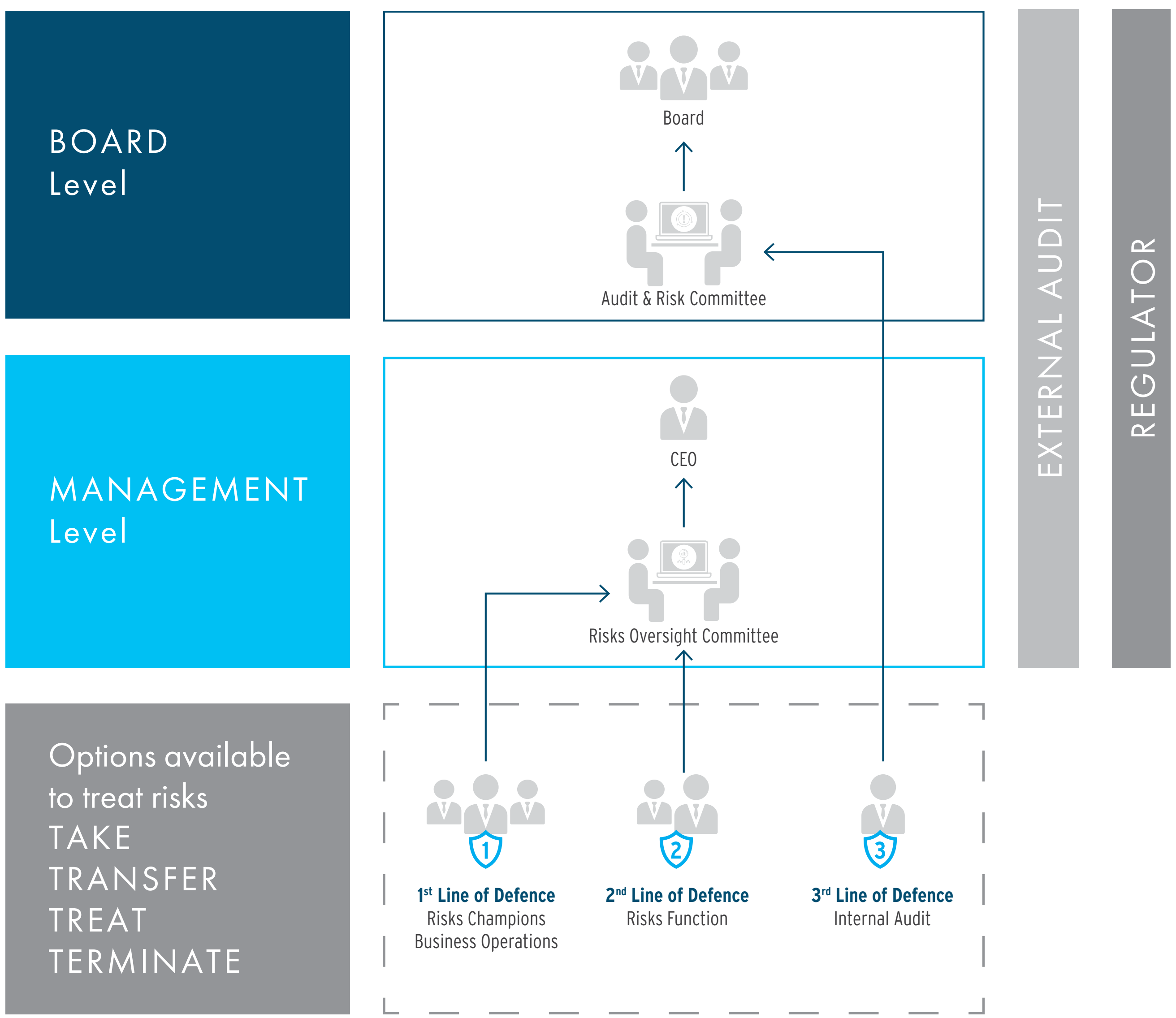
The risk environment that SUN operates in can be difficult to predict and is rapidly changing. There are many risks that could impact the Group's business model and reputation and, therefore, the Company is giving emphasis to developing its reputation risk management capability and strengthening its culture of doing business responsibly.

The key features of the Company's risk management system are:

- Embedded risk management processes to consistently identify and manage key risks to the business;
- A holistic approach to risk assessment applied through strategic, operational, compliance and financial risk perspectives;
- Risk strategies, controls and outcomes that support the business and reduce unnecessary risk exposure;
- A risk and crisis management culture focusing on training.

Risk Management Structure and Process

The risk management governance structure and associated lines of communication that apply to the Company are illustrated in the graph below.



The roles of each of the components in the above graph are explained in more detail below.

Board of Directors ("Board"):

- To determine the nature and extent of the principal risks it is willing to take to achieve the Company's strategic objectives.
- To ensure that an appropriate risk culture has been embedded throughout the organisation.
- To govern and oversee SUN's Enterprise Risk Management ("ERM") system.
- To be responsible for the effectiveness of SUN's ERM system.
- To ensure a top-down ERM system that addresses key risks across each cluster (and at group level) and elevates risk discussions to the strategic level.
- To produce a strategy statement that clarifies risk appetite, risk ownership and the strategies to tackle key risks.

Audit & Risk Committee:

- To require that key risks are reported in a manner that is efficient and accurate.
- To require that risk heat maps and an in-depth prioritised analysis of key risks are produced.
- To challenge management on the completeness of the risk population identified and any emerging risks that may have been overlooked.
- To oversee that actions formulated by management to reduce risks within tolerable levels are implemented effectively and on a timely basis.
- To ensure that the dotted line between the Board and the risk management function is effective.
- To obtain reasonable assurance on the effectiveness of SUN's ERM system.
- To ensure that SUN's ERM system is aligned to the strategy statement produced by the Board.

Chief Executive Officer:

- To take overall responsibility for implementing an ERM system throughout SUN. This includes embedding risk management in the corporate business processes of SUN, such as:
  - Strategic planning
  - Financial planning
  - Capital projects
  - Policy making and review
- Performance management (i.e. ensuring strategic objectives are met)
- To appoint Risk Champions.
- To lead by example and to oversee the adherence to SUN's risk management process and establish a 'risk aware culture'.
- To appoint at least one executive to sit on the ROC.

Risk Oversight Committee ("ROC"):

- To review and ratify all risk related information, as produced by the risk champions, before it reaches the Audit & Risk Committee.
- To challenge risk champions on the completeness of the risk population identified and any emerging risks that may have been overlooked.
- To prioritise the risks identified.
- To ensure actions are formulated, with clearly defined accountabilities and timelines to mitigate risks to within tolerable levels.
- To ensure the timely and effective implementation of these actions.
- To assist in ensuring key risks are reported in a manner that is efficient and accurate.
- To assist in ensuring that risk heat maps and an in-depth prioritised analysis of key risks are produced.
- To assist in ensuring that the risk management department fulfills its duties.
- To assist in ensuring that SUN's ERM system is effective.
- To ensure that the risk champions fulfill their duties.

Group Risk Officer ("GRO"):

- To ensure and continually evaluate the effectiveness of SUN's ERM system.
- To ensure that the risk management department fulfills its duties.
- To assist in ensuring the risk champions fulfill their duties.
- To ensure key risks are reported in a manner that is efficient and accurate.
- To ensure that risk heat maps and an in-depth prioritized analysis of key risks are produced.
- To keep all risk champions informed on risk-related matters.
- To be responsible for staff training concerning ERM.
- To attend and play a vital role on every ROC meeting.
- To report to the Audit & Risk Committee.
- To be the Risk Champion for SUN's Corporate Services.
- To assist the Board in the construction of the strategy statement that clarifies risk appetite, risk ownership and the strategies to tackle key risks.

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

Risk Champions:

- To perform their respective risk assessments.
- To oversee in liaison with risk owners that controls are put in place to mitigate their key respective risks to within tolerable levels.
- To continuously monitor their respective risks and controls.
- To nurture a culture of risk management within their designated area of business.
- To sit on the ROC and report on risk-related matters concerning their designated area of business.

Employees/Business Operations:

- To adhere to SUN's risk management process.
- To report directly to a risk champion within their designated area of business on any matters relating to ERM (e.g. risks identified, control gaps, incidents etc.).

Internal Audit:

Internal Audit's role is to provide an independent assessment of the adequacy of Risk Management by:

- Ensuring that the internal audit scope and procedures follow a risk-based approach.
- Commenting on the adequacy and effectiveness of the methodology and processes of risk identification and evaluation.
- Commenting on the proposals for implementation of risk management and expressing an opinion on their overall adequacy.
- Evaluating the adequacy and effectiveness of controls in each area of major risk.
- Commenting on the effectiveness of SUN's control framework based on audits conducted.

SUN's risk management framework ("RMF") is based on the following principles:

Risk management must:

- Create and protect value;
- Be a culture and form an integral part of the organisation;
- Be part of the decision-making process;
- Address uncertainty in a systematic, structured and timely manner using the best available information;
- Be transparent and consistent throughout the organisation;
- Be versatile;
- Have clearly defined accountability.

SUN's RMF is designed to identify, measure, manage, monitor and report the significant risks to the achievement of our business objectives. It is embedded throughout the Company and is codified through risk policies, ERM manual and business standards, which set out the risk strategy, appetite, framework and minimum requirements for the Company's operations.

Each major business unit within the Company conducts a quarterly risk review and an annual risk assessment and updated their respective risk control register ("RCR"). The core risk team in each business unit consists of the General Manager, who acts as the Risk Champion, Financial Controller, Resort Manager, Head of Engineering and Quality Assurance Manager. This team is supported by functional heads at each business unit. Separate business unit functional risk sub-committees exist, that provide a bottoms-up approach to the identification of risks and updates on progress made in implementing appropriate mitigating controls.

The Company's Risk Officer, and the Group Risk and Quality Assurance Manager attend monthly business unit risk meetings with the respective business unit risk champions and their core risk team to review progress in executing action plans that ensure appropriate mitigating controls are in place, determine the materiality of new risks identified and review the key risk indicators ("KRIs") of the business unit. In preparation of this meeting the business unit risk champion meets with his operational management teams and departmental risk sub-committees.

KRIs for each business unit and the corresponding risk appetite and tolerance levels are defined. A monthly KRI dashboard is completed for each business unit, which is reviewed at the monthly risk meetings. KRI's are a powerful tool that provide the following:

- Quantifiable early-warning signals, that allow for more time to prepare risk mitigation programs
- Timely monitoring of potential or emerging risks
- Clear perspective into an organization's risk position
- Better insight into the root cause of risks
- Awareness on risk patterns and trends

The Company's RCR is based on a consolidation of the operational, strategic, financial and compliance risks from each business unit and at corporate level, to ensure all risks are identified, inherent risk scores are appropriate, risk heat maps updated, extent to which appropriate mitigating controls with relevant capabilities are in place is understood and accurate and timely reporting is achieved. The Risk Oversight Committee reviews the company's risk register on a quarterly basis.

A quarterly risk report is issued by the Risk Oversight Committee to the Audit & Risk Committee containing the following:

- Updated Summary Risk & Control Register.
- Risk Heat Map.
- Comments to be escalated.
- Potential exception reports.

Principal Risks Descriptions

The Company's risk profile remains dynamic – SUN continues to face inherent uncertainties linked to a challenging external environment. The Company's cost optimisation plans to protect the bottom line, organisational changes and focus on strategic initiatives and compliance have also required SUN to evaluate and evolve its risk management system to maintain an appropriate level of control within its levels of risk tolerance.

The key risks that could affect the Company and the way in which each of these are managed are set out below. Principal risks can generally be divided into strategic, operational, compliance and financial risks:

- Strategic risks - Risks related to the uncertainties and untapped opportunities embedded in the corporate strategy.
- Operational risks - Operational risks relate to the internal operations of the Company, including business processes, organisational structure, culture, systems and people.
- Compliance risks - Compliance risk is exposure to legal penalties, financial forfeiture, material loss and reputation damage to the company when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.
- Financial risks - Financial risks relate to threats to the financial health of the business, including its liquidity, profitability and gearing levels. They include the risk that the gearing level impacts the liquidity of the Group, its financial results and its ability to exploit investment opportunities.

There are other risks which are not described in this report which could impact the Company, either because they are not currently perceived as material or because they are presently unknown. The year on year ("yoy") trend column shows the change in the risk:

↑ INCREASED ↔ UNCHANGED ↓ DECREASED

Risk Descriptions

Nature of Risk	Mitigation	YoY Trend
Sales & Marketing Strategy Failure to deliver on our sales and marketing strategy could impact SUN's competitive positioning, growth ambitions and reputation with guests and owners.	A review of the sales and marketing structure is in progress, with the view to implement the outcome in 2019/2020. The focus on operational excellence has resulted in service standard improvements, increased product diversity, more experiential stays and significantly improved guest satisfaction, as measured through online guest satisfaction review sites and Leading Quality Assurance (LQA) assessments and benchmarking analysis for the luxury hospitality industry. LQA is the world market leader in quality assurance.	↓
Natural Disasters and Weather Some of the assets are subject to major natural disasters such as floods, cyclones or weather conditions which make it impossible to travel safely to the travel destination, as well as similar circumstances in guest source markets. Contributing factors common to a few hotels include the unpredictability of cyclones and natural defenses against beach erosion compromised due to ocean warming (e.g. coral reef damage, stronger storms).	• Operating losses that may result from natural disasters are covered by SUN's insurance policies related to property damage and business interruption. This cover reduces the impact but not the likelihood of such unpredictable natural events. • Regular fire, tsunami and cyclone drills are conducted at business units to be best possibly prepared. • Sand erosion and rising sea levels are monitored through Environmental Monitoring Plans ("EMP"). • Business continuity plans are in place. • Capital expenditure projects include beach erosion and sedimentation mitigating practices.	↔

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

Risk Descriptions

Nature of Risk	Mitigation	YoY Trend
Hotel Industry Risks The risk that external factors adversely affect the Company's business, many of which are common to the hotel industry and beyond the Company's control, such as global economic uncertainties, political instabilities, Brexit, and an increase in the act of terrorism. More specifically for island destinations, such as Mauritius and the Maldives are accessibility and cost of travelling.	• Although management continually seeks to identify risks at the earliest opportunity, many of these risks are beyond the control of the Company. • The Company tracks major uncertainties which may impact the hospitality industry, and which need to be considered in the strategic and financial planning. • The Company has in place contingency and recovery plans to enable it to respond to major incidents or crises and takes steps to minimise the impact of such risks.	↔
Market Dynamics Risks The travel industry has changed considerably in recent years, the re-emergence of competing destinations that were formerly disrupted by political/terrorist events, new technologies and changes in customer booking behavior and travel expectations are just some examples. Difficulties identifying trends and responding to customer demands and preferences could threaten customer expectations	• The Company invests in areas such as connectivity to third parties, distribution and marketing of its products, e-commerce and technology. During the financial year the Company has embarked on connecting its individual resort room inventory directly to booking engines and wholesalers to speed up reservation processes. • The focus on operational excellence, with emphasis on training in service and soft skills, product development and cross-fertilisation of skills through inter-Resort competitions such as our service excellence awards and staff movement between Resorts is bearing fruit in creating different experiences for our guests. • SUN has reviewed its sales strategy, focusing on attracting demand well in advance to create base business. • We have been liaising with AHRIM, MTPA, and the Ministry of Tourism to lobby government to revitalise Mauritius' marketing strategy, create new messaging, focus on experiential travelers, sustainability, variety of offering of Mauritius as a destination v/s other resort destination.	↔
Failure to Capitalise on Project Investments Inability to realise value from renovations due to ineffective sales & marketing efforts may result in financial targets not being met and undermining stakeholder confidence. SUN is currently renovating the Sugar Beach, where this could be a risk.	• A requirement of all renovation projects is the preparation of a detailed client brief, business plan and sales & marketing plan. • The client brief is prepared by the Resort management in conjunction with the commercial team and relevant corporate functions and acts as a steering document for the architect and Interior Designer, focusing on the positioning of the resort as well as consumer & resort trends, functional and logistical practicalities and health life, safety aspects for the main functional areas of the Resort. • A detailed PR, Sales & Marketing Launch Strategic Plan and budget are prepared and implemented based on the client brief and business plan. • Frequent progress updates on the marketing launch and post launch milestones ensure that the launch and marketing activities go to plan.	↔
Risk of Capital Expenditure Overspent The risk that renovated properties capital expenditure spent is higher than budget, increasing revenues and profits required to achieve company set return on investment thresholds.	During the renovation period, the Company's Governance Framework addresses: • Project steering committees and their roles and responsibilities; • Processes and protocols for authorising hiring of professional team, project's scope, cost increases and requirement changes; • Processes to manage project's risks and issues; • Project reporting protocols.	↔

Risk Descriptions

Nature of Risk	Mitigation	YoY Trend
Leadership and Talent Risk The risk that the hotel is unable to attract, develop and retain talent to instill appropriate behaviours and service levels, resulting in guest dissatisfaction.	• Performance management systems have been enhanced and new recruitment initiatives of talent acquisition were implemented to generate more attractive and relevant candidates, increase length of service, provide internal development opportunities and thereby increase employee engagement. • SUN has implemented the new "SUN Winning Well Training Programme 2018-2020" aimed at uplifting service standards, enhancing leadership and entrepreneurship as well as talent development and retention. • Cluster Training Managers have been hired to drive the implementation of the set standards. • A full induction and integration programme, as well as recognition programme, have been devised and implemented. • Early signs of these measures show that staff engagement has significantly increased, SUN is considered a much more attractive employer and development opportunities are available internally. • Several policies in the Company's code of conduct relate to the management of its people, describing its intolerance for inappropriate behaviours and appropriate adherence to those, helps manage this risk.	↓
Information Security Risk The responsibility is to protect the confidentiality, integrity and availability of data the Company must provide to its customers, employees and suppliers. This is a dynamic risk due to increased global cyber-crime activity and new regulations (e.g. EU GDPR). This risk could impact operations, lead to loss of sensitive data, undermine stakeholder trust and could result in legal action.	• A cyber maturity assessment was conducted with a view to improving the lines of defense and resilience against cyber threats. This assessment resulted in a road map to mature cyber defenses and posture. • The Company has made provisions in its budget to implement the road map over the next 6 months. • Cyber training is planned for employees from September to November 2019. • A data privacy assessment ("GDPR") was conducted with a view to improving the lines of defense and resilience against privacy breaches. This assessment resulted in a road map to mature data privacy controls, policies and guidance, which is currently under implementation. • The Company's data privacy policies have been updated and circulated and full staff training is due for completion by end December 2019. • The Company monitors and updates its information security policies and practices to respond to risks. • The Company recognises the need for an appropriate response to incidents, by developing its incident management capability and working closely with insurers to review the adequacy for risks as its cybersecurity and technology environment evolves.	↔

>CORPORATE GOVERNANCE REPORT

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Risk Descriptions

Nature of Risk	Mitigation	YoY Trend
Asset Maintenance Risk The risk that the assets at the properties of the Company are not adequately maintained, thereby resulting in disruptions in operations and hotel guest dissatisfaction.	• The Company has a significant focus on ensuring its assets are well maintained, a focus of preventative v/s corrective maintenance exists, while measures have been put in place to identify replacement needs early. • Maintenance contracts have been implemented with third parties for most specialist equipment families, while in-house functional specialists are responsible for the maintenance of other equipment. • Strategic capex plans exist, identifying capital expenditure needs of a revenue generation, cost containment, guest satisfaction, employee engagement, and health, life safety nature.	↔
Compliance Risk – Collusion The risk of collusion amongst employees and between employees and guests to defraud the hotel, resulting in financial losses and reputation damage.	• A communication campaign on the Code of Conduct and ethics is performed by the corporate office and business units on an annual basis and as part of the on-boarding of any new employees. • Various procedures are in place to limit fraud, including regular stock control exercises performed by cost controllers. • A delegation of authority at the business units exists to clarify authorities. • The Company is also considering the introduction of a formal Group-wide mystery shopper programme.	↔
Fixed Operating Expenses A significant portion of the Company's operating expenses, such as payroll & benefits costs, leases, IT telecommunication and utility costs are to a large extent fixed. The likely promulgation of the Worker's Rights Bill in Mauritius risks a further increase in fixed expenses, reducing operating profits.	• The Company has estimated the payroll impact of the worker's rights bill to be an increase of 3-5% of payroll cost. • At this early stage, the Company is reviewing its future hiring practices and collective bargaining obligations to manage this future cost increase.	↑
Ensuring Health, Safety and Security Failure to maintain appropriate safety and security controls, policies and standards may result in illness and injury to guests and our associates and could result in reputational damage to the business and/or financial liabilities through legal action being taken by the affected parties.	• Providing and supporting a safe and secure environment for the guests, employees and those working at or otherwise visiting SUN's hotels is paramount, and therefore the Company applies high standards of health and safety across the Group. • The Company ensures the protection and wellbeing of those working for SUN through suitable work-based strategies; minimises the risk of injury from work activity; ensures that sufficient information and systems are in place to address health and safety concerns; and involves employees in the continuous improvement, reporting and review of health and safety matters. • The Company has established a set of policies, procedures and measures and require all Resorts to comply with relevant legislation and ISO 22000 food safety management certification. • Hotels are assessed by various methods, including self-assessment, guest satisfaction surveys, building and MEP condition surveys, incident reporting, quality audits and insurance risk surveys. • Hotel management teams discuss issues at monthly safety meetings and develop action plans. Risks are prioritised, responsibilities assigned, and improvement actions identified, progressed and monitored. • Action plans are reviewed as necessary by appropriate members of the team to escalate and drive action or develop common solutions.	↑

Risk Descriptions

Nature of Risk	Mitigation	YoY Trend
Financial Risks Financial risks relate to threats to the financial health of the business, including its liquidity, profitability and gearing levels. They include the risk that the gearing level impacts the liquidity of the Group, its financial results and its ability to exploit investment opportunities.	Measures are in place to closely monitor and continuously mitigate the Group's exposure through the following measures: • Foreign exchange hedging program in place • Revenue and expenses matching by currency • Asset and liability duration matching limits impact of interest rate changes • Asset and liability matching to ensure cash flows are sufficient to meet liabilities • Credit limit framework covering liquidity coverage ratios • Measures are in place, within the existing Group Risk Management Framework, to closely monitor and to the above-referred risks. • These include, inter-alia, managing the following risks: • Foreign exchange risk • Interest rate risk • Liquidity risk • Credit and counterparty risk	↔

WHISTLE BLOWING

SUN fosters a culture of integrity and good governance and encourage all means to achieve same. Employees and suppliers who have genuine concerns about a wrong-doing including, but not limited to, corruption, illegal, fraudulent or hazardous activities and/or violations of law, regulations, the code of conduct or Company policies are encouraged to promptly report them. A reporting mechanism is detailed in the Code of Conduct.

Employees may first raise concerns verbally or in writing with their direct manager or the HR department. If for any reason, they feel that it is not appropriate to make such a report to any of the above-mentioned person or department, they may address their report to CEO. Again, if they believe that in the circumstances, even the CEO is not the appropriate person to whom they can make a report, they may address their report to the chairman of the Corporate Governance, Ethics, Nomination & Remuneration Committee through a dedicated email: whistleblowing@sunresorts.mu.

FIND OUT MORE

https://www.sunresortshotels.com/en | Code of Conduct

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

PRINCIPLE 6: REPORTING WITH INTEGRITY

The Directors affirm their responsibilities in preparing the Annual Report (which is published on the Company's website) and the Financial Statements of the Company and its subsidiaries which comply with International Financial Reporting Standards and the Mauritius Companies Act 2001. The Board also considers that taken, they are fair, balanced and understandable and provide the information necessary for shareholders and other stakeholders to assess SUN's position, performance and outlook. Please refer to the Statement of Directors' Responsibilities.

CHARITABLE AND POLITICAL CONTRIBUTIONS

	Subsidiaries		The Company	
	FY 30 June 2019 Rs'000	FY 30 June 2018 Rs'000	FY 30 June 2019 Rs'000	FY 30 June 2018 Rs'000
Political Donations	-	525	**525**	525
Other	-	-	**50**	-

SUSTAINABILITY

In an age of vanishing resources and extreme polarization, it seemed essential to think about SUN's greater purpose.

Deeply embedded within its DNA, SUN has a desire to move the world forward and create meaningful change within its own company and the communities it serve. Therefore, in the 44 years since SUN was born, it has undertaken innumerable initiatives that have had a direct and powerful impact on its communities, environment, and governance. In 2016, SUN created SUNCARE, an entity built around three primary areas of focus: Community Engagement, Environment and Business Ethics.

SUNCARE isn't just an initiative, an obligation, or a box that SUN checks. It is a philosophy and way of doing things that is embedded at every level of the Group. It is for what really matters.

SUNCARE's mission is to inspire happier communities and a healthier planet by driving measurable and local actions. SUN wants to make an impact and leave the world a better place than when it found it.

As an organisation that embraces ethics, transparency and accountability, SUN has chosen to register SUNCARE as a non-profit organisation that operates independently. SUNCARE focuses on four big projects that consider the Planet and the People: SUN Children Cancer Trust, SUN's local community-based projects, marine conservation, and its endemic trees project, all of which are aligned with the UN's Sustainable Development Goals.

PRINCIPLE 7: AUDIT

EXTERNAL AUDIT

PricewaterhouseCoopers ("PwC") is the external auditor of SUN. PwC was appointed external auditor of the Group, in replacement of BDO & Co, at the annual meeting of shareholders held in December 2017 and has been re-appointed auditor by the shareholders of SUN at the annual meeting held in December 2018.

The Board and the Audit & Risk Committee are satisfied that PwC has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditor, whose report is included in the audited financial statements, is responsible for providing an independent opinion on the financial statements. The external audit function offers reasonable, but not absolute, assurance on the fair presentation of the financial statements. To adhere to the revised International Standards on Auditing, ISA 701, the auditor's report also includes the Key Audit Matters which are those matters that, in the external auditor's professional judgement, are of the most significance in the audit of the financial statements. The list of these Key Audit Matters is taken up for discussion with the members of the Audit & Risk Committee in the presence of the management.

In line with the recommendations of the Code, members of the Audit & Risk Committee met the team of PwC without management's presence. Fees paid to the external auditors for both audit and other services performed during the year are set out in the section other statutory disclosures under Section 221 of the Companies Act 2001.

INTERNAL AUDIT

Internal audit is an independent function which examines and evaluates the activities and appropriateness of the systems of internal control, risk management and governance. SUN has outsourced the internal audit function to Ernst & Young ("EY").

Risk based internal audit plans that typically include internal audit reviews at both corporate and operational levels are developed every year and approved by the Audit & Risk Committee. Internal audit reports on control effectiveness are submitted at the Audit & Risk Committee meetings in line with the agreed internal audit plan. Management formulates and commits to remedial actions with clear timelines and responsible parties to address the findings of the internal auditors. To ensure that the internal auditor remains independent and sufficiently objective, and meets its responsibilities, the internal audit team reports functionally to the Audit & Risk Committee and administratively to the CEO of the Company. The internal auditor has unrestricted access to the Company's records and information, its employees and the management team as required.

The internal audit plan is regularly reviewed by the Audit & Risk Committee and may be subject to changes to ensure that it reflects changes in the risks of the Company.

In their advisory capacity, EY proposed a defined plan to the management team for the implementation of a Risk Management Framework within Sun and its subsidiaries whereby management was ultimately responsible to the Board for the development and execution of a comprehensive and robust system of risk management by ensuring that corrective measures have been clearly formulated with defined accountability lines and setting time lines to mitigate these risks to a tolerable level; and for the design, implementation and monitoring of a sound system of internal controls.

EY also ran a cyber security maturity assessment to gauge the degree of risks faced by Sun in respect of potential cyber threats and came forward with some pre-emptive action points with much emphasis on the provision of adequate training to the employees not on cyber security "per se" but rather on how to continuously improve awareness, by being more alert of potential cyber threats, in order to mitigate risks of cyber-attacks.

In addition, the support of EY has been solicited to accompany management in its endeavor to ensure compliance with the new General Data Protection Regulation ("GDPR") legislations.

> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

PRINCIPLE 8:
RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

SHAREHOLDING STRUCTURE AS AT 30 JUNE 2019

Issued share capital as at 30 June 2019: 194,545,072 no par value ordinary shares, including 20,118,546 treasury shares.

SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2019

Shareholders holding more than 5% of the stated capital of SUN as at 30 June 2019 were

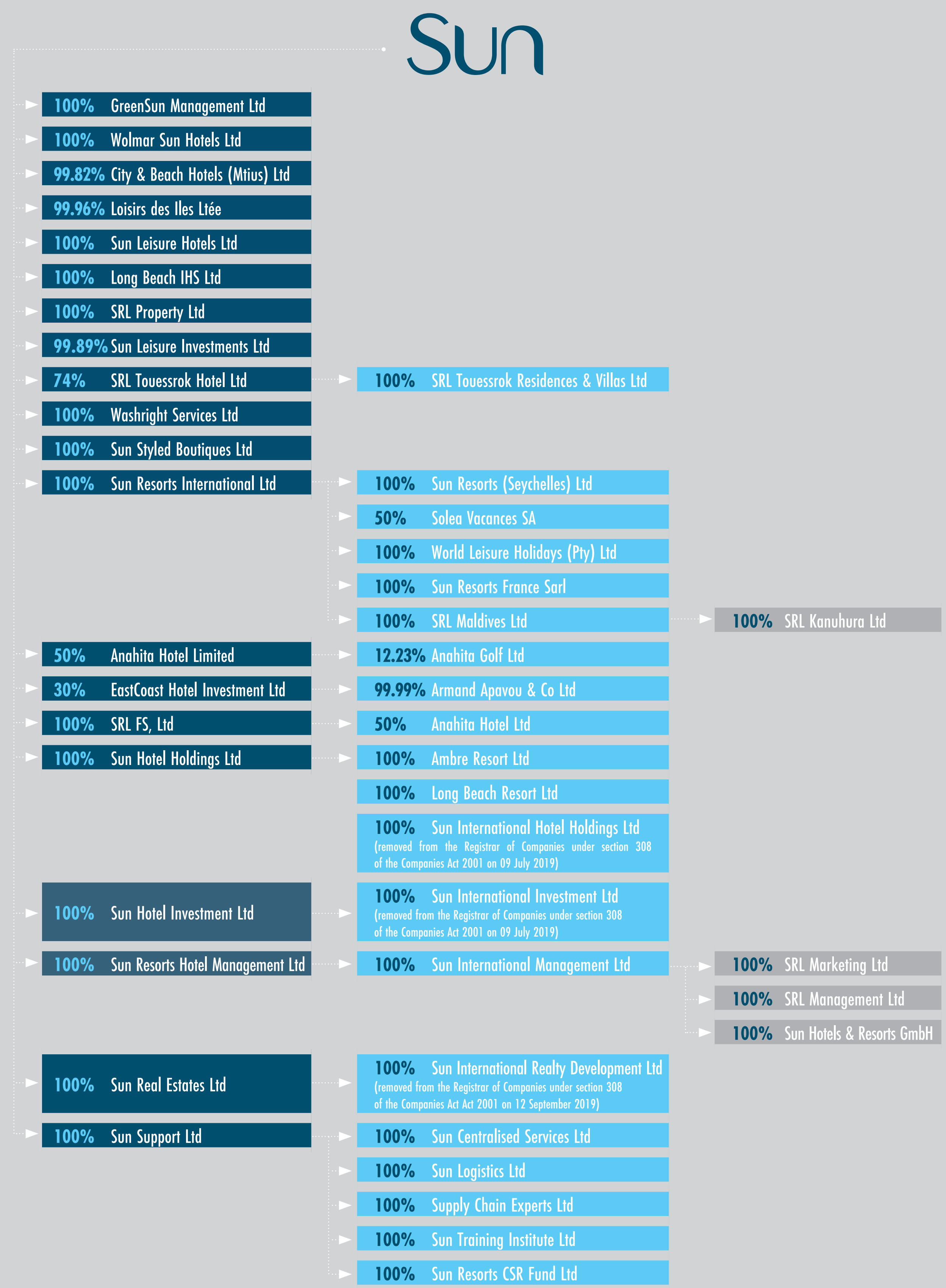
	CIEL Limited	Di Cirne HLT Ltd
Number of Shares Owned	87,387,690	30,558,768
% Holding	50.10	17.52

COMMON DIRECTORS WITHIN THE HOLDING STRUCTURE AS AT 30 JUNE 2019

Name of Directors of SUN	CIEL Limited	Di Cirne HLT Ltd
P. Arnaud Dalais	√*	
Jean-Pierre Dalais	√	
R. Thierry Dalais	√	
L. J. Jérôme De Chasteauneuf	√	
Olivier Riché		Nominee
J. Harold Mayer	√	
Jean-Louis Savoye	√	√

** Chairman*

GROUP STRUCTURE AS AT 30 JUNE 2019



> CORPORATE GOVERNANCE REPORT

YEAR ENDED 30 JUNE 2019

SHARES IN PUBLIC HANDS

In accordance with the Listing Rules of the SEM, more than 25% of the shareholding of SUN is in the hands of the public.

SHAREHOLDER'S AGREEMENTS

CIEL Limited, Dentressangle Initiatives SAS and DI Cirne HLT Ltd have entered into a shareholders' agreement to regulate their respective rights and obligations in respect of their shareholdings in SUN (usual reserved matters, dividend policy, lock up period of 4 years, tag along and drag along rights).

THIRD PARTIES MAIN AGREEMENTS

- SUN holds an agreement with CIEL Corporate Services Ltd (a subsidiary of CIEL Limited – "CCS") for the provision of strategic support & group strategy harmonisation, legal, company secretarial and payroll services to the companies of the Group. An amount of Rs. 8m was paid to CIEL Corporate Services Ltd for the financial year. This fee also covers the time allocation dedicated to SUN by P. Arnaud Dalais, Jean-Pierre Dalais, L. J. Jérôme De Chasteauneuf and Hélène Echevin, who are currently employed by CCS. No Directors fees are paid to them by SUN.
- SUN holds a treasury agreement with Azur Financial Services Ltd (a subsidiary of CIEL Limited) for the provision of cash management services, treasury advisory services and foreign exchange & money market brokerage services to the Group. SUN pays a fixed monthly fee for the cash management together with a variable fee, based on the volume of intercompany transactions processed by Azur Financial Services Ltd for SUN. An amount of Rs. 2.1m was paid to Azur Financial Services Ltd for the financial year.

SHAREHOLDERS' INFORMATION AND CALENDAR OF EVENTS

Event	Month
Publication of first quarter results to 30 September 2019	November 2019
Annual Meeting of shareholders	12 December 2019
Publication of half-yearly results to 31 December 2019	February 2020
Publication of third-quarter results to 31 March 2020	May 2020
Publication of end-of-year results	September 2020

During the financial year, shareholders were convened at the annual meeting on 14 December 2018. The notices, including the agenda, were published in the press, in line with statutory requirements. The resolutions submitted to the approval of the shareholders were all approved.

KEY STAKEHOLDERS

SUN is committed to engage actively with its stakeholders to meet their expectations and interests in an effective and efficient manner. SUN's key stakeholders and the way it has responded to their expectations are described below:

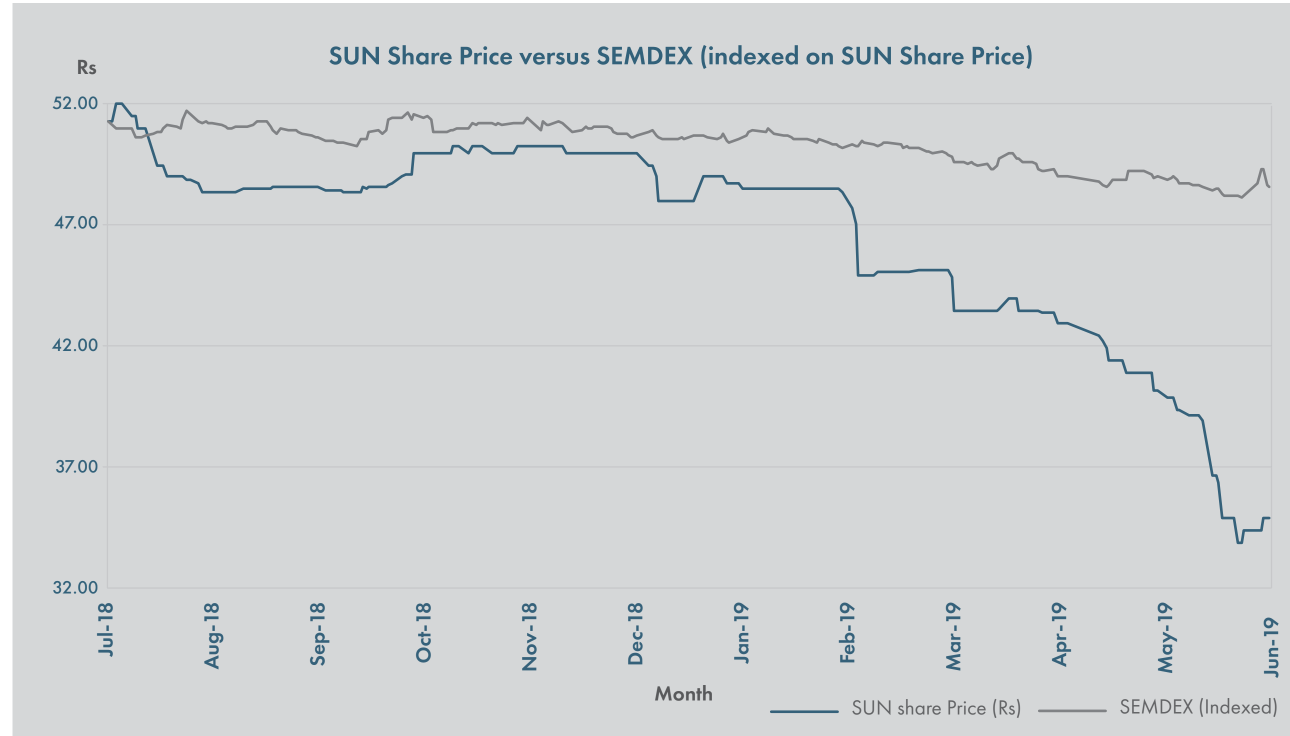
Shareholders	SUN communicates to its shareholders through its Annual Report, Annual Meeting of Shareholders ("AMS"), press announcements, publication of unaudited quarterly, audited abridged financial statements and its website hosted at http://www.sunresortshotels.com/en as well as the SUN magazine (Sundays) which is published on a quarterly basis. The Company's AMS remains foremost the ideal platform for shareholders to interact with Board members and the management team on matters pertaining to SUN and its performance. Shareholders are strongly encouraged to attend the AMS to remain updated on SUN's initiatives/projects and goals.
Financial Partners	Communication with financial institutions and the financial community in general usually takes places through investor meetings on a semi-annual basis following the publication of the quarterly abridged results. The main recurring topic of discussion is financial performance.
Regulators	SUN's business activities are conditional on regulatory requirements meaning that regulators have a high level of influence and interest in the Company's operations. The Company ensures that it complies with regulatory provisions and guidelines in the conduct of its activities.
Employees of the Group	SUN recognises that its workforce is key to its performance and development. During the year, an employee engagement survey has been launched within specific clusters of the Group which provides the basis for improvements in some areas.

DIVIDEND

The Board declared a dividend of Rs 0.75 (seventy-five cents) per share (2018: Rs 0.50 per share) during the financial year, taking into consideration the financial results and the cash requirements of SUN during this development phase.

SHARE PRICE INFORMATION

Development of SUN's share price versus SEMDEX – indexed on a share price of Rs 51.25 on 2 July 2018.



This report has been approved by the Board upon recommendation of the Corporate Governance, Ethics, Nomination & Remuneration Committee.

Jean-Pierre Dalais
Chairman

Naderasen Pillay Veerasamy
Chairman of the Corporate Governance, Ethics, Nomination & Remuneration Committee

Clothilde de Comarmond, ACIS
Group Company Secretary
For and on behalf of
CIEL Corporate Services Ltd

19 September 2019

> OTHER STATUTORY DISCLOSURES

(SECTION 221 OF THE MAURITIUS COMPANIES ACT 2001)

PRINCIPAL ACTIVITY AND HISTORY

The Company was incorporated as a limited company on 10 February 1983 under the name Sun Resorts Limited and changed its name to Sun Limited as evidenced by certificate issued by the Registrar of Companies dated 25 September 2015. SUN is a public company listed on the official market of the SEM and is registered as a Reporting Issuer with the FSC. It is the holding company of SUN Group, an established hotel group in the Indian Ocean, owning and/or managing six resorts in Mauritius (5* Luxury Four Seasons Resort at Anahita, 5* Luxury Shangri-La's Le Touessrok, 5* Long Beach, 5* Sugar Beach, 4* La Pirogue, and 4* Ambre) and one resort in the Maldives (5* Luxury Kanuhura). SUN holds marketing offices in London, Paris and Frankfurt and representations in Milan, Madrid, India, China, and Japan. SUN also owns two in-house tour operators, namely Solea Vacances SA, in France and World Leisure Holidays (Pty) Ltd, in South Africa.

DIRECTORS' SERVICE CONTRACTS

The Chief Executive Officer and Chief Finance Officer hold service contracts with the Company without expiry date. To the best of the Company's knowledge, there was no contract of significance subsisting during the year to which the Company or its subsidiaries was a party and in which a Director was materially interested, either directly or indirectly.

SHAREHOLDING PROFILE

Ownership by Size of Shareholding	Ordinary Shares		
	Shareholder Count	Number of Shares	Percentage Held
1 - 500	8,180	1,199,257	0.69
501 - 1,000	1,464	1,028,731	0.59
1,001 - 5,000	1,516	3,391,967	1.95
5,001 - 10,000	358	2,492,376	1.42
10,001 - 50,000	374	8,131,466	4.66
50,001 - 100,000	57	3,874,325	2.22
100,001 - 250,000	25	3,763,765	2.16
250,001 - 500,000	12	3,929,362	2.25
Over 500,001	20	146,615,277	84.06
Total	**12,006**	**174,426,526**	**100.00**
Ownership by Size of Shareholding	Ordinary Shares		
Category	Shareholder Count	Number of Shares	Percentage Held
Individuals	10,642	12,707,059	7.29
Insurance and Assurance Companies	9	8,552,527	4.90
Pension and Provident Funds	53	19,738,031	11.31
Investment and Trust Companies	989	10,902,104	6.25
Other Corporate Bodies	313	122,526,805	70.25
Total	**12,006**	**174,426,526**	**100.00**

The above number of shareholders is indicative due to consolidation of multi portfolios for reporting purposes.

DIRECTORS' REMUNERATION AND BENEFITS

	The Company		Subsidiaries	
	FY 30 June 2019 Rs'000	FY 30 June 2018 Rs'000	**FY 30 June 2019 Rs'000**	FY 30 June 2018 Rs'000
Directors of the Company				
Executive Directors	**44,428**	30,404	**-**	-
Non-Executive Directors	**950**	856	**-**	-
Non-Executive Independent Directors	**1,450**	1,169	**-**	-
Directors of the Subsidiaries				
Executive Directors	**-**	-	**23,590**	17,989
Non-Executive Directors	**-**	-	**-**	-
Non-Executive Independent Directors	**-**	-	**-**	-

Note: The remunerations for the Executive Directors include a one-off compensation for the CEO in respect of services rendered.

DIRECTORS OF SUBSIDIARIES AS AT 30 JUNE 2019

Company	Directors
Ambre Resort Ltd	David J. Anderson
City & Beach Hotels (Mauritius) Ltd	Jean-Pierre Dalais
Loisirs des Iles Ltée	Tommy Wong Yun Shing
Long Beach IHS Ltd	
Long Beach Resort Ltd	
SRL Kanuhura Ltd	
SRL Property Ltd	
Sun Centralised Services Ltd	
Sun Hotel Holdings Ltd	
Sun Hotel Investment Ltd	
Sun International Hotel Holdings Ltd	
Sun International Investment Ltd	
Sun International Management Ltd	
Sun International Realty Development Ltd	
Sun Leisure Hotels Limited	
Sun Leisure Investments Limited	
Sun Logistics Ltd	
Sun Real Estates Ltd	
Sun Resorts Hotel Management Ltd	
Sun Resorts International Limited	
Sun Styled Boutiques Ltd	
Sun Support Ltd	
Supply Chain Experts Ltd	
Washright Services Limited	
Wolmar Sun Hotels Limited	

> OTHER STATUTORY DISCLOSURES

(SECTION 221 OF THE MAURITIUS COMPANIES ACT 2001)

DIRECTORS OF SUBSIDIARIES AS AT 30 JUNE 2019 (CONT'D)

Company	Directors
Anahita Hotel Limited	David J. Anderson
	L. J. Jérôme De Chasteauneuf
	Jean-Pierre Dalais
	Tommy Wong Yun Shing
GreenSun Management Ltd	Marc Amelot
	David J. Anderson
	Tommy Wong Yun Shing
Solea Vacances SA	Arnaud Abitbol
	Laurent Abitbol
	David J. Anderson
	Aurélien Aufort
	Jean-Pierre Dalais
	Alexandre Espitalier-Noël
	Arnaud Fontanille
	Tommy Wong Yun Shing
SRL FS, Ltd	David J. Anderson
	Tommy Wong Yun Shing
SRL Maldives Ltd	David J. Anderson
SRL Management Ltd	Jean-Pierre Dalais
	Stephanie Germain
	Daniella Hoareau (Alternate Director of Stephanie Germain and Bernadette Suzanne Julie)
	Bernadette Suzanne Julie
SRL Marketing Ltd	David J. Anderson
	Jean-Pierre Bosquet
	Jean-Pierre Dalais
	Tommy Wong Yun Shing
SRL Touessrok Hotel Ltd	Kapil Aggarwal
	David J. Anderson
	Jean-Pierre Dalais
	L. J. Jérôme De Chasteauneuf
SRL Touessrok Residences & Villas Ltd	Kapil Aggarwal
	David J. Anderson
	Tommy Wong Yun Shing
Sun Hotel & Resorts GMBH	Jean-Pierre Dalais
	Tommy Wong Yun Shing

DIRECTORS OF SUBSIDIARIES AS AT 30 JUNE 2019 (CONT'D)

Company	Directors
Sun Resorts CSR Fund Ltd	David J. Anderson
	Jean-Pierre Dalais
	Naderasen Pillay Veerasamy
	Tommy Wong Yun Shing
Sun Resorts France SARL	Tommy Wong Yun Shing
Sun Resorts (Seychelles) Ltd	David J. Anderson
	Jean-Pierre Dalais
Sun Training Institute Ltd	David J. Anderson
	Jean-Pierre Dalais
	Neelmanee Ramlagun
	Tommy Wong Yun Shing
World Leisure Holidays (Pty) Ltd	David J. Anderson
	Jean-Pierre Dalais
	Elaine Mercia Durr
	Rameswarsingh Jeenarain
	Tommy Wong Yun Shing

AUDIT FEES AS AT 30 JUNE 2019

	The Group		The Company	
	FY 30 June 2019 Rs'000	FY 30 June 2018 Rs'000	**FY 30 June 2019 Rs'000**	FY 30 June 2018 Rs'000
Local External Auditors				
Audit Fees	**4,500**	4,185	**735**	550
Other Services*	**541**	1,413	**92**	244
Local Internal Auditors				
Audit Fees	**1,080**	1,080	**120**	60
Other Services	**2,560**	825	**510**	400
Foreign External Auditors				
Audit Fees	**2,443**	2,430	**-**	-
Other Services	**247**	215	**-**	-

* The current year fees in respect of other services from external auditors pertain to tax advisory services.

> OTHER STATUTORY DISCLOSURES

(SECTION 221 OF THE MAURITIUS COMPANIES ACT 2001)

SHARE REGISTRY & TRANSFER OFFICE

SUN's Share Registry and Transfer Office is administered by MCB Registry & Securities Ltd. If you have any queries regarding your shares, wish to change your name or address, or have questions about lost certificates, share transfers or dividends, you may contact either your Investment Dealer or the Share Registry and Transfer Office, whose contact details are as follows:

MCB Registry & Securities Ltd
Ground Floor, Raymond Lamusse Building
9-11 Sir William Newton Street, Port Louis
Tel: +230 202 5640

On Behalf of the Board

Jean-Pierre Dalais
Chairman
19 September 2019

M. G. Didier Harel
Chairman of the Audit & Risk Committee

> CERTIFICATE FROM THE COMPANY SECRETARY

In our capacity as Company Secretary of SUN Limited ("the Company''), we hereby confirm that, to the best of our knowledge and belief, the Company has lodged with the Registrar of Companies as at 30 June 2019, all such returns as are required for a company in terms of the Mauritius Companies Act 2001, and that such returns are true, correct and up to date.

Clothilde de Comarmond, ACIS
Per CIEL Corporate Services Ltd
Group Company Secretary
19 September 2019

FINANCIAL STATEMENTS

> STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

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

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

The Directors confirm that, in preparing the Financial Statements, they have to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State that IFRS have been adhered to, subject to any material departures being disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business; and
- Ensure compliance with the Code of Corporate Governance ("Code") and provide reasons in case of non-compliance with the Code.

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

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

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

Approved by the Board of Directors on 19 September 2019.

On behalf of the Board,

Jean-Pierre Dalais
Chairman

M. G. Didier Harel
Chairman of the Audit & Risk Committee

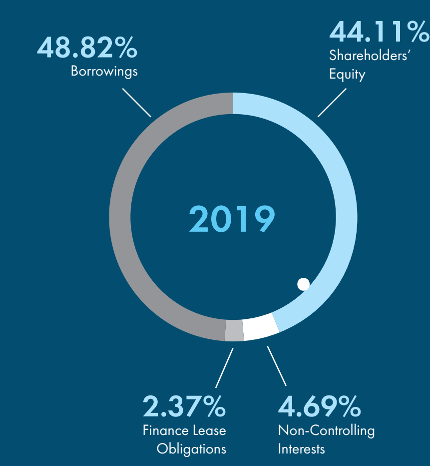
> 3-YEAR FINANCIAL REVIEW

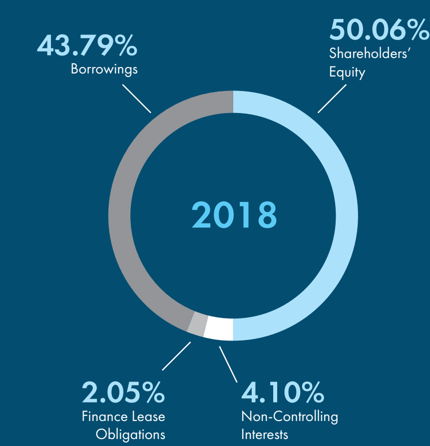
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

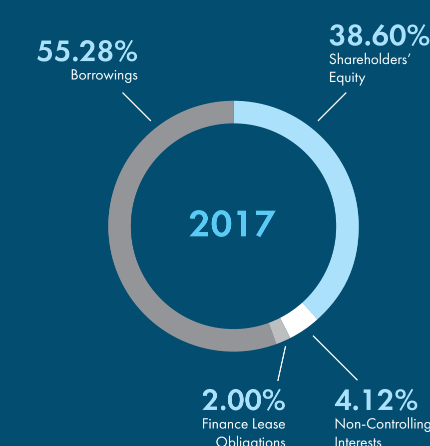
	THE GROUP		
	30 June 2019	30 June 2018	30 June 2017 Restated
	Rs'000	Rs'000	Rs'000
Assets			
Non-current assets	18,925,384	21,279,135	20,238,288
Current assets	1,526,081	1,621,042	1,509,983
Total assets	20,451,465	22,900,177	21,748,271
Equity			
Equity attributable to owners of the Company	7,636,769	10,041,019	7,426,828
Non-controlling interests	812,512	822,302	792,992
Total equity	8,449,281	10,863,321	8,219,820
Borrowings	8,452,864	8,782,593	10,636,344
Finance lease obligations	410,552	411,639	385,584
Total capital employed	17,312,697	20,057,553	19,241,748
Trade and other payables	1,507,185	1,481,638	1,431,279
Current tax liability	47,379	27,865	8,432
Deferred tax liability	897,241	831,535	713,526
Employee benefit liability	364,353	269,621	306,568
Provision	91,968	80,218	46,718
Contract Liabilities	99,822	64,534	-
Dividend payable	130,820	87,213	-
Interest-free liabilities	3,138,768	2,842,624	2,506,523
Total equity and liabilities	20,451,465	22,900,177	21,748,271

CONSOLIDATED CAPITAL EMPLOYED

	THE GROUP		
	30 June 2019	30 June 2018	30 June 2017
Shareholders' equity	44.11%	50.06%	38.60%
Non-controlling interests	4.69%	4.10%	4.12%
Finance lease obligations	2.37%	2.05%	2.00%
Borrowings	48.82%	43.79%	55.28%
Total capital employed	100.00%	100.00%	100.00%







>3-YEAR FINANCIAL REVIEW (CON'T)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	THE GROUP		
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017 Restated
	Rs'000	Rs'000	Rs'000
Revenue	**6,614,884**	6,723,879	6,007,284
Other income	**115,260**	50,277	40,596
Normalised earnings before interest, tax, depreciation and amortisation	**1,260,372**	1,290,403	976,838
Exceptional items	**(1,939,862)**	-	(124,138)
Earnings before interest, tax, depreciation and amortisation	**(679,490)**	1,290,403	852,700
Depreciation and amortisation	**(568,498)**	(546,079)	(457,956)
Operating (loss)/profit	**(1,247,988)**	744,324	394,744
Finance costs	**(454,767)**	(479,822)	(504,068)
Finance income	**18,392**	16,312	12,152
Share of results of joint venture and associates	**300**	-	(1,399)
(Loss)/profit before tax	**(1,684,063)**	280,814	(98,571)
Income tax charge	**(201,538)**	(86,747)	(13,488)
(Loss)/profit after tax	**(1,885,601)**	194,067	(112,059)
Non-controlling interests	**553**	(14,550)	4,003
(Loss)/profit attributable to owners of the Company	**(1,885,048)**	179,517	(108,056)
Balance at start of year, as previously reported	**2,960,964**	2,826,935	2,941,413
Dividends on ordinary shares	**(130,820)**	(87,213)	-
Adoption of IFRS 15	**(37,113)**	-	-
Other movements in retained profits	**(48,748)**	41,725	(6,422)
Balance at End of Year	**859,235**	2,960,964	2,826,935
NOTE:			
Normalised profit /(loss) after tax	**166,164**	194,067	(112,059)

RATIOS AND STATISTICS

		THE GROUP		
		Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017 Restated
Share Performance				
Ordinary shares				
- In issue	000's	194,545	194,545	146,731
- Weighted average	000's	174,427	167,211	129,257
(Loss)/Earnings per share from continuing operations	Rupees	(10.81)	1.07	(0.84)
Normalised earnings per share from continuing operations	Rupees	0.96	1.07	0.12
Dividend declared per ordinary share	Rupees	0.75	0.50	-
Dividend cover (in respect of year)	times	(14.41)	2.06	N/a
Net worth per ordinary share		43.78	57.57	58.66
Profitability and Asset Management				
Normalised EBITDA margin	%	19.05%	19.19%	16.26%
Operating (loss)/profit margin	%	(18.87%)	11.07%	6.57%
Return on net assets	%	(22.32%)	1.79%	(1.36%)
Gearing ratio excluding finance leases	%	48.10%	43.04%	55.24%
Total liabilities to total equity	%	142.05%	110.80%	164.58%
Interest cover	times	(1.59)	1.61	0.80
Current ratio	1:	0.57	0.71	0.51
Employees		4,200	4,028	3,981
Stock-Exchange Performance				
Stock price				
- At 30 June	Rupees	35.00	51.00	41.50
- Highest	Rupees	52.00	52.00	44.80
- Lowest	Rupees	34.00	40.90	32.80
Other				
Hotel keys at year end		1,473	1,473	1,457
Rooms night sold	000's	382	400	401

> 3-YEAR FINANCIAL REVIEW (CON'T)

DEFINITIONS

Earnings Per Share

Earnings per share is profit attributable to owners of the Company divided by the weighted average number of shares in issue during the period.

Dividend Cover

Dividend cover is profit attributable to owners of the Company divided by ordinary dividends.

Gearing

Interest-bearing loans and borrowings, net of cash and cash equivalents and advance payments and IFRS16 finance lease obligations expressed as a percentage of capital employed including all capital, reserves and the net debt of the Group.

Net Worth Per Ordinary Share

Net worth per ordinary share is equity attributable to owners of the company divided by the total number of shares in issue at reporting date.

Operating Margin

Operating margin is operating profit expresses as a percentage of revenue.

EBITDA Margin

EBITDA margin is normalised margin before interest, tax, depreciation and amortisation expresses as a percentage of revenue.

Net Assets

Total assets less interest free liabilities and interest-bearing loans and borrowings.

Return On Net Assets

Profit for the year expressed as a percentage of Net assets.

Total Liabilities

Total liabilities include current and non-current liabilities.

Interest Cover

This is the ratio of profit before exception items, tax, finance income and finance costs to net finance costs.

Current Ratio

This is the ratio of current assets to current liabilities.

Net Debt/normalised EBITDA

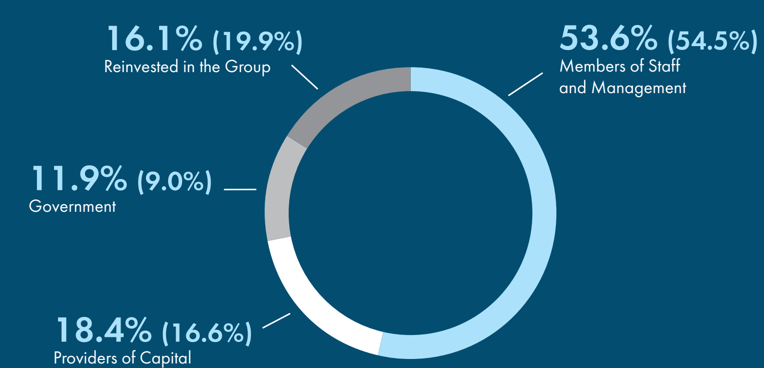
This is the ratio of total borrowings net of cash and short terms deposits to normalised EBITDA

> VALUE ADDED STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

	Year ended 30 June 2019		Year ended 30 June 2018	
	Rs'000	**%**	Rs'000	%
Turnover	**6,730,144**		6,774,156	
Paid to suppliers for materials and services	**(2,883,439)**		(3,071,306)	
VALUE ADDED	**3,846,705**		3,702,850	
Share of result of joint venture	**300**		-	
Finance income	**18,392**		16,312	
TOTAL WEALTH CREATED	**3,865,397**	**100.0**	3,719,162	100.0
Distributed as follows :				
MEMBERS OF STAFF				
Salaries and other benefits	**2,072,464**	**53.6**	2,026,403	54.5
PROVIDERS OF CAPITAL				
Dividends to ordinary shareholders	**120,556**	**3.1**	80,370	2.2
Finance costs	**454,767**	**11.8**	479,822	12.9
Operating lease payments	**134,868**	**3.5**	56,791	1.5
	710,191	**18.4**	616,983	16.6
GOVERNMENT AND PARASTATAL CORPORATIONS				
Income tax (current and deferred)	**201,538**	**5.2**	86,747	2.3
PAYE	**51,485**	**1.3**	50,649	1.4
EPF	**48,072**	**1.2**	49,890	1.3
Licences, permits and levies	**22,872**	**0.6**	19,357	0.5
Lease costs	**125,752**	**3.3**	122,144	3.3
Dividends - ordinary shares	**10,264**	**0.3**	6,843	0.2
	459,983	**11.9**	335,630	9.0
REINVESTED IN THE GROUP TO MAINTAIN AND DEVELOP OPERATIONS				
Exceptional and non recurring items	**1,939,862**	**50.2**	-	-
Depreciation and amortisation	**568,498**	**14.7**	546,079	14.7
Retained (loss)/profit for the year	**(1,885,601)**	**(48.8)**	194,067	5.2
	622,759	**16.1**	740,146	19.9
TOTAL WEALTH DISTRIBUTED AND RETAINED	**3,865,397**	**100.0**	3,719,162	100.0

Value added is a measure of the wealth the Group has been able to create in all of its various operations by 'adding value' to the cost of raw materials, products and services purchased. The statements summarises the total wealth created and shows how it was shared by employees and other parties who contributed to the Group's operations. The calculation takes into account the amount retained and reinvested in the Group for the replacement of assets and the further development of operations.



> INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SUN LIMITED

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 Sun Limited (the "Company") and its subsidiaries (together the "Group") and of the Company standing alone as at 30 June 2019, 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

Sun Limited's consolidated and separate financial statements set out on pages 92 to 157 comprise:

- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements 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' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code

> INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SUN LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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.

KEY AUDIT MATTER RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of goodwill and non-current assets (see note 27 to the financial statements) The Group has goodwill arising from past business combinations and has non-current assets for which indicators of impairment exist as at 30 June 2019. The Group has impaired goodwill by Rs 1.7 billion and impaired the carrying amount of other non- current assets by Rs 545 million in the year ended 30 June 2019. Management assessed the recoverable amount of assets for which indicators of impairment exist and goodwill for impairment as at 30 June 2019 using a discounted cash flow model to determine the recoverable amount of the cash generating unit (CGU) to which the goodwill and assets relate to. This 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. 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. Where we identified indicators of impairment for a CGU, we requested management to assess its recoverable amount. We obtained management's assessment of the recoverable amount of these CGUs and the recoverable amount of CGUs to which goodwill was allocated. We tested the assumptions used in the cash flow models by comparing these assumptions to our independently derived expectations, which are based on historical experience of the businesses, as well as expectations for the markets in which the CGUs operate. In order to assess the reasonableness of the forecasted cash flows used in the models, the budgeted figures used were compared to the actual experience of the CGUs. Terminal growth rates have been assessed for reasonableness based on market expected long-term growth rates. In order to determine the reasonableness of the discount rates, the rates used in the cash flow models (on a sample basis) were compared to a range of discount rates independently calculated by us based on the markets in which the CGU operate, taking into account the nature of the CGUs. We also verified the mathematical accuracy of the models. 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 MATTER RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Management estimates of the useful lives and residual values of hotel buildings (see note 4.2 (vi) in to the financial statements) Management has taken a residual value approach in order to determine the depreciable amount of the hotel buildings. Management determined the useful lives and residual values of the hotel buildings based on an independent valuer's assessment. This was an area of focus in light of the significance of hotel buildings and the level of judgement and estimation required in determining the useful lives of the hotel buildings and their residual values which impact the depreciation of hotel buildings recognised in profit or loss.	Following on from our prior year audit procedures where we had reviewed the independent valuer's report issued to assess the factors that were taken into consideration when determining the residual value, we updated our understanding of management's approach to determine the depreciation of hotel buildings. Where management has reassessed the estimate of the useful lives and residual values based on their judgement, we have considered their rationale to support the change.

KEY AUDIT MATTER RELATING TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for provisions (see note 22 to the financial statements) There are three legal cases pending where management has indicated that the Group and Company could be impacted by the outcome of these cases. This was an area of focus in light of the amounts involved, the uncertainty in the outcome of these cases and the level of judgement and estimation made by management in determining the provision for liabilities.	As part of our planning procedures, we held various meetings with management within and outside of the finance function to update our understanding of all unresolved litigation cases. We reviewed minutes of the Board of directors' meetings held during and after the year end and circularised the Group's legal advisors to confirm the completeness of material litigations affecting the Group and Company. We reviewed the transaction listing for legal expenses during the year to understand the nature of the costs incurred and whether these were indicative of any potential claims. We reviewed the consolidated log claim book and discussed each individual case with management to consider their assessment of the likely impact of these claims and their basis for the provisions recognised in the financial statements. We formed an independent view on the reasonableness of the liabilities provided in the light of our understanding of the circumstances of the litigations and the uncertainties involved.

> INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SUN LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

KEY AUDIT MATTER RELATING TO THE SEPARATE FINANCIAL STATEMENTS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of investments in subsidiaries (see note 8 to the financial statements) Investments in subsidiaries are carried at fair value in the separate financial statements. The fair values of the unlisted investments are determined by applying valuation methodologies which include discounted cash flow approach and net asset value approach. The Directors make significant judgement to determine the most appropriate valuation methodology and on the various assumptions used when a discounted cash flow approach is adopted. The valuation of the Company's investments in subsidiaries held at fair value was a key area of audit focus owing to their magnitude, the estimation uncertainties in the assumptions, and the degree of judgement required from management.	The reasonableness of the fair values assigned to the unlisted investments was assessed on a sample basis. The methodologies applied by management were assessed for appropriateness based on the nature of the investments and their activities. Where a discounted cash flow approach was used, the underlying assumptions in the model were tested by comparing these assumptions to our independently derived expectations, based on historical experience of the businesses, as well as expectations for the markets in which the individual businesses operate. In order to assess the reasonableness of the forecasted cash flows used in the models, the budgeted figures used were compared to the actual experience of the businesses, where applicable. Terminal growth rates have been assessed for reasonableness based on market expected long-term growth rates. In order to determine the reasonableness of the discount rates, the rates used in the cash flow models (on a sample basis) were compared 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. Market multiples have been compared to those of similar entities operating in similar sectors to determine if the resulting values are reasonable. We assessed whether appropriate disclosures were made by management in the financial statements in the context of the inherent uncertainties involved.
Recoverability of receivables from related parties (see notes 15 and 35 to the financial statements) The Company had receivables from related parties of Rs.1.7 billion, net of impairment provisions of Rs. 251 million as at 30 June 2019. We focused on this area given the significance of the receivables and the economic conditions prevailing in the hospitality industry.	We have assessed the reasonableness of the cash flow projections of operating companies to determine the ability and timing of estimated receipts of receivables from related parties. For non-operating companies, we have verified if these companies have sufficient assets that would enable them to repay their dues. We also discussed with management on their knowledge of future conditions that may affect expected receipts from these related companies.

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. We have obtained prior to the date of this auditor's report the statement of compliance, the corporate governance report, the other statutory disclosures, the statement of directors' responsibilities and the company secretary's certificate in respect of the presentation of financial statements. All other information in the annual report will be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

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.

When we read the other information which have not been made available to us prior to the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

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.

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.

> INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SUN LIMITED

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 (Continued)

- 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, related safeguards.

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 and as tax and business advisor, and dealings in the ordinary course of business;

(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

20 September 2019

Michael Ho Wan Kau,
licensed by FRC

> STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	THE GROUP 2019 Rs'000	THE GROUP 2018 Rs'000	THE COMPANY 2019 Rs'000	THE COMPANY 2018 Rs'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	**17,160,481**	17,785,302	**14,361**	16,319
Operating equipment	6	**43,526**	75,102	**-**	-
Intangible assets	7	**295,370**	2,016,811	**53,905**	2,304
Interest in subsidiaries	8	**-**	-	**15,564,331**	18,736,976
Interest in associates	9	**702,445**	702,445	**702,445**	702,445
Interest in joint venture	10	**43,796**	-	**-**	-
Deferred tax asset	19	**-**	-	**4,597**	5,642
Employee benefit asset	20	**-**	-	**-**	777
Other investments	11	**164,170**	178,923	**5,550**	5,550
Leasehold rights and land & buildings prepayments	12	**496,661**	503,234	**261,324**	221,294
Other financial assets	13	**18,935**	17,318	**2,246,920**	2,346,902
		18,925,384	21,279,135	**18,853,433**	22,038,209
CURRENT ASSETS					
Inventories	14	**206,979**	195,605	**-**	-
Trade and other receivables	15	**691,441**	852,284	**1,871,713**	3,725,658
Cash and short-term deposits	32(ii)	**627,661**	573,153	**41,083**	51,900
		1,526,081	1,621,042	**1,912,796**	3,777,558
TOTAL ASSETS		**20,451,465**	22,900,177	**20,766,229**	25,815,767
EQUITY AND LIABILITIES					
Capital and reserves (attributable to owners of the parent)					
Stated capital	16	**1,945,451**	1,945,451	**1,945,451**	1,945,451
Share premium	16	**3,138,833**	3,138,833	**3,138,833**	3,138,833
Reserves	17	**3,144,639**	3,447,160	**5,009,502**	8,182,147
Retained profits		**859,235**	2,960,964	**4,668,331**	4,487,543
		9,088,158	11,492,408	**14,762,117**	17,753,974
Treasury shares	16	**(1,451,389)**	(1,451,389)	**(1,451,389)**	(1,451,389)
Equity attributable to owners of the Company		**7,636,769**	10,041,019	**13,310,728**	16,302,585
Non-controlling interests		**812,512**	822,302	**-**	-
TOTAL EQUITY		**8,449,281**	10,863,321	**13,310,728**	16,302,585
NON-CURRENT LIABILITIES					
Borrowings	18(a)	**7,453,991**	8,107,874	**5,515,381**	5,841,351
Finance lease obligations	18(b)	**406,677**	408,174	**-**	-
Deferred tax liability	19	**897,241**	831,535	**-**	-
Provision	22	**91,968**	80,218	**61,250**	49,500
Contract liabilities	23	**99,822**	64,534	**-**	-
Employee benefit liability	20	**364,353**	269,621	**17,246**	-
		9,314,052	9,761,956	**5,593,877**	5,890,851
CURRENT LIABILITIES					
Borrowings	18(a)	**998,873**	674,719	**659,659**	258,848
Finance lease obligations	18(b)	**3,875**	3,465	**-**	171
Dividend payable	40	**130,820**	87,213	**130,820**	87,213
Trade and other payables	21	**1,507,185**	1,481,638	**1,064,477**	3,276,099
Current tax liability	24	**47,379**	27,865	**6,668**	-
		2,688,132	2,274,900	**1,861,624**	3,622,331
TOTAL LIABILITIES		**12,002,184**	12,036,856	**7,455,501**	9,513,182
TOTAL EQUITY AND LIABILITIES		**20,451,465**	22,900,177	**20,766,229**	25,815,767

Approved by the Board of Directors and authorised for issue on 19 September 2019.

Jean-Pierre Dalais
Chairman

M. G. Didier Harel
Chairman of the Audit & Risk Committee

The notes set out on pages 97 to 157 form an integral part of the financial statements.
Auditors' report on page 86 to 91.

> STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	THE GROUP 2019 Rs'000	THE GROUP 2018 Rs'000	THE COMPANY 2019 Rs'000	THE COMPANY 2018 Rs'000
Revenue	25	**6,614,884**	6,723,879	**840,936**	1,084,739
Other income	30	**115,260**	50,277	**87,757**	71,673
Operating expenses	26	**(5,469,772)**	(5,483,753)	**(153,492)**	(326,190)
Normalised earnings before interest, tax, depreciation and amortisation		**1,260,372**	1,290,403	**775,201**	830,222
Impairment of goodwill and other non-financial assets	27	**(1,884,488)**	-	**-**	-
Impairment of financial assets	35(i)	**-**	-	**(250,838)**	-
Loss on disposal of subsidiary	34(b)	**(5,262)**	-	**-**	-
Write off of project costs	26(c)	**(50,112)**	-	**-**	-
(Loss)/Earnings before interest, tax, depreciation and amortisation		**(679,490)**	1,290,403	**524,363**	830,222
Depreciation and amortisation		**(568,498)**	(546,079)	**(21,880)**	(18,312)
Operating (loss)/profit		**(1,247,988)**	744,324	**502,483**	811,910
Finance costs	28	**(454,767)**	(479,822)	**(308,377)**	(328,590)
Finance income	29	**18,392**	16,312	**139,543**	200,272
Share of result of joint venture	10	**300**	-	**-**	-
(Loss)/profit before tax		**(1,684,063)**	280,814	**333,649**	683,592
Income tax charge	24(b)	**(201,538)**	(86,747)	**(10,119)**	(21,671)
(Loss)/profit for the year		**(1,885,601)**	194,067	**323,530**	661,921
(Loss)/profit attributable to:					
Owners of the Company		**(1,885,048)**	179,517	**323,530**	661,921
Non-controlling interests		**(553)**	14,550	**-**	-
		(1,885,601)	194,067	**323,530**	661,921
Basic and diluted (loss)/earnings per share (Rs)	31 (a)	**(10.81)**	1.07		

The notes set out on pages 97 to 157 form an integral part of the financial statements.
Auditors' report on page 86 to 91.

> STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		THE GROUP		THE COMPANY	
	Note	**2019**	2018	**2019**	2018
		Rs'000	Rs'000	**Rs'000**	Rs'000
(Loss)/profit for the year		**(1,885,601)**	194,067	**323,530**	661,921
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Impairment of property, plant and equipment	27	**(393,238)**	-	**-**	-
Revaluation of buildings	5	**(24,000)**	706,216	**-**	-
Revaluation of interest in subsidiaries	8	**-**	-	**(3,172,645)**	-
Revaluation of other investments	11	**(14,753)**	-	**-**	-
Movement in retirement benefit obligations	20	**(64,245)**	54,392	**(14,364)**	(3,161)
Income tax relating to these items	19	**70,165**	(85,869)	**2,442**	537
		(426,071)	674,739	**(3,184,567)**	(2,624)
Items that may be reclassified subsequently to profit or loss:					
Differences arising on retranslation of foreign operations		**11,194**	2,541	**-**	-
Differences arising on retranslation of goodwill	7	**34,816**	6,447	**-**	-
Revaluation of interest in subsidiaries	8	**-**	-	**-**	3,533,621
Revaluation of other investments	11	**-**	103,741	**-**	-
Cash flow hedges		**20,054**	(85,319)	**-**	-
		66,064	27,410	**-**	3,533,621
Other comprehensive income for the year, net of tax		**(360,007)**	702,149	**(3,184,567)**	3,530,997
Total comprehensive income for the year		**(2,245,608)**	896,216	**(2,861,037)**	4,192,918
Total comprehensive income attributable to:					
Owners of the Company		**(2,236,317)**	866,407	**(2,861,037)**	4,192,918
Non-controlling interests		**(9,291)**	29,809	**-**	-
		(2,245,608)	896,216	**(2,861,037)**	4,192,918

The notes set out on pages 97 to 157 form an integral part of the financial statements.
Auditors' report on page 86 to 91.

> STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

THE GROUP

	Note	<-----Attributable to owners of the Company----->										
		Stated capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Retained profits	Treasury shares	Total	Non-controlling interests	Total equity
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2017		1,467,308	1,781,979	2,480,316	(71,883)	395,048	(1,486)	2,826,935	(1,451,389)	7,426,828	792,992	8,219,820
Other comprehensive income for the year		-	-	614,677	103,741	8,988	(82,241)	41,725	-	686,890	15,259	702,149
Profit for the year		-	-	-	-	-	-	179,517	-	179,517	14,550	194,067
Total comprehensive income for the year		-	-	614,677	103,741	8,988	(82,241)	221,242	-	866,407	29,809	896,216
Issue of shares		478,143	1,356,854	-	-	-	-	-	-	1,834,997	-	1,834,997
Dividends - 2018	40	-	-	-	-	-	-	(87,213)	-	(87,213)	(499)	(87,712)
Total transactions with owners of the Company		478,143	1,356,854	-	-	-	-	(87,213)	-	1,747,784	(499)	1,747,285
At 30 June 2018		1,945,451	3,138,833	3,094,993	31,858	404,036	(83,727)	2,960,964	(1,451,389)	10,041,019	822,302	10,863,321
- Effect of adoption of IFRS 15 (note 23(b))		-	-	-	-	-	-	(37,113)	-	(37,113)	-	(37,113)
At 1 July 2018		1,945,451	3,138,833	3,094,993	31,858	404,036	(83,727)	2,923,851	(1,451,389)	10,003,906	822,302	10,826,208
Other comprehensive income for the year		-	-	(351,967)	(14,880)	46,010	18,316	(48,748)	-	(351,269)	(8,738)	(360,007)
Loss for the year		-	-	-	-	-	-	(1,885,048)	-	(1,885,048)	(553)	(1,885,601)
Total comprehensive income for the year		-	-	(351,967)	(14,880)	46,010	18,316	(1,933,796)	-	(2,236,317)	(9,291)	(2,245,608)
Dividends - 2019	40	-	-	-	-	-	-	(130,820)		(130,820)	(499)	(131,319)
Total transactions with owners of the Company		-	-	-	-	-	-	(130,820)	-	(130,820)	(499)	(131,319)
At 30 June 2019		**1,945,451**	**3,138,833**	**2,743,026**	**16,978**	**450,046**	**(65,411)**	**859,235**	**(1,451,389)**	**7,636,769**	**812,512**	**8,449,281**

THE COMPANY

	Note	Stated capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Cash flow hedging reserve	Retained profits	Treasury shares	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2017		1,467,308	1,781,979	-	4,648,526	-	3,915,459	(1,451,389)	10,361,883
Other comprehensive income for the year		-	-	-	3,533,621	-	(2,624)	-	3,530,997
Profit for the year		-	-	-	-	-	661,921	-	661,921
Total comprehensive income for the year		-	-	-	3,533,621	-	659,297	-	4,192,918
Issue of shares		478,143	1,356,854	-	-	-	-	-	1,834,997
Dividends - 2018	40	-	-	-	-	-	(87,213)	-	(87,213)
Total transactions with owners of the Company		478,143	1,356,854	-	-	-	(87,213)	-	1,747,784
At 30 June 2018		**1,945,451**	**3,138,833**	**-**	**8,182,147**	**-**	**4,487,543**	**(1,451,389)**	**16,302,585**
At 1 July 2018		1,945,451	3,138,833	-	8,182,147	-	4,487,543	(1,451,389)	16,302,585
Other comprehensive income for the year		-	-	-	(3,172,645)	-	(11,922)	-	(3,184,567)
Profit for the year		-	-	-	-	-	323,530	-	323,530
Total comprehensive income for the year		-	-	-	(3,172,645)	-	311,608	-	(2,861,037)
Dividends - 2019	40	-	-	-	-	-	(130,820)	-	(130,820)
Total transactions with owners of the Company		-	-	-	-	-	(130,820)	-	(130,820)
At 30 June 2019		**1,945,451**	**3,138,833**	**-**	**5,009,502**	**-**	**4,668,331**	**(1,451,389)**	**13,310,728**

The notes set out on pages 97 to 157 form an integral part of the financial statements.
Auditors' report on page 86 to 91.

> STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	THE GROUP 2019 Rs'000	THE GROUP 2018 Rs'000	THE COMPANY 2019 Rs'000	THE COMPANY 2018 Rs'000
OPERATING ACTIVITIES					
(Loss)/profit before tax		**(1,684,063)**	280,814	**333,649**	683,592
Adjustment for:					
Depreciation of property, plant and equipment	5	**536,388**	510,554	**5,579**	7,056
Amortisation of intangible assets	7	**19,648**	23,098	**10,028**	4,983
Amortisation of leasehold land prepayments	12	**12,462**	12,427	**6,273**	6,273
Release of land and building prepayments	12	**80,000**	40,000	**80,000**	40,000
Operating equipment usage	6	**32,677**	43,166	**-**	-
Finance costs	28	**454,767**	479,822	**308,377**	328,590
Finance income	29	**(18,392)**	(16,312)	**(139,543)**	(200,272)
Movement in provisions		**-**	33,500	**-**	33,500
Profit on disposal of property, plant and equipment		**806**	(322)	**-**	-
Share of results of joint venture	10	**(300)**	-	**-**	-
Impairment of goodwill and other assets	27	**1,884,488**	-	**-**	-
Impairment of financial assets		**-**	-	**250,838**	-
Loss on disposal of subsidiary	34(b)	**5,262**	-	**-**	-
Amortised cost on borrowings	32	**8,501**	11,400	**8,501**	11,400
Investment income		**-**	(21,882)	**-**	-
Unrealised exchange differences		**(13,237)**	(39)	**(20,004)**	87,919
Movement in employee benefit liability		**28,859**	17,446	**(733)**	(517)
		3,031,929	1,132,858	**509,316**	318,932
OPERATING CASH FLOWS BEFORE WORKING CAPITAL CHANGES		**1,347,866**	1,413,672 -	**842,965**	1,002,524
Movement in working capital	32(i)	**145,452**	150,490	**(411,219)**	(949,240)
CASH GENERATED FROM OPERATIONS		**1,493,318**	1,564,162	**431,746**	53,284
Income taxes paid	24	**(35,211)**	(18,985)	**(4,254)**	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,458,107**	1,545,177	**427,492**	53,284
INVESTING ACTIVITIES					
Interest received	29	**18,392**	16,312	**168**	-
Purchase of property, plant and equipment		**(399,292)**	(564,341)	**(983)**	(4,678)
Proceeds from disposal of property, plant and equipment		**1,432**	4,141	**-**	261
Purchase of intangible assets	7	**(4,057)**	(18,830)	**(1,767)**	-
Advances in respect of leasehold transaction		**(126,308)**	(226,414)	**(126,308)**	(226,016)
Loan granted		**(1,617)**	-	**-**	(260,000)
Acquisition of subsidiary	34 (a)	**(14,098)**	-	**-**	-
Proceeds on disposal of subsidiary	34 (b)	**(28,665)**	-	**-**	-
Investment income received		**-**	21,882	**-**	-
Purchase of operating equipment	6	**(631)**	(6,452)	**-**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(554,844)**	(773,702)	**(128,890)**	(490,433)
FINANCING ACTIVITIES					
Proceeds from borrowings	32	**541,378**	200,000	**300,000**	200,000
Repayment of borrowings	32	**(755,156)**	(2,036,034)	**(246,474)**	(1,058,296)
Finance lease payments	32	**(3,609)**	(58,682)	**(171)**	(51,160)
Issue of shares		**-**	1,834,997	**-**	1,834,997
Dividend paid to non-controlling interests		**(499)**	(499)	**-**	-
Dividend paid to equity holders	40	**(87,213)**	-	**(87,213)**	-
Interest paid		**(433,395)**	(471,695)	**(308,378)**	(328,590)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(738,494)**	(531,913)	**(342,236)**	596,951
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**164,769**	239,562	**(43,634)**	159,802
CASH AND CASH EQUIVALENTS AT 1 JULY		**411,000**	171,438	**37,739**	(122,063)
CASH AND CASH EQUIVALENTS AT 30 JUNE	32(ii)	**575,769**	411,000	**(5,895)**	37,739

The notes set out on pages 97 to 157 form an integral part of the financial statements.
Auditors' report on page 86 to 91.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

Sun Limited (the "Company") is a public company incorporated in Mauritius and listed on the Official Market of the Stock Exchange of Mauritius. Its registered office is situated at 5th Floor, Ebène Skies, Rue de L'Institut, Ebène, Republic of Mauritius.

The Group's main activity is in the tourism sector of the leisure industry. It owns and/or operates six resorts in the Republic of Mauritius and one resort in the Republic of Maldives.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS adopted in the year commencing 1 July 2018. The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in the current year, but did not have an impact on the financial statements of the Group. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	01 January 2018
IFRS 15 Revenue from Contracts with Customers	01 January 2018

2.1 New Standards and Interpretations adopted by the Group

(a) IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and measurement with a single model that has only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represents payments of principal and interest. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income ("FVOCI"), loan commitments and certain financial guarantee contracts.

There was no material impact on adoption of this standard from the application of the new impairment model.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

2.1 New Standards and Interpretations adopted by the Group (Cont'd)

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 and applied the transitional provisions. It used the modified retrospective method of adoption with the date of initial application of 1 July 2018. The standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 July 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

The key changes resulting from the adoption of IFRS 15 are as follows:

(i) The Group

Hotels – Revenue from Tour Operators (TOs) and Online Travel Agents (OTAs)

The Group applied the guidance provided in IFRS 15 to determine whether an intermediary involved in generating room revenue acts as the principal or an agent. It is considered as acting as the principal if the intermediary controls the promised good or service before that good or service is transferred to a customer. In such a case, room revenue is reported in the statement of profit or loss, net of any commission paid to the intermediary.

The Group has assessed whether OTAs and TOs act as principal to or are agents of the Group. This has resulted in the revenue generated from OTAs to be shown gross of commission and revenue generated from TOs to be shown net of all commissions.

The following table analyses the impact of applying IFRS 15 on the Group in the current year:

	Without adoption of IFRS 15	Increase / (Decrease)	As reported under IFRS 15
	Rs 000'	Rs 000'	Rs 000'
Revenue	6,692,174	(77,290)	6,614,884
Operating expenses	(5,547,062)	77,290	(5,469,772)

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

2.1 New Standards and Interpretations adopted by the Group (Cont'd)

(b) IFRS 15 Revenue from Contracts with Customers (Cont'd)

(i) The Group (cont'd)

Golf entrance fees

The Group has also changed its accounting policy on the revenue recognition of golf entrance fees. Under IFRS 15, golf entrance fees are now deferred and released to income over the estimated career life of the players (estimated 15 years). In previous years, golf entrance fees were recognised as income on receipt.

The following table analyses the impact of applying IFRS 15 on the Group in the current year:

	Without adoption of IFRS 15	Increase / (Decrease)	As reported under IFRS 15
	Rs 000'	Rs 000'	Rs 000'
Deferred revenue	-	39,946	39,946
Opening retained earnings	2,960,964	(37,113)	2,923,851
Revenue	6,618,051	(3,167)	6,614,884

(ii) The Company

Rental income from Ambre Resort Ltd

The Company has changed its accounting policy on the revenue recognition of rental income from Ambre Resort Ltd. This rental income is now shown net of the rental expense incurred to reflect that the Company is acting as an agent for Ambre Resort Ltd. Had we applied IAS 18, the rental income for Sun Limited would have been recognised gross of the rental expense payable to Ambre Resort Ltd, amounting to Rs 80M for the year ended 30 June 2019.

Aside from the changes noted above, the Group does not expect any material changes to revenue recognition under IFRS 15, as compared to current treatment under IAS 18.

There are no other standards that are effective and that had a material impact on the Group and Company in the current year or would be expected to have a material impact in future reporting periods and on foreseeable future transactions.

2.2 New and revised Standards and Interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these new and amended standards and interpretations when they become mandatorily effective.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group and the Company will be 1 July 2019.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Group plans to apply IFRS 16 using the modified retrospective approach and will not restate, as a consequence, the comparative amounts for the year 2019 in its 2020 consolidated financial statements. The Group is considering measuring the right-of-use assets at the carrying amount as if the Standard has been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application, that is 1 July 2019.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

2.2 New and revised Standards and Interpretations issued but not yet effective (cont'd)

IFRS 16 Leases (cont'd)

As at the end of the reporting period, the Group had non-cancellable operating lease commitments of Rs.18.3 billion (see note 33).

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but not yet completed the detailed assessment.

The actual impact of applying IFRS 16 on these consolidated financial statements are as follows:

	At 01 July 2019
	Rs 000'
Rights-of-use assets	1,819,805
Retained earnings	403,786
Lease liability	2,223,591

Other standards

From 1 July 2019, the Group will also apply:
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' relating to long-term interests to which the equity method is not applied;
- Amendment to IFRS 9 'Financial Instruments' relating to prepayment features with negative compensation and modification of financial liabilities;
- Amendments to IAS 19 'Employee Benefits' on 'Plan Amendment, Curtailment or Settlement'; and
- Other amendments to existing standards arising from the Annual Improvements to IFRSs 2015–2017 cycle.
- IFRIC 23 'Uncertainty over Income Tax Treatments';

These amendments and interpretation are not expected to have a material impact on the Group's reported financial performance or position.

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 4.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements are prepared under the historical cost basis, as modified by the revaluation of freehold land and buildings and relevant financial assets and liabilities. The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000) except where otherwise indicated. Where necessary, the comparative figures have been amended to conform with change in presentation in the current year.

The Group had net current liabilities of Rs.1.16 billion as at 30 June 2019 (30 June 2018: Rs.0.66 billion). The gearing ratio has worsened from 44.2% as at 30 June 2018 to 49.4% as at 30 June 2019, on account of the impairment of assets and goodwill during the year but is well within the Group targeted gearing ratio of 55%. In addition, the Group has adequate overdraft facilities and money market lines to cater for any short-term exposure especially in the low seasons period. Accordingly, the Group should be able to continue as a going concern for the foreseeable future and the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

3.2 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Basis of consolidation

The financial statements of the Group comprise the financial statements of Sun Limited and its subsidiaries as at 30 June 2019.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full. Unrealised losses are also eliminated. Appropriate adjustments are made to the consolidated financial statements where a member of the Group uses accounting policies other than those adopted by the Group.

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

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

Transactions with non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Disposal of subsidiaries, associates and joint ventures

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

3.4 Property, plant and equipment

Property, plant and equipment, except for freehold land and buildings and site improvements are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Freehold land is stated at revalued amounts and buildings are stated at revalued amounts less subsequent accumulated depreciation and subsequent accumulated impairment losses.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (cont'd)

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at each financial year end. It is the Group's policy to revalue its freehold land and buildings at least every three years. The basis used is market value derived using the Sales Comparison Approach and the depreciated Replacement Cost Approach and independent valuers are used for such exercises. Any revaluation surplus is credited to other comprehensive income, except to the extent that it reverses a revaluation deficit for the same asset previously recognised in profit or loss, in which case the surplus is credited to profit or loss to the extent of the deficit previously charged. A decrease in an asset's carrying amount arising on revaluation is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent disposal or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to the retained earnings.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land and capital work in progress are not depreciated.

It is the Group's policy to maintain its buildings in a continued state of sound repair, such that their value is not significantly diminished by the passage of time or usage. Accordingly, in estimating the residual values, the Group has assessed the value of the building at the end of their useful life based on today's rate and this exercise is done by an independent qualified valuer. Therefore, buildings are depreciated on a straight line basis to their estimated residual values over their estimated useful lives.

Leasehold land improvements are depreciated over the shorter of their useful life and the lease period. On other property, plant and equipment, depreciation is calculated on a straight line basis to write off their depreciable amounts (cost less residual value) over their estimated useful lives.

The annual rates are as follows:-

Buildings	-	2% to 5%
Plant and Machinery	-	10% to 20%
Hotel furniture and soft furnishings	-	10% to 25%
Motor vehicles and boats	-	10% to 25%
Computers and telecommunication equipment	-	10% to 33%

The gain or loss arising on the disposal or retirement of an item (or part of an item) of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the item (or part of the item, as applicable) and is recognised in profit or loss.

Work in progress is valued at the cost of the project. Costs include an appropriate portion of fixed and variable overhead expenses.

3.5 Leased assets

Accounting for leases – where Group is the lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each minimum lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents are expensed in the period in which they are incurred within operating expenses.

Depreciation on the assets under finance leases is in accordance with the policy stated in 3.4 above and is charged to profit or loss.

Leasehold land upfront payments to acquire long-term leasehold interest in property are treated as prepayments and are amortised over the period of the leases.

Periodic payments made under operating leases are charged to profit or loss over a straight line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 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 or sale are capitalised as part of the cost of the assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.7 Financial instruments

(a) Financial Assets

Initial recognition and measurement

Policy effective from 01 July 2018 – IFRS 9

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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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.

The Group's financial assets include cash in hand at banks, trade and other receivables, intercompany loans and investment in securities.

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group includes in this category loans and receivables. 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 losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(a) Financial Assets (cont'd)

Financial assets at fair value through profit or loss

Listed shares held by the Group and the Company that are traded in an active market are classified as being AFS and are stated at fair value, based on current bid prices. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as fair value through profit or loss. Changes in fair value are recognised in profit or loss.

Dividends on equity instruments at FVPL are recognised in profit or loss when the Group's and/or the Company's right to receive the dividend is established.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all trade receivables with third parties.

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 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 15.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

The Group's financial liabilities include trade and other payables, borrowings and finance lease obligations including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Borrowings and finance lease obligations

After initial recognition, interest-bearing borrowings and finance lease obligations are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of profit or loss.

This category includes interest bearing borrowings and finance lease obligations including bank overdrafts.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Interest in subsidiaries

In the Company's separate financial statements, interest in subsidiaries was classified as available-for-sale financial assets and, therefore, was carried at fair value. In the current year, it is classified at fair value through other comprehensive income and is still carried at fair value. The valuation of a subsidiary on a discounted cash flow basis or latest transaction price is periodically updated to reflect fair value.

3.9 Investment in associates

Separate financial statements

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

Consolidated financial statements

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method except when classified as held-for-sale (see below). Investments in associates are initially recognised at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments.

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

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

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

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

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

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

3.10 Investment in joint ventures

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using the equity method.

Under the equity method, the interest in joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the share of the results of operations of the joint venture.

Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Intangible assets

Pre-operational costs, marketing launch costs and expenses incurred during renovation and extension works and hotel redevelopments are written off to profit or loss in the period in which they are incurred.

Goodwill arising on the acquisition of subsidiaries is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated in Mauritian Rupee at the closing rate. Exchange differences arising are recognised in other comprehensive income.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gains and losses on disposal.

Computer software is depreciated on a straight-line basis to write off the depreciable amounts over its estimated useful life of 4 to 8 years.

3.12 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on an average cost basis. Net realisable value is determined based on the estimated selling price in the ordinary course of business less any estimated costs associated with the sale.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for current tax are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Revenue from Contracts with Customers

Revenue corresponds to the value of goods and services sold by the Group in the ordinary course of business. The Group recognizes revenue when it transfers the control of the promised goods and services to the customer, which may be overtime or at a point in time. Revenue is recognized in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring promised goods or services.

The Group applies the guidance provided in IFRS 15 to determine whether it acts as the principal or an agent in its contractual hotel management relationships. It is considered as acting as the principal if it controls the promised service before that service is transferred to a customer. In such a case, revenues and related expenses are reported separately in the income statement. Otherwise, the Group is considered as acting as an agent and only the remuneration corresponding to the agency fee is recognized in revenue.

Other fees relate to services representing distinct performance obligations which are generally satisfied over time, when the hotel owners simultaneously receive and consume the benefits provided. The Group elects the practical expedient to recognise revenue based on amounts invoiced to the customer, when this method of measuring progress best depicts the performance provided.

Invoicing is based on contractual prices, which represent the stand-alone selling prices of specified promised goods or services. Variable considerations depending on the occurrence of uncertain future events are estimated using the most likely amount method, based on all reasonably available information, and are, if need be, capped at the minimum amount considered as highly probable. At each reporting period, the Group revises its estimates of variable considerations and assesses whether a constraint should apply.

The Group acts as an agent for hotel owners to the extent that it does not control the services rendered to members upon redemption. Accordingly, revenue is recognized net of the cost of reimbursing the hotel that is providing the service.

Hotel revenues

It corresponds to all the revenues received from guests by owned and leased 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.

Prior to adoption of IFRS 15 - Recognition of revenue under IAS 18 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents income derived from hotel operations, golf, trading activities and margins from tour operators. IntraGroup transactions have been excluded and all revenues are net of value added tax. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria must also be met:

(i) *Sale of goods and services*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and upon consumption and customer acceptance, if any, or performance of services, net of value added taxes and discounts, and after eliminating sales within the Group. The Group's revenue reflects the invoiced values derived from hotel operations.

3.15 Foreign currency

The individual financial statements of the Group's entities are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the financial statements, the results and financial position of each entity are expressed in Mauritian rupee, which is the functional currency of the Company, and the presentation currency for the financial statements.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Foreign currency (cont'd)

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:
- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Mauritian Rupee using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

3.16 Employee benefits

(a) Career Average Revalued Earnings (CARE)

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Employee benefits (cont'd)

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:
- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "Employee Benefits". Curtailment gains and losses are accounted for as past service costs. The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(b) Other retirement benefits

The present value of other retirement benefits in respect of the Employments Rights Act 2008 is recognised in the statement of financial position as a non-current liability. Actuarial gains or losses are recognised using the same policy as described in note 3.17(a) above. For employees who are not covered (or who are insufficiently covered by the above pension plans), the net present value of gratuity on retirement payable under the Employment Rights Act 2008 is calculated by a (qualified) actuary and provided for. The obligations arising under this item are not funded.

(c) State plan

Contributions to the National Pension Scheme are charged to profit or loss in the period in which they fall due.

(d) Share based payments

Share-based compensation benefits are provided to employees via the Company's Phantom Share Option Scheme. Information relating to this scheme is set out in note 21.

3.17 Impairment of tangible and intangible assets excluding goodwill

At each financial year end, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.18 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Derivative financial instruments

The Group and the Company enter into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 38.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges on interest rate swap, hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

3.20 Hedge accounting

The Group has chosen to continue to apply the hedge accounting requirements of IAS 39 instead of IFRS 9. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Where there is a hedging relationship between a hedge instrument and a related item being hedged, the hedging instrument is measured at fair value. The treatment of any resultant gains and losses is set out below.

Cash Flow Hedge

Where a financial instrument hedges the exposure to variability in the cash flows of highly probable transactions or firm commitments, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in other comprehensive income. The ineffective part of any gain or loss is recognised in profit or loss. The cumulative gain or loss recognised in equity is transferred to profit or loss at the same time that the hedged transaction affects net profit or loss and included in the same line item as the hedged transaction.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in equity remains in equity and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in profit or loss immediately.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method is to assess effectiveness.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Hedge accounting (cont'd)

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign currency purchases this may arise if the timing of the transaction changes from what was originally estimated.

3.21 Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise of cash at banks and in hand. For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3.22 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.

3.23 Operating equipment

Operating equipment is shown at cost less amounts written off for usage, breakages and losses. For all operational replacement, except for new renovation project, where the operating equipment is capitalised and amortised over a period of 3 to 5 years depending on the nature of assets.

3.24 Stated capital

(a) Ordinary shares

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

(b) Treasury shares

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are reissued, any net consideration received, is included in equity attributable to the Company's equity holders.

3.25 Non-current assets (or disposal Groups) held for sale

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

3.26 Normalised earnings before interest, tax, depreciation and amortisation ("EBITDA")

Normalised EBITDA is stated after adding to earnings before interest, tax, depreciation and amortisation significant items of a non-recurring nature such as impairment charges, closure costs and disposal of subsidiaries.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

Determination of functional currency of the Group entities

As described in Note 3.16, the determination of the functional currency of the Group's entities is critical since the way in which every transaction is recorded and whether exchange differences arising are dependent on the functional currency selected. In making this judgement, the Directors have considered the currencies in which revenue is received, the currency of the country whose competitive forces and regulations matter, the currencies in which labour, material and other costs are settled, the currencies in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained. The Directors have determined that the functional currency of the Company and its local subsidiaries is the Mauritian rupee. The choice of the functional currency of the foreign subsidiaries has been based on factors such as the primary economic environment in which each party operates, the currency that mainly influences revenues, costs of goods and services and labour costs.

Recognition of sale of Invest Hotel Scheme (''IHS'') rooms

Considering the terms and conditions of the sale and leaseback of the IHS rooms, the leaseback transaction is considered to be a finance lease. Accordingly, the profit on sale of the IHS rooms is deferred and amortised to profit or loss over the lease period.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed in the following page.

(i) Employee benefit liability

The cost of defined benefit pension plans and related provisions, as disclosed in Note 20 requires the use of actuarial valuations. The actuarial valuation involves the use of significant estimates in respect of inter alia, discount rate, expected returns on plan assets, future salary increases, mortality rate and future pension increases. Due to long term nature of these plans, such estimates are subject to significant uncertainty. Any changes in the assumptions regarding the estimates will impact the carrying amount of the pension obligation. The net employee liability/(asset) at 2019 is Rs 364.4M for the Group (2018: Rs 269.6M) and Rs 17.2M for the Company (2018: Rs (0.78M)). Further details are set out in Note 20.

(ii) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(iii) Revaluation of property, plant and equipment

The Group accounts for land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 30 June 2019. The key assumptions used to determine the fair value of the land and buildings are further explained in note 5.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

4.2 Key sources of estimation uncertainty (cont'd)

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

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

(v) Impairment of goodwill and assets

Management has assessed the recoverable amounts, as at 30 June 2019 of cash generating units (CGUs) to which goodwill has been allocated and CGUs that have indicators for impairment. Note 7 sets out the CGUs to which goodwill has been allocated for impairment testing purposes.

The recoverable amount of CGUs are determined based on their value-in-use or their fair value less cost to disposal, if any. The future net cash flows for 5 years have been estimated using the budget for the next 12 months as a starting point. The 5-year cash flow projection has then been discounted at an appropriate discount rate and added to the estimated discounted terminal value.

The growth in revenue is based on management's best estimates of the occupancy rates and the average daily room rates the Group for the year, taking into consideration historical entity specific data and future sales strategies. Room departmental profits are based on historical entity specific data and the anticipated improvement in cost optimization strategies.

The rate used to discount the cash flows is the weighted average cost of capital ("WACC") and reflects the risks specific to each GCU, taking into consideration the time value of money, individual risks of the underlying assets that have not been incorporated in the cash flow estimates, the specific circumstances of the CGU and the estimated evolution of the cost of debt and cost of equity. The discount rates used varied between 9.49% and 11.11% (2018: 10.19% - 11.10%).

The terminal value has been computed by discounting the free cash flows prevailing at the end of the 5-year projection, using a perpetual growth rate of 3%.

Refer to Note 5 and Note 7 for impairment assessment of PPE and impairment of goodwill respectively.

(vi) Depreciation of hotel buildings

In determining the amount of depreciation of hotel buildings, management exercised their judgments on their useful lives and residual values. The Group has engaged valuation specialists to provide an independent view of the useful lives and residual values of hotel buildings. Changes to the length of the useful life and in the residual values could significantly affect the depreciation charged to profit or loss.

(vii) Provisions

As disclosed in Note 22, the Company has recognised a provision in respect of claims for additional duty on the sale of St Géran and the purchase of AHL Four Seasons. The crystallisation of such claims is inherently uncertain and requires management to exercise judgment on the likelihood and timing of any outflow of economic benefits. The amount provided may differ from the final settlement amount.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land and buildings, leasehold land and site improvements	Capital work in progress	Plant and machinery	Hotel furniture and soft furnishings	Motor vehicles and boats	Computers and telecommunica-tion equipment	Total
COST OR VALUATION	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
At 1 July 2017	15,977,957	43,570	1,369,850	1,946,247	74,343	516,786	19,928,753
Revaluation adjustment	41,408	-	-	-	-	-	41,408
Additions	343,979	26,457	89,388	131,199	33,786	24,269	649,078
Transfers	(30)	(448)	339,726	3,367	(2,276)	(343,879)	(3,540)
Disposals	-	-	(7,694)	(907)	(2,216)	(1,217)	(12,034)
Retranslation difference	9,583	362	1,322	1,056	38	(345)	12,016
At 30 June 2018	**16,372,897**	**69,941**	**1,792,592**	**2,080,962**	**103,675**	**195,614**	**20,615,681**
Additions	90,514	121,938	110,505	48,868	12,486	17,502	401,813
Acquisition through business combination (note 34 (a))	-	-	-	12,242	240	2,728	15,210
Transfers	(5,112)	(14,505)	14,680	4,907	-	30	-
Disposals	-	-	(1,538)	(1,181)	(8,940)	(130)	(11,789)
Disposal of subsidiary (note 34 (b))	-	-	(5,010)	(780)	-	(1,563)	(7,353)
Revaluation adjustment	(24,000)	-	-	-	-	-	(24,000)
Assets written off	(21,726)	-	-	-	-	-	(21,726)
Retranslation difference	31,605	900	5,321	4,705	317	205	43,053
At 30 June 2019	**16,444,178**	**178,274**	**1,916,550**	**2,149,723**	**107,778**	**214,386**	**21,010,889**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 July 2017	545,282	-	757,459	1,284,511	28,301	378,533	2,994,086
Revaluation adjustment	(664,808)	-	-	-	-	-	(664,808)
Charge for the year	217,379	-	139,253	124,672	9,551	19,699	510,554
Disposals	-	-	(4,360)	(900)	(1,720)	(1,218)	(8,198)
Transfers	(894)	-	247,912	1,248	(236)	(251,443)	(3,413)
Retranslation difference	69	-	1,759	483	93	(246)	2,158
At 30 June 2018	**97,028**	**-**	**1,142,023**	**1,410,014**	**35,989**	**145,325**	**2,830,379**
Charge for the year	248,505	-	132,103	118,796	14,441	22,543	536,388
Acquisition through business combination (note 34 (a))	-	-	-	10,787	151	2,099	13,037
Transfers	88	-	(42)	(35)	(4)	(7)	-
Disposals	-	-	-	(481)	(8,940)	(130)	(9,551)
Disposal of subsidiary (note 34 (b))	-	-	(4,559)	(685)	-	(1,257)	(6,501)
Impairment charges (note 27)	434,230	-	23,016	46,699	-	-	503,945
Assets written off	(21,726)	-	-	-	-	-	(21,726)
Retranslation difference	815	-	2,165	1,317	72	68	4,437
At 30 June 2019	**758,940**	**-**	**1,294,706**	**1,586,412**	**41,709**	**168,641**	**3,850,408**
NET BOOK VALUE							
At 30 June 2019	**15,685,238**	**178,274**	**621,844**	**563,311**	**66,069**	**45,745**	**17,160,481**
At 30 June 2018	16,275,869	69,941	650,569	670,948	67,686	50,289	17,785,302

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

(b) THE COMPANY

	Plant and machinery	Furniture and soft furnishings	Motor vehicles	Computers and telecommunica-tion equipment	Total
COST OR VALUATION	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
At 1 July 2017	13,618	35,585	5,023	18,280	72,506
Additions	30	168	4,019	461	4,678
Disposal	-	(880)	-	(1,437)	(2,317)
At 30 June 2018	**13,648**	**34,873**	**9,042**	**17,304**	**74,867**
Additions	283	340	-	360	983
Transfer from subsidiary company	90	38	1,689	821	2,638
At 30 June 2019	**14,021**	**35,251**	**10,731**	**18,485**	**78,488**
ACCUMULATED DEPRECIATION					
At 1 July 2017	8,305	29,205	160	15,878	53,548
Charge for the year	1,292	3,355	1,288	1,121	7,056
Disposals	-	(880)	-	(1,176)	(2,056)
At 30 June 2018	**9,597**	**31,680**	**1,448**	**15,823**	**58,548**
Charge for the year	1,214	1,677	1,566	1,122	5,579
At 30 June 2019	**10,811**	**33,357**	**3,014**	**16,945**	**64,127**
NET BOOK VALUE					
At 30 June 2019	**3,210**	**1,894**	**7,717**	**1,540**	**14,361**
At 30 June 2018	4,051	3,193	7,594	1,481	16,319

(c) If land and buildings were stated at historical cost, the carrying amounts would have been as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Net book value	**11,490,259**	12,201,027	**-**	-

(d) Additions include Rs. 2.5M (30 June 2018: Rs. 76M) for the Group and Rs.Nil (30 June 2018: Rs Nil) for the Company of assets leased under finance leases.

(e) The net book value of assets held under finance leases is as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Buildings	**384,833**	392,404	**-**	-
Motor vehicles and boats	**11,644**	9,990	**-**	-
	396,477	402,394	**-**	-

(f) Freehold land and buildings were revalued on 30 June 2018 by Broll Indian Ocean Limited, Chartered valuer. Sales prices of comparable land in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Freehold land have been valued taking into consideration comparable sales evidences. The basis of valuation in estimating the market value has been undertaken in accordance with the principles set out by the International Valuation Standards Committee as per the International Valuation Application 1 (IVA 1) which deals with Valuation for Financial Reporting and which is to be used in the context of International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board (IASB).

The buildings, structures and site improvement have been valued on a depreciated replacement cost basis taking into consideration their replacement cost, with adjustments being made for age and condition.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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

(g) Management assessed the recoverable amount of assets for which indicators of impairment exists as at 30 June 2019 and details of assessment have been disclosed under note 27.

(h) Hierarchy level

Details of the Group's and Company's freehold land and building and information about the fair value hierarchy are as follows:

	THE GROUP		
	Level 1	Level 2	Level 3
	Rs'000	Rs'000	Rs'000
2019			
Freehold land	-	2,900,893	-
Leasehold land improvement and buildings	-	-	12,299,760
Site improvements	-	-	484,585
	-	2,900,893	12,784,345
2018			
Freehold land	-	3,048,750	-
Leasehold land improvement and buildings	-	-	12,710,285
Site improvements	-	-	516,834
	-	3,048,750	13,227,119

There were no transfers between Level 1 and Level 2 during the year.

(i) Bank borrowings are secured on fixed and floating charges on property, plant and equipment of the Group and the Company.

(j) The following summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

	Valuation technique and key inputs	Sensitivity used	Effect on fair value	
			2019	2018
			Rs'000	Rs'000
Leasehold land improvement & buildings	Depreciated replacement cost approach	1% increase in current cost of replacing property	122,998	127,103
		1% decrease in current cost of replacing property	(122,998)	(127,103)
Site improvements	Depreciated replacement cost approach	1% increase in current cost of replacing property	4,846	5,168
		1% decrease in current cost of replacing property	(4,846)	(5,168)

6. OPERATING EQUIPMENT

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	75,102	111,855	-	-
Additions	631	6,452	-	-
Usage	(32,677)	(43,166)	-	-
Retranslation difference	470	(39)	-	-
At 30 June	43,526	75,102	-	-

7. INTANGIBLE ASSETS

(a) THE GROUP

	Goodwill	Computer software	Work in progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000
COST				
At 1 July 2017	1,922,247	170,994	4,697	2,097,938
Additions	-	18,830	-	18,830
Transfers	-	4,502	(4,502)	-
Retranslation difference	6,447	(2,685)	(21)	3,741
At 30 June 2018	1,928,694	191,641	174	2,120,509
Additions	-	4,057	-	4,057
Transfers	-	171	(171)	-
Impairment charges (note 27)	(1,732,532)	-	-	(1,732,532)
Disposal of subsidiary (note 34 (b))	(5,962)	(7,006)	-	(12,968)
Retranslation difference	34,816	(393)	(3)	34,420
At 30 June 2019	225,016	188,470	-	413,486
ACCUMULATED AMORTISATION				
At 1 July 2017	-	83,192	-	83,192
Charge for the year	-	23,098	-	23,098
Retranslation difference	-	(2,592)	-	(2,592)
At 30 June 2018	-	103,698	-	103,698
Charge for the year	-	19,648	-	19,648
Disposal of subsidiary (note 34 (b))	-	(4,969)	-	(4,969)
Retranslation difference	-	(261)	-	(261)
At 30 June 2019	-	118,116	-	118,116
NET BOOK VALUE				
At 30 June 2019	225,016	70,354	-	295,370
At 30 June 2018	1,928,694	87,943	174	2,016,811

(b) Goodwill has been allocated for impairment testing purposes to the following CGUs:

	THE GROUP	
	2019	2018
	Rs'000	Rs'000
Hotel property CGU - Property companies - Maldives	-	1,697,462
Hotel property CGU - Anahita Hotel Limited	223,689	223,689
Tour operator CGU	1,327	7,543
	225,016	1,928,694

Details of the impairment assessment of goodwill have been disclosed under note 27.

(c) THE COMPANY

	Computer software
COST	Rs'000
At 1 July 2017 and 1 July 2018	54,201
Additions	1,767
Transfer from subsidiary company	59,862
At 30 June 2019	115,830
ACCUMULATED AMORTISATION	
At 1 July 2017	46,914
Charge for the year	4,983
At 1 July 2018	51,897
Charge for the year	10,028
At 30 June 2019	61,925
NET BOOK VALUE	
At 30 June 2019	53,905
At 30 June 2018	2,304

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FOR THE YEAR ENDED 30 JUNE 2019

8. INTEREST IN SUBSIDIARIES

THE COMPANY	2019	2018
At valuation	Rs'000	Rs'000
At 1 July,	18,736,976	15,203,355
Fair value adjustments	(3,172,645)	3,533,621
At 30 June,	15,564,331	18,736,976

The interest in subsidiaries are measured at fair value and are classified under level 3 of the fair value hierarchy and there has been no transfers between level 1 and 2 during the year. Fair value is estimated using discounted cash flows approach for operating companies and net assets basis for non-operating companies. The discounted cash flows approach includes some assumptions that are not supportable by observable market prices or rates. See Note 4.2 for sensitivity analysis.

(a) Unquoted Investments, at valuation	Country of incorporation and operation	Business Activity	Period end	2019 Stated capital 30 June 2019	Proportion of ownership interest and voting rights held – Direct – Ordinary shares	Direct – Preference shares	Indirect – Ordinary shares	Proportion of ownership interests held by non-controlling interests – Ordinary shares	Preference shares
				Rs'000	%	%	%	%	%
Ambre Resort Ltd	Mauritius	Resort	30 June	10	-	-	100.00	-	-
Anahita Hotel Limited	Mauritius	Resort	30 June	1,060,443	100.00	-	-	-	-
City and Beach Hotels (Mauritius) Limited	Mauritius	Resort	30 June	15,532	99.82	99.99	-	0.18	0.01
Loisirs des Iles Ltée	Mauritius	Golf & Restaurant	30 June	60,800	99.96	100.00	-	0.04	-
Long Beach IHS Ltd	Mauritius	Property Developer	30 June	**	100.00	-	-	-	-
Long Beach Resort Ltd	Mauritius	Resort	30 June	10	-	-	100.00	-	-
CTL Retail Ltd(1)	Mauritius	Retail	30 June	10,001	-	-	100.00	-	-
SRL Kanuhura Ltd	BVI/Maldives	Resort	31 December	1,403	-	-	100.00	-	-
SRL Maldives Ltd	Seychelles	Hotel Investment	30 June	1,262,250	-	-	100.00	-	-
SRL Management Ltd	Seychelles	Management	30 June	589,050	-	-	100.00	-	-
SRL Marketing Ltd	UK	Marketing Office	30 June	64	-	-	100.00	-	-
SRL Property Ltd*	Mauritius	Non-trading	30 June	**	100.00	-	-	-	-
SRL Touessrok Hotel Ltd	Mauritius	Hotel	30 June	3,327,500	74.00	-	-	26.00	-
Sun Centralised Services Ltd(2)	Mauritius	Centralised services	30 June	10	-	-	100.00	-	-
Sun Training Institute Ltd	Mauritius	Training	30 June	100	-	-	100.00	-	-
Sun Hotel Holdings Ltd	Mauritius	Investment	30 June	10	100.00	-	-	-	-
Sun Hotel Investment Ltd	Mauritius	Investment	30 June	10	100.00	-	-	-	-
Sun International Management Ltd	Mauritius	Investment	30 June	36	-	-	100.00	-	-
Sun Leisure Hotels Limited	Mauritius	Property	30 June	25	100.00	-	-	-	-
Sun Leisure Investments Limited(3)	Mauritius	Non-trading	30 June	14,264	99.89	-	-	0.11	-
Sun Logistics Ltd	Mauritius	Logistics	30 June	10	-	-	100.00	-	-
Sun Real Estates Ltd	Mauritius	Property	30 June	10	100.00	-	-	-	-
Sun Resorts (Seychelles) Limited(3)	Seychelles	Non-trading	30 June	44	-	-	100.00	-	-
Sun Resorts CSR Fund Ltd	Mauritius	Charitable Fund	30 June	1	-	-	100.00	-	-
Sun Resorts France Sarl	France	Marketing Office	30 June	4,219	-	-	100.00	-	-
Sun Resorts Hotel Management Ltd	Mauritius	Hotel Management	30 June	10	100.00	-	-	-	-
Sun Resorts International Limited	Mauritius	Investment	30 June	1,522,624	100.00	-	-	-	-
Sun Styled Boutiques Ltd	Mauritius	Retail	30 June	600	100.00	-	-	-	-
Sun Support Ltd	Mauritius	Investment	30 June	10	100.00	-	-	-	-
Supply Chain Experts Ltd	Mauritius	Procurement	30 June	10	-	-	100.00	-	-
Washright Services Limited	Mauritius	Laundry	30 June	10,000	100.00	-	-	-	-
Wolmar Sun Hotels Limited	Mauritius	Resort	30 June	25	100.00	-	-	-	-
World Leisure Holidays (Pty) Ltd	South Africa	Tour Operator	30 June	1,363	-	-	100.00	-	-
Sun Hotels & Resorts GMBH	Germany	Marketing Office	30 June	993	-	-	100.00	-	-
GreenSun Management Ltd	Mauritius	Golf Management	30 June	10	100.00	-	-	-	-

(1) Sun Styled Boutiques Limited ("SSL"), a subsidiary of the Group, entered into a purchase agreement during August 2018 to acquire 100% of the ordinary shares of CTL Retail Ltd, from Floreal Knitwear Ltd, a wholly owned subsidiary of CIEL Textile Limited. The rationale behind such acquisition is to consolidate all retail operations under a single cluster of CIEL Group. The acquisition was effective on 1 August 2018 for a purchase consideration of Rs.7.5 million.

(2) Effective 1 July 2018, the assets and liabilities of Sun Centralised Services Ltd have been transferred to Sun Limited and the Company is non-trading as from that date.

(3) These companies were non-trading as at 30 June 2017, 30 June 2018 and 30 June 2019.

**: Represents investment amounting to Rs.100 which is not shown due to rounding off to the nearest thousand.

8. INTEREST IN SUBSIDIARIES (CONT'D)

(a) Unquoted Investments, at valuation	Country of incorporation and operation	Business Activity	Period end	2018 Stated capital 30 June 2018	Proportion of ownership interest and voting rights held – Direct – Ordinary shares	Direct – Preference shares	Indirect – Ordinary shares	Proportion of ownership interests held by non-controlling interests – Ordinary shares	Preference shares
				Rs'000	%	%	%	%	%
Ambre Resort Ltd	Mauritius	Resort	30 June	10	-	-	100.00	-	-
Anahita Hotel Limited	Mauritius	Resort	30 June	1,060,443	100.00	-	-	-	-
City and Beach Hotels (Mauritius) Limited	Mauritius	Resort	30 June	15,532	99.82	99.99	-	0.18	0.01
Loisirs des Iles Ltée	Mauritius	Golf & Restaurant	30 June	60,800	99.96	100.00	-	0.04	-
Long Beach IHS Ltd	Mauritius	Property Developer	30 June	**	100.00	-	-	-	-
Long Beach Resort Ltd	Mauritius	Resort	30 June	10	-	-	100.00	-	-
Solea Vacances SA (2)	France	Tour Operator	30 June	33,576	-	-	100.00	-	-
SRL Kanuhura Ltd	BVI/Maldives	Resort	31 December	1,403	-	-	100.00	-	-
SRL Maldives Ltd	Seychelles	Hotel Investment	30 June	1,262,250	-	-	100.00	-	-
SRL Management Ltd	Seychelles	Hotel Management	30 June	589,050	-	-	100.00	-	-
SRL Marketing Ltd	UK	Marketing Office	30 June	64	-	-	100.00	-	-
SRL Property Ltd*	Mauritius	Non-trading	30 June	**	100.00	-	-	-	-
SRL Touessrok Hotel Ltd	Mauritius	Hotel	30 June	3,327,500	74.00	-	-	26.00	-
Sun Centralised Services Ltd	Mauritius	Centralised services	30 June	10	-	-	100.00	-	-
Sun Training Institute Ltd	Mauritius	Training	30 June	100	-	-	100.00	-	-
Sun Hotel Holdings Ltd	Mauritius	Investment	30 June	10	100.00	-	-	-	-
Sun Hotel Investment Ltd	Mauritius	Investment	30 June	10	100.00	-	-	-	-
Sun International Hotel Holdings Ltd(3)	Mauritius	Investment	30 June	35	-	-	100.00	-	-
Sun International Investment Ltd(3)	Mauritius	Investment	30 June	35	-	-	100.00	-	-
Sun International Management Ltd	Mauritius	Investment	30 June	36	-	-	100.00	-	-
Sun International Realty Development Ltd(3)	Mauritius	Property	30 June	35	-	-	100.00	-	-
Sun Leisure Hotels Limited	Mauritius	Property	30 June	25	100.00	-	-	-	-
Sun Leisure Investments Limited(1)	Mauritius	Non-trading	30 June	14,264	99.89	-	-	0.11	-
Sun Logistics Ltd	Mauritius	Logistics	30 June	10	-	-	100.00	-	-
Sun Real Estates Ltd	Mauritius	Property	30 June	10	100.00	-	-	-	-
Sun Resorts (Seychelles) Limited(1)	Seychelles	Non-trading	30 June	44	-	-	100.00	-	-
Sun Resorts CSR Fund Ltd	Mauritius	Charitable Fund	30 June	1	-	-	100.00	-	-
Sun Resorts France Sarl	France	Marketing Office	30 June	4,219	-	-	100.00	-	-
Sun Resorts Hotel Management Ltd	Mauritius	Hotel Management	30 June	10	100.00	-	-	-	-
Sun Resorts International Limited	Mauritius	Investment	30 June	1,522,624	100.00	-	-	-	-
Sun Styled Boutiques Ltd	Mauritius	Retail	30 June	600	100.00	-	-	-	-
Sun Support Ltd	Mauritius	Investment	30 June	10	100.00	-	-	-	-
Supply Chain Experts Ltd	Mauritius	Procurement	30 June	10	-	-	100.00	-	-
Washright Services Limited	Mauritius	Laundry	30 June	10,000	100.00	-	-	-	-
Wolmar Sun Hotels Limited	Mauritius	Hotel	30 June	25	100.00	-	-	-	-
World Leisure Holidays (Pty) Ltd	South Africa	Tour Operator	30 June	1,363	-	-	100.00	-	-
Sun Hotels & Resorts GMBH	Germany	Marketing Office	30 June	993	-	-	100.00	-	-
GreenSun Management Ltd	Mauritius	Golf Management	30 June	10	100.00	-	-	-	-

(1) These companies were non-trading as at 30 June 2016, 30 June 2017 and 30 June 2018.

(2) On 28 February 2019, the Group disposed of 50% of its shareholding in Solea Vacances SA to a French tour operator, as part of a new strategic partnership to strenghten its distribution network on the French market. Accordingly, the results of Solea Vacances SA have been deconsolidated, effective 28 February 2019 and accounted for as an investment in joint venture.

(3) These companies have been wound up during the year ended 30 June 2019.

**: Represents investment amounting to Rs.100 which is not shown due to rounding off to the nearest thousand.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

8. INTEREST IN SUBSIDIARIES (CONT'D)

(b) Subsidiaries with material non-controlling interests

Details for subsidiary that have non-controlling interests that are material to the entity:

Name	Principal place of business	Proportion of interest held by NCI	Profit allocated to non-controlling interest during the year 2019 Rs'000	Profit allocated to non-controlling interest during the year 2018 Rs'000	Accumulated non-controlling interest at 2019 Rs'000	Accumulated non-controlling interest at 2018 Rs'000
SRL Touessrok Hotel Ltd	Mauritius	26%	2,442	14,550	810,261	816,896

(c) Summarised financial information on subsidiary with material non-controlling interests

(i) Summarised statement of financial position and statement of profit or loss and other comprehensive income

Name SRL Touessrok Hotel Ltd	Current assets Rs'000	Non-current assets Rs'000	Current liabilities Rs'000	Non-current liabilities Rs'000	Revenue Rs'000	Profit from continuing operations Rs'000	Other compre-hensive income for the year Rs'000	Total compre-hensive income for the year Rs'000	Dividend paid to non-con-trolling interest Rs'000
30 June 2019	**153,392**	**4,274,438**	**376,800**	**934,640**	**1,128,659**	**9,390**	**(34,909)**	**(25,519)**	**-**
30 June 2018	183,134	4,400,830	390,319	1,051,737	1,177,384	55,962	58,700	114,662	-

(ii) Summarised cash flow information:

Name SRL Touessrok Hotel Ltd	Operating activities Rs'000	Investing activities Rs'000	Financing activities Rs'000	Net increase in cash and cash equivalents Rs'000
30 June 2019	**261,732**	**(26,296)**	**(174,773)**	**60,663**
30 June 2018	229,504	(63,974)	(163,218)	2,313

The summarised financial information above is prior to intra-group eliminations.

9. INTEREST IN ASSOCIATES

(a)

	THE GROUP 2019 Rs'000	THE GROUP 2018 Rs'000	THE COMPANY 2019 Rs'000	THE COMPANY 2018 Rs'000
At 30 June	**702,445**	702,445	**702,445**	702,445

(b) Details of associate at the end of the reporting period are as follows:

Name 2019 & 2018	Period end	Nature of business	Principal place of business	Proportion of ownership interest and voting rights held: Direct	Indirect
EastCoast Hotel Investment Ltd	31 December	Investment holding	Mauritius	30%	-

(i) The above associate is accounted for using the equity method.

(ii) EastCoast Hotel Investment Ltd is a private company and there are no quoted market price available for its shares.

(c) Summarised financial information

	EastCoast Hotel Investment Ltd 2019 Rs'000	EastCoast Hotel Investment Ltd 2018 Rs'000
Statement of financial position		
Total assets	**2,341,483**	2,341,483
Statement of profit or loss and other comprehensive income		
Revenue	**-**	-
Dividends received during the year	**-**	21,882

(d) Reconciliation of summarised financial information

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

	EastCoast Hotel Investment Ltd 2019 Rs'000	EastCoast Hotel Investment Ltd 2018 Rs'000
Total assets at 1 July and 30 June	**2,341,483**	2,341,483
Ownership interest	**30%**	30%
Interest in associate	**702,445**	702,445

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

10.INTEREST IN JOINT VENTURE

(a)

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	-	-	-	-
Additions	43,496	-	-	-
Share of profit after income tax	300	-	-	-
At 30 June	43,796	-	-	-

(b) Details of joint venture at the end of the reporting period are as follows:

Name	Period end	Nature of business	Principal place of business	Proportion of ownership interest and voting rights held	
				Direct	Indirect
Solea Vacances SA	30 June	Investment holding	Mauritius	50%	-

(i) On 28 February 2019, the Group disposed 50% of its shareholding in Solea Vacances SA to a French travel agency, as part of a new strategic partnership to strenghten its distribution network on the French market. Accordingly, the remaining 50% stake in Solea Vacances SA have been accounted for as an investment in joint venture.

(ii) The above joint venture is accounted for using the equity method.
Solea Vacances SA is a private company and no quoted market price are available for its shares.

(c) **Summarised financial information**

	Solea Vacances SA	
	2019	2018
	Rs'000	Rs'000
Statement of financial position		
Current assets	164,168	-
Statement of profit or loss and other comprehensive income		
Revenue	259,000	-
Profit for the year	600	-

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

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

	Solea Vacances SA	
	2019	2018
	Rs'000	Rs'000
Net assets at 1 July, and 30 June,	55,208	-
Ownership interest	50%	
Interest in joint venture	43,796	-

11. OTHER INVESTMENTS

AT VALUATION	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
Fair value through other comprehensive income (OCI)	Rs'000	Rs'000	Rs'000	Rs'000
Listed equity investments				
At 30 June	3	3	3	3
Unlisted equity investments				
At 1 July	178,920	75,179	5,547	5,547
Fair value adjustments	(14,753)	103,741	-	-
At 30 June	164,167	178,920	5,547	5,547
Total	164,170	178,923	5,550	5,550

The fair value of listed ordinary shares, classified under Level 1 of the fair value hierarchy, is determined by reference to the published price on the Stock Exchange of Mauritius at the end of the reporting period.

Included in unlisted equity, is an amount of Rs. 5.5M representing unquoted investments which the Directors have estimated to be worth their cost as the fair values cannot be reliably measured. All unquoted investments are classified under level 3 of the fair value hierarchy.

The investments are denominated in Mauritian Rupee.

There have been no changes in level 3 instruments during the period. The carrying amount of investments would be estimated to be Rs.16.4M (2018: Rs.17.9M) lower/higher where the fair value differ by 10% from management estimates.

(a) Below is the fair value measurement hierarchy for assets as at the end of the reporting period:

	THE GROUP		THE COMPANY	
	Level 1	Level 3	Level 1	Level 3
	Rs'000	Rs'000	Rs'000	Rs'000
2019				
Listed equity investments	3	-	3	-
Unlisted equity investments	-	164,167	-	5,547
	3	164,167	3	5,547
2018				
Listed equity investments	3	-	3	-
Unlisted equity investments	-	178,920	-	5,547
	3	178,920	3	5,547

(a) **Level 3 reconciliation**

The reconciliation is shown below:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
At 1 July	178,920	75,179	5,547	5,547
Fair value movement	(14,753)	103,741	-	-
At 30 June	164,167	178,920	5,547	5,547

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

12. LEASEHOLD RIGHTS AND LAND AND BUILDINGS PREPAYMENTS

	THE GROUP	
	2019	2018
COST	**Rs'000**	Rs'000
At 1 July	**698,245**	444,982
Additions	**126,308**	253,069
Retranslation difference	**1,081**	194
At 30 June	**825,634**	698,245
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At 1 July	**115,011**	62,509
Charge for the year	**12,462**	12,427
Prepayments released to operating expenses	**80,000**	40,000
Impairment charges (note 27(a))	**41,249**	-
Retranslation difference	**251**	75
At 30 June	**248,973**	115,011
NET BOOK VALUE		
At 30 June	**576,661**	583,234
Included in the financial statements as:		
Non-current assets	**496,661**	503,234
Current assets (Note 15)	**80,000**	80,000
	576,661	583,234

Management assessed the recoverable amount of assets for which indicators of impairment exists as at 30 June 2019 and details of assessment have been disclosed under note 27.

	THE COMPANY	
	2019	2018
COST	**Rs'000**	Rs'000
At 1 July	**378,932**	125,863
Additions	**126,303**	253,069
At 30 June	**505,235**	378,932
ACCUMULATED AMORTISATION		
At 1 July	**77,638**	31,365
Charge for the year	**6,273**	6,273
Prepayments released to operating expenses	**80,000**	40,000
At 30 June	**163,911**	77,638
NET BOOK VALUE		
At 30 June	**341,324**	301,294
Included in the financial statements as:		
Non-current assets	**261,324**	221,294
Current assets (Note 15)	**80,000**	80,000
	341,324	301,294

(a) Leasehold land have been valued taking into consideration comparable sales evidences and lease terms and conditions. The valuation, carried out by Broll Indian Ocean Limited, valued leasehold land held by the subsidiaries in Mauritius at Rs 6,132M and the subsidiary in Maldives at USD 16M as at 30 June 2018.

(b) Sun Limited has a lease agreement with Armand Apavou & Co Ltd under which the Company is leasing the Ambre Resort & Spa, a 297 room hotel, and sub-lease the land on which the hotel stands, for an initial period of 5 years, effective 1 October 2012. On 7 July 2015, the term of the lease agreement was renewed for another 5 years as from 1 October 2017 to 30 September 2022, at the option of the Company.

(c) An amendment to lease contract with Armand Apavou & Co Ltd was made on 23 January 2018 whereby the amount remaining on contract was discounted to EUR9.5M. An amount of Rs. 80M has been released to operating expenses during the year ended 30 June 2019.

13. OTHER FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Loans under Executive Share Scheme	**16,920**	16,920	**16,920**	16,920
Loans to related parties (note 35(i))	**2,015**	398	**2,230,000**	2,329,982
	18,935	17,318	**2,246,920**	2,346,902

(a) **Loans under Executive Share Scheme**

Loans under Executive Share Scheme relates to the old scheme granted to key executives where cash was advanced to certain individuals to acquire shares in the Company at market value at grant date. The terms of the scheme was such that when the shares are disposed, the proceed is to be used to settle the loan advanced.

The loan carries interest of 3% which is payable half yearly in December and June. The interest for the year has been waived by the Board.

The scheme has now been discontinued and replaced by the Phantom Share Option Scheme (see Note 21).

(b) **Loans to related parties**

Other loans to related parties are unsecured with no fixed term of repayment and are interest bearing at 6.25% per annum (2018: 9.25%).

14. INVENTORIES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Food and beverages	**66,439**	74,431	**-**	-
Operating supplies	**32,732**	25,491	**-**	-
Spare parts	**10,179**	9,023	**-**	-
Fabric and linen	**25,094**	39,879	**-**	-
Retail products	**72,535**	41,781	**-**	-
	206,979	190,605	**-**	-
Goods in transit	**-**	5,000	**-**	-
	206,979	195,605	**-**	-

(a) All inventories have been pledged as security for the debts of the Company and its subsidiaries. Write downs of inventories for the current year amounts to Rs. Nil (2018: Rs. Nil).

(b) Cost of inventories expensed in food and beverages amounts to Rs. 658.7M for the Group (2018: Rs.755.0M). Cost of inventories expensed in food and beverages for the Company amounts to Rs. Nil (2018: Rs. Nil).

15. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade receivables	**378,616**	446,921	**-**	-
Contract assets	**40,519**	-	**-**	-
Less: provision for impairment	**(5,223)**	(11,716)	**-**	-
Trade receivables - net	**413,912**	435,205	**-**	-
Other receivables	**192,807**	322,587	**45,318**	2,264
Lease prepayments (Note 12)	**80,000**	80,000	**80,000**	80,000
Current tax assets (Note 24)	**1,111**	5,671	**-**	4,038
Derivative financial asset	**3,126**	2,860	**3,126**	2,860
Amounts due by related parties (Note 35(i))	**485**	5,961	**1,743,269**	3,636,496
	691,441	852,284	**1,871,713**	3,725,658

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

15.TRADE AND OTHER RECEIVABLES (CONT'D)

(a) The carrying amounts of trade and other receivables approximate their fair value.

(b) (i) The average credit period on sales of services is 30 days. The Group has fully provided for all receivables where recovery is expected to be remote.

(ii) Included in the trade receivables balances are debtors with a carrying amount of Rs 186.6M (2018: Rs 203.9M) for the Group and Rs. Nil (2018: Rs. Nil) for the Company which are past due at the end of the reporting period for which the Group and the Company have not individually provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and the Company do not hold any collateral over these balances but have an insurance cover against irrecoverable debts relating to owned hotels. Before giving credit to any tour operators, the Group allows for a period of trading which is exclusively on a cash basis. Thereafter, a credit limit may be created in favour of the customer based on his past dealings and payment pattern. Furthermore, the Group uses, as far as possible, the database available to the public to check the creditworthiness of the customer.

(iii) Ageing of past due trade debtors but not impaired

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Within 31 - 60 days	**102,014**	116,196	**-**	-
Within 61 - 90 days	**60,474**	54,147	**-**	-
Over 90 days	**24,147**	33,524	**-**	-
Total	**186,635**	203,867	**-**	-

In determining the recoverability of trade receivables, the Group and the Company consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

(b) (iv) Movement in provision for impairment

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**11,716**	11,445	**-**	-
Movement in impairment loss recognised on trade receivables:				
- Provision for receivable impairment	**(6,012)**	7,397	**-**	-
- Impairment loss reversed	**(481)**	(1,605)	**-**	-
Receivable written off during the year as uncollectible	**-**	(5,521)	**-**	-
At 30 June	**5,223**	11,716	**-**	-

The Directors believe that there is no further credit provision required in excess of the loss allowance.

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

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

(c)

	THE GROUP Trade receivables - days past due				
30 June 2019	**Current**	**Within 31 - 60 days**	**Within 61 - 90 days**	**Over 90 days**	**Total**
Expected credit loss rate (%)	1%	1%	1%	11%	-
Gross carrying amount (Rs'000)	191,982	102,014	60,474	24,147	-
Loss allowance (Rs'000)	1,365	682	555	2,621	**5,223**

15.TRADE AND OTHER RECEIVABLES (CONT'D)

	THE COMPANY Trade receivables - days past due				
30 June 2019	**Current**	**Within 31 - 60 days**	**Within 61 - 90 days**	**Over 90 days**	**Total**
Expected credit loss rate (%)	1%	1%	1%	11%	
Gross carrying amount (Rs'000)	-	-	-	-	
Loss allowance (Rs'000)	-	-	-	-	-

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

16.STATED CAPITAL

	THE GROUP AND THE COMPANY				
	Number of shares	**Ordinary shares**	**Share premium**	**Treasury shares**	**Total**
Issued and fully paid ordinary shares		Rs'000	Rs'000	Rs'000	Rs'000
At 1 July 2017	146,730,768	1,467,308	1,781,979	(1,451,389)	1,797,898
Shares issued	47,814,304	478,143	1,356,854	-	1,834,997
At 30 June 2018	**194,545,072**	**1,945,451**	**3,138,833**	**(1,451,389)**	**3,632,895**
At 30 June 2019	**194,545,072**	**1,945,451**	**3,138,833**	**(1,451,389)**	**3,632,895**

In the issued and fully paid ordinary shares above, the Company held 20,118,546 treasury shares (2018: 20,118,546), for which the Company has the right to reissue these shares at a later date. Fully paid up ordinary shares have a par value of Rs.10 each, carry one voting right and a right to dividend.

17. RESERVES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	**2018**
	Rs'000	Rs'000	**Rs'000**	**Rs'000**
Property revaluation (Note (i))	**2,743,026**	3,094,993	**-**	-
Investment revaluation (Note (ii))	**16,978**	31,858	**5,009,502**	8,182,147
Cash flow hedging reserve (Note (iii))	**(65,411)**	(83,727)	**-**	-
Foreign currency translation (Note (iv))	**450,046**	404,036	**-**	-
	3,144,639	3,447,160	**5,009,502**	**8,182,147**

(i) Property revaluation reserve
Property revaluation reserve arose on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the property revaluation reserve that relates to that asset, is considered as effectively realised, and is transferred to retained earnings.

(ii) Investment revaluation reserve
The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets at fair value through comprehensive income.

(iii) Cash flow hedging reserve
Cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to hedged transactions that have not yet occurred.

(iv) Foreign currency translation reserve
Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operations.

> NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

18.BORROWINGS AND FINANCE LEASE OBLIGATIONS

(a) Borrowings

Non-current liabilities	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Loans (Note (i))	2,483,278	3,136,258	544,668	869,735
Bonds (Note (ii))	4,970,713	4,971,616	4,970,713	4,971,616
	7,453,991	8,107,874	5,515,381	5,841,351

Current liabilities	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Loans (Note (i))	946,981	512,566	612,681	244,687
Bank overdrafts (Note (iii))	51,892	162,153	46,978	14,161
	998,873	674,719	659,659	258,848

Maturity of the borrowings ranges between years 2019 - 2070.

(i) Loans

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Repayable:				
Within one year	946,981	512,566	612,681	244,687
After one year but before two years	473,365	649,953	130,554	317,251
After two years but before three years	523,801	475,064	117,132	133,849
After three years but before five years	1,111,454	1,049,990	197,682	239,220
After five years	374,658	961,251	99,300	179,415
Non-current liabilities	2,483,278	3,136,258	544,668	869,735
Total	3,430,259	3,648,824	1,157,349	1,114,422

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
Included in the above loans are:	Rs'000	Rs'000	Rs'000	Rs'000
US Dollar loans	642,030	702,455	-	-
Euro loans	2,363,667	2,801,005	857,349	956,937
Great Britain Pound loans	122,877	145,364	-	-
Mauritian Rupee loans	301,685	-	300,000	157,485

(a) The loans are secured by fixed and floating charges over all the assets of the Group.

(b) The loans are arranged at floating interest rates and the average interest rate as at the end of the reporting period was as follows:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	%	%	%	%
Average interest rate	4.03%	3.94%	3.13%	2.85%

(ii) Bonds
The bonds are secured by floating charges over all the assets of the Group and are repayable in the year 2020 to 2023. The bonds are arranged at floating and fixed interest rates and the average interest as at the end of reporting period was 5.3%.

18.BORROWINGS AND FINANCE LEASE OBLIGATIONS (CONT'D)

(a) Borrowings (Cont'd)

(ii) Bonds (Cont'd)

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs'000	Rs'000
Repayable:		
Within one year	-	-
After one year but before two years	2,120,201	-
After two years but before three years	1,557,762	2,117,656
After three years but before five years	1,292,750	1,559,660
After five years	-	1,294,300
Non-current liabilities	4,970,713	4,971,616
Total	4,970,713	4,971,616

(iii) Bank overdrafts

The bank overdrafts are secured by floating charges on the assets of the Group. The average interest rate of bank overdrafts was as follows:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	%	%	%	%
Average interest rate	5.75	5.75	5.75	5.75

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

(vi) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates, as well as the currency profile, have been detailed in note 37.

(b) Finance lease obligations

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Non-current liabilities	406,677	408,174	-	-
Current liabilities	3,875	3,465	-	171
	410,552	411,639	-	171

(i) Leasing arrangements

THE GROUP AND THE COMPANY

Finance leases relate to the acquisition of property, plant and equipment with an average duration varying between 4 and 5 years and to leases of rooms under the Invest Hotel Scheme which run for a period between 52 and 59 years. The Group and the Company have options to purchase the equipment for a nominal amount at the expiry of the lease arrangements. The Group and the Company's obligations under finance leases are secured by the lessors' title to the leased assets. The average interest rate was as follows:

	THE GROUP AND THE COMPANY	
	2019	2018
	%	%
Average interest rate	5.63	5.00

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

18. BORROWINGS AND FINANCE LEASE OBLIGATIONS (CONT'D)

(b) Finance lease obligations (cont'd)

(ii) Obligations under finance leases

THE GROUP	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Repayable:				
Within one year	**24,121**	23,711	**3,875**	3,465
After one year but before two years	**24,121**	23,536	**4,153**	3,426
After two years but before three years	**24,121**	23,536	**4,392**	3,676
After three years but before five years	**46,031**	47,073	**7,236**	7,990
After five years	**985,235**	1,006,732	**390,896**	393,082
	1,079,508	1,100,877	**406,677**	408,174
	1,103,629	1,124,588	**410,552**	411,639
Less: Future finance charges	**(693,077)**	(712,949)	**-**	-
	410,552	411,639	**410,552**	411,639
Included in the financial statements as:				
Current liabilities			**3,875**	3,465
Non-current liabilities			**406,677**	408,174
			410,552	411,639

THE COMPANY	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Repayable:				
Within one year	**-**	174	**-**	171
	-	174	**-**	171
Less: Future finance charges	**-**	(3)	**-**	-
	-	171	**-**	171
Included in the financial statements as:				
Current liabilities			**-**	171

19. DEFERRED TAX LIABILITY

(a) The following amounts are shown in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Deferred tax assets	**-**	-	**4,597**	5,642
Deferred tax liabilities	**(897,241)**	(831,535)	**-**	-
	(897,241)	(831,535)	**4,597**	5,642

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred income tax assets not recognised was Rs 134.9M (2018: Rs 33.8M) for the Group due to uncertainty of future profit streams. The tax losses expire on a rolling basis over 5 years.

19. DEFERRED TAX LIABILITY (CONT'D)

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

	THE GROUP		THE COMPANY	
	2019	**2018**	**2019**	**2018**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**
At 1 July	**831,535**	713,526	**(5,642)**	(8,017)
Recognised in profit or loss (note 24(b))	**142,229**	32,647	**4,234**	2,911
Recognised in other comprehensive income	**(70,165)**	85,869	**(2,442)**	(537)
Translation difference	**(3,379)**	(507)	**-**	-
Acquisition through business combination (note (34 (a))	**(2,979)**	-	**-**	-
Transfer from subsidiary company	**-**	-	**(747)**	1
At 30 June	**897,241**	831,535	**(4,597)**	(5,642)

(c) The movement in deferred tax assets and liabilities during the year is as follows:

(i) THE GROUP

	At 1 July	Recognised in profit or loss	Recognised in other comprehen-sive income	Exchange difference	Acquisition through business combination	At 30 June 2019
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
2019						
Temporary differences						
Accelerated capital allowances	707,663	21,948	-	1,023	(2,689)	**727,945**
Employee benefit liability	(45,837)	(4,893)	(10,922)	-	(290)	**(61,942)**
Revaluation of property, plant and equipment	549,859	(763)	(59,243)	(749)	-	**489,104**
Other provisions	8,052	(16,096)	-	4,252	-	**(3,792)**
Contract liability	(11,187)	216	-	-	-	**(10,971)**
Unused tax losses and credits	(377,015)	141,817	-	(7,905)	-	**(243,103)**
	831,535	**142,229**	**(70,165)**	**(3,379)**	**(2,979)**	**897,241**
2018						
Temporary differences						
Accelerated capital allowances	540,217	167,391	-	55	-	707,663
Employee benefit liability	(52,120)	(2,966)	9,247	2	-	(45,837)
Revaluation of property, plant and equipment	461,530	11,354	76,622	353	-	549,859
Other provisions	4,433	4,849	-	(1,230)	-	8,052
Deferred revenue	-	(11,187)	-	-	-	(11,187)
Unused tax losses and credits	(240,534)	(136,794)	-	313	-	(377,015)
	713,526	**32,647**	**85,869**	**(507)**	**-**	**831,535**

(ii) THE COMPANY

	At 1 July	Recognised in profit or loss	Recognised in other comprehen-sive income	Transfer	At 30 June 2019
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
2019					
Temporary differences					
Accelerated capital allowances	(5,775)	4,109	-	-	**(1,666)**
Employee benefit liability	133	125	(2,442)	-	**(2,184)**
Other provisions	-	-	-	(747)	**(747)**
	(5,642)	**4,234**	**(2,442)**	**(747)**	**(4,597)**
2018					
Temporary differences					
Accelerated capital allowances	(8,598)	2,823	-	-	(5,775)
Employee benefit liability	581	88	(537)	1	133
	(8,017)	**2,911**	**(537)**	**1**	**(5,642)**

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

20. EMPLOYEE BENEFIT LIABILITY

Amounts recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Pension plan (Note (a))	**40,422**	10,621	**11,175**	(2,204)
Other retirement benefits (Note (b))	**323,931**	259,000	**6,071**	1,427
	364,353	269,621	**17,246**	(777)

(a) Pension plan

(i) The Group pension scheme consists of a Career Average Revalued Earnings section ("CARE") and a No Worse Off Guarantee ("NWOG") section. The CARE section provides all members of the fund with pensions secured by contributions to a Personal Accrued Pension accounts while the NWOG section covers only those members who were transferred from a former Defined Benefit ("DB") plan, guaranteeing them that at retirement their benefits are at least equivalent to those under the previous DB plans. Hence, the scheme is an hybrid plan with characteristics of both Defined Benefit and Defined Contribution.

The assets of the plan are independently administered by MUA Pensions Ltd.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2019 by Hewitt LY Ltd. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

(ii) Reconciliation of net defined benefit liability/(asset):

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**10,621**	(8,972)	**(2,204)**	(4,578)
Amount recognised in profit or loss	**27,005**	21,841	**6,217**	2,676
Amount recognised in other comprehensive income	**32,203**	23,860	**13,657**	3,417
Transfer from subsidiary company	**-**	-	**1,281**	-
Contributions from employer	**(29,407)**	(26,108)	**(7,776)**	(3,719)
At 30 June	**40,422**	10,621	**11,175**	(2,204)

Amounts recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Present value of funded obligations	**629,242**	583,972	**215,411**	157,937
Fair value of plan assets	**(588,820)**	(573,351)	**(204,236)**	(160,141)
At 30 June	**40,422**	10,621	**11,175**	(2,204)

20. EMPLOYEE BENEFIT LIABILITY (CONT'D)

(a) Pension plan (Cont'd)

(iii) Reconciliation of present value of the defined benefit obligations:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**583,972**	523,956	**157,937**	152,648
Current service cost	**27,445**	23,396	**6,561**	3,103
Contributions from employees	**5,144**	4,290	**1,424**	336
Interest cost	**36,587**	33,225	**12,321**	9,573
Liability experience (gains)/losses	**(22,723)**	29,208	**(4,751)**	265
Liability losses/(gains) due to change in financial assumptions	**27,871**	(4,085)	**9,216**	3,514
Benefits paid	**(29,054)**	(26,018)	**(9,730)**	(12,057)
Transfer from subsidiary company	**-**	-	**42,433**	555
At 30 June	**629,242**	583,972	**215,411**	157,937

(iv) Reconciliation of fair value of the plan assets:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**573,351**	532,928	**160,141**	157,226
Interest income	**37,027**	34,780	**12,665**	10,000
(Losses)/gains on plan assets excluding interest	**(27,055)**	1,263	**(9,192)**	362
Contributions from employer	**29,407**	26,108	**7,776**	3,719
Contributions from employees	**5,144**	4,290	**1,424**	336
Benefits paid	**(29,054)**	(26,018)	**(9,730)**	(12,057)
Transfer from subsidiary company	**-**	-	**41,152**	555
At 30 June	**588,820**	573,351	**204,236**	160,141

(v) Components of amount recognised in profit or loss:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Current service cost	**27,445**	23,396	**6,561**	3,103
Net interest on net defined benefit asset	**(440)**	(1,555)	**(344)**	(427)
Total included in employee benefits	**27,005**	21,841	**6,217**	2,676

(vi) Components of amount recognised in other comprehensive income:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Losses/(gains) on plan assets excluding interest	**27,055**	(1,263)	**9,192**	(362)
Liability experience (gains)/losses	**(22,723)**	29,208	**(4,751)**	265
Liability losses/(gains) due to change in financial assumptions	**27,871**	(4,085)	**9,216**	3,514
Total	**32,203**	23,860	**13,657**	3,417

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

20. EMPLOYEE BENEFIT LIABILITY (CONT'D)

(a) Pension plan (Cont'd)

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

(xi) Future Cashflows

- The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding policy is to pay contributions to an external legal entity as and when due.
- The Group expects to make a contribution of Rs. 29.8M (2018: Rs. 22.9M) and the Company of Rs. 8M (2018: Rs. 3.9M) to the defined benefit plans during the next financial year.
- The weighted average duration of the defined benefit obligation is 16 years (2018: 15 years) for the Group and 14 years (2018: 12 years) for the Company.

(b) Other retirement benefits

The Group has recognised a net defined benefit liability in respect of any additional residual retirement gratuities or full retirement gratuities that are expected to be paid out of the Company's cash flow to its employees under the Employment Rights Act (ERA) 2008.

(i) Reconciliation of other retirement benefits:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
				1,157
At 1 July	**259,000**	315,540	**1,427**	526
Amount recognised in profit or loss	**38,689**	38,908	**826**	(256)
Amount recognised in other comprehensive income	**32,042**	(78,254)	**707**	-
Benefits paid	**(7,428)**	(17,194)	**-**	-
Acquisition through business combination	**1,628**	-	**-**	-
Transfer from subsidiary company	**-**	-	**3,111**	
As at 30 June	**323,931**	259,000	**6,071**	1,427

(ii) Reconciliation of present value of the other retirement benefits:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**259,000**	315,540	**1,427**	1,157
Current service cost	**21,984**	17,951	**525**	259
Interest cost	**16,468**	20,283	**288**	75
Past service cost	**237**	674	**13**	192
Liability experience loss/(gain)	**38,888**	(76,424)	**1,029**	(302)
Liability experience gain due to change in demographic assumptions	**-**	(2,286)	**-**	-
Liability (gains)/losses due to change in financial assumptions	**(6,846)**	456	**(322)**	46
Benefits paid	**(7,428)**	(17,194)	**-**	-
Acquisition through business combination	**1,628**	-	**-**	-
Transfer from subsidiary company	**-**	-	**3,111**	-
At 30 June	**323,931**	259,000	**6,071**	1,427

20. EMPLOYEE BENEFIT LIABILITY (CONT'D)

(b) Other retirement benefits (Cont'd)

(iii) Components of amount recognised in profit or loss:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Current service cost	**21,984**	17,951	**525**	259
Past service cost	**237**	674	**13**	192
Interest on defined benefit liability	**16,468**	20,283	**288**	75
Total	**38,689**	38,908	**826**	526

(iv) Components of amount recognised in other comprehensive income:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Liability experience loss/(gain)	**32,042**	(78,254)	**707**	(256)

(v) Sensitivity analysis on defined benefit obligations:

	THE GROUP		THE COMPANY	
	Rs'000	Rs'000	**Rs'000**	Rs'000
Decrease in defined benefit obligations due to 1% increase in discount rate	**33,651**	28,412	**910**	268
Increase in defined benefit obligations due to 1% decrease in discount rate	**39,724**	33,836	**777**	220

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

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

The weighted average duration of the defined benefit obligation is 11 years (2018: 13 years) for the Group and 14 years (2018: 17 years) for the Company.

(c) Actuarial assumptions

The principal actuarial assumptions used for accounting purposes were:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
Discount rate - %	**6.0**	6.3	**6.0**	6.3
Future salary increases - %	**3.3**	4.0	**3.3**	4.0
Future pension increases - %	**0.5**	0.5	**0.5**	0.5
Average retirement age (ARA) - Years	**65.0**	65.0	**65.0**	65.0
Average life expectancy for under he pension plan:				
: Male at ARA - Years	**19.5**	19.5	**19.5**	19.5
: Female at ARA - Years	**24.2**	24.2	**24.2**	24.2

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20. EMPLOYEE BENEFIT LIABILITY (CONT'D)

(d) State pension plan

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
National Pension Scheme contributions expensed	**36,945**	34,747	**597**	171

21. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade payables	**385,465**	384,535	**6,904**	2,158
Capital creditors	**33,333**	88,686	**-**	-
Client advances	**344,112**	281,735	**-**	-
Other creditors and accruals	**736,430**	723,612	**160,156**	128,662
Contract liabilities (note 23)	**4,658**	1,272	**-**	-
Amounts due to related parties (note 35(i))	**3,187**	1,798	**897,417**	3,145,279
	1,507,185	1,481,638	**1,064,477**	3,276,099

(a) The average credit period on purchases of certain goods ranges from 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

(b) **Share based payments**

Details of long term incentive plan

Included in other creditors and accruals are share based payments liabilities of Rs 2M (2018 Rs 2.5M) for the Group and Company relating to the Phantom Share Option Scheme for senior executives and senior employees of the Company and its subsidiaries. In accordance with the terms of the plan, senior executives and senior employees are granted an option over a number of phantom shares at a base or option price which is equal to the market value of the share at the date of the grant of the option. On exercise date, the holder of the options is entitled to a cash or share bonus, which subject to the rules of the plan, is equivalent to the difference between the market value of the phantom shares at exercise date and the option price.

Under the plan, participants are granted options which only vest if certain performance standards are met. The option is exercisable not before three years for a maximum of 70% of the Phantom Share option issued and four years for the remaining share options that have not been exercised.

The number of phantom shares granted is calculated in accordance with the performance-based formula approved by Board and the remuneration committee. The formula rewards senior executives to the extent of the Company's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial measures:

- improvement in share price
- improvement in net profit

The following cash settled share based payment arrangements were in existence during the current year:

2019	THE GROUP		THE COMPANY	
	Number of shares	Grant date fair value	Number of shares	Grant date fair value
Granted	373,547	34.25	199,939	34.25
Granted on	01 July 2016		01 July 2016	
Vested and exercisable at 30 June 2019	Nil		Nil	

21. TRADE AND OTHER PAYABLES (CONT'D)

(c) **Derivatives financial liabilities**

The Company utilises foreign currency forward and swap contracts in the management of its exchange rate exposures. The following table details the forward currency swap contracts outstanding fair values as at the end of the reporting period.

	THE GROUP			
	Notional principal amount		Fair Values	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Outstanding forward contracts:				
Sell USD	**392,198**	34,630	**(569)**	1,213
Sell EUR	**1,759,128**	48,640	**(4,037)**	1,618
Sell GBP	**481,106**	138,778	**7,258**	219
Sell ZAR	**58,401**	-	**664**	-

	THE COMPANY			
	Notional principal amount		Fair Values	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Outstanding forward contracts:				
Sell USD	**392,198**	34,630	**(569)**	1,213
Sell EUR	**1,537,975**	48,640	**(3,624)**	1,618
Sell GBP	**395,290**	138,778	**6,261**	219
Sell ZAR	**58,401**	-	**664**	-

Outstanding swap contracts:

		THE GROUP AND THE COMPANY			
	Maturity dates	Notional principal amount		Assets/(liabilities)	
		2019	2018	**2019**	2018
		Rs'000	Rs'000	**Rs'000**	Rs'000
USD	July 2019	**-**	40	**-**	42
EUR	July 2019	**23,259**	4,051	**394**	63
GBP	September 2019	**-**	(15,432)	**-**	(295)
TOTAL		**23,259**	(11,341)	**394**	(190)

All the forward and swap contracts fall under the Level 3 of the Fair Value Hierarchy and there has been no transfers between Level 1 and 2 during the year.

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

22. PROVISION

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Le St Geran Hotel (note (a))	**46,718**	46,718	**16,000**	16,000
Anahita Hotel Ltd (note (a))	**33,500**	33,500	**33,500**	33,500
Disputes with employees	**11,750**	-	**11,750**	-
	91,968	80,218	**61,250**	49,500

(a) It represents claim for duty in respect the sale of Le St Geran Hotel by Sun Leisure Investments Ltd and the purchase of Four Seasons Resort (Anahita Hotel Ltd).

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23. CONTRACT LIABILITIES

	THE GROUP	
	2019	2018
	Rs'000	Rs'000
Invest Hotel Scheme (note (a))	**64,534**	65,806
Golf membership fees (note (b))	**39,946**	-
	104,480	65,806
Included in the financial statements as:		
Non-current liabilities	**99,822**	64,534
Current liabilities (note 21)	**4,658**	1,272
	104,480	65,806

(a) Invest Hotel Scheme

	THE GROUP	
	2019	2018
	Rs'000	Rs'000
At 1 July	**65,806**	66,759
Release to profit or loss	**(1,272)**	(953)
At 30 June	**64,534**	65,806
Included in the financial statements as:		
Non-current liabilities	**63,262**	64,534
Current liabilities	**1,272**	1,272
	64,534	65,806

In 2018, 14 rooms under the Invest Hotel Scheme (IHS) were sold generating a revenue of Rs 134.8M. A net profit before tax of Rs 46.6M were realised on the transaction. The rooms were sold by Long Beach IHS to investors who immediately leased the rooms to Long Beach Resort Ltd, for a period until the end of the Government Lease (i.e) 2070.

The transactions take the form of a sale and lease back and were accounted as a finance lease in the Consolidated Financial Statements. As such, excess sales proceeds over the carrying amount has been deferred in Consolidated Financial Statements over the period of the lease term.

(b) Golf Membership fees

	THE GROUP	
	2019	2018
	Rs'000	Rs'000
As stated in prior year	**-**	-
- Effect of adoption of IFRS 15	**37,113**	-
At 1 July	**37,113**	-
Receipts from new members	**6,000**	-
Release to profit or loss	**(3,167)**	-
At 30 June	**39,946**	-
Included in the financial statements as:		
Non-current liabilities	**36,560**	-
Current liabilities	**3,386**	-
	39,946	-

This relates to Golf membership fees not recognised as revenue but deferred and amortised over an estimated player's career of 15 years.

24. TAXATION

Income Tax

Income tax is calculated at the rate of 0% to 33% (2018: 0% to 33%) for the Group and 17% (2018: 17%) for the Company on the profit for the period as adjusted for income tax purposes.

(a) Current tax liability

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 July	**22,194**	(12,989)	**(4,038)**	(18,128)
Translation difference	**(24)**	68	**-**	-
(Payment)/receipt during the year	**(30,947)**	(13,664)	**9,075**	-
Underprovision in previous year	**234**	230	**-**	-
Tax deducted at source	**(4,264)**	(5,321)	**(4,254)**	(4,670)
Provision for the year	**59,075**	53,870	**5,885**	18,760
At 30 June	**46,268**	22,194	**6,668**	(4,038)
Analysed as follows:				
Current liabilities	**47,379**	27,865	**6,668**	-
Current tax assets	**(1,111)**	(5,671)	**-**	(4,038)
At 30 June	**46,268**	22,194	**6,668**	(4,038)

(b) Tax charge

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Income tax:				
Provision for the year	**59,075**	53,870	**5,885**	18,760
Underprovision in previous year	**234**	230	**-**	-
Current income tax expense	**59,309**	54,100	**5,885**	18,760
Deferred tax movement (Note 19)	**142,229**	32,647	**4,234**	2,911
Income tax charge	**201,538**	86,747	**10,119**	21,671

(c) Reconciliation of accounting profit to tax expense

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	%	%	**%**	%
Normal rate of taxation applicable to Mauritian companies	**17.00**	17.00	**17.00**	17.00
Tax effect of:				
- Expenses that are not deductible in determining taxable profit	**(2.64)**	4.88	**16.05**	8.88
- Under provision in previous PERIOD	**(0.01)**	(0.02)	**-**	(0.42)
- tax losses for which no deferred income tax asset was recognised	**(8.90)**	-	**-**	-
- Income not subject to tax	**(0.15)**	0.94	**(48.89)**	(22.37)
- Transfer of assets from/(to) subsidiary company	**-**	-	**(1.02)**	-
- Impairment of goodwill	**(17.50)**	-	**-**	-
- Impairment of financial assets	**-**	-	**20.43**	-
- Other adjustments	**0.23**	8.09	**0.24**	0.08
Effective rate of tax	**(11.97)**	30.89	**3.81**	3.17

> NOTES TO THE FINANCIAL STATEMENTS

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25. REVENUE

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue from contracts with customers				
Rooms	3,769,563	3,849,545	-	-
Food and beverages	2,168,660	2,137,235	-	-
Management fees	-	-	6,273	92,209
Others	676,661	715,201	71,163	93,148
Total revenue from contracts with customers	6,614,884	6,701,981	77,436	185,357
Investment income	-	21,898	763,500	899,382
Total revenue	6,614,884	6,723,879	840,936	1,084,739
Timing of revenue recognition				
Goods transferred at a point in time	2,169,932	2,137,235	6,273	92,209
Services transferred over time	4,444,952	4,564,746	71,163	93,148
Total revenue from contracts with customers	6,614,884	6,701,981	77,436	185,357

26. OPERATING EXPENSES

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
EXPENSES BY NATURE	Rs'000	Rs'000	Rs'000	Rs'000
Direct costs	1,417,905	1,402,479	-	-
Employee benefits (note (a))	2,123,949	2,077,052	126,938	76,024
Other expenses (note (b))	1,927,918	2,004,222	26,554	250,166
	5,469,772	5,483,753	153,492	326,190

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
(a) Employee benefits				
Wages and salaries	1,988,594	1,951,685	118,056	72,651
Social security costs	69,661	64,618	1,839	171
Pension costs	27,005	21,841	6,217	2,676
Other post-retirement benefits	38,689	38,908	826	526
	2,123,949	2,077,052	126,938	76,024

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
(b) Other expenses				
Rental and lease expenses	557,856	383,486	6,042	129,463
Logistics and utilities	342,828	368,289	612	165
Marketing expenses	219,454	256,925	-	-
Repairs and maintenance	162,689	247,465	465	671
Management fees and services	100,068	119,588	-	-
Office expenses	47,660	42,077	3,912	2,682
Travelling expenses	48,976	48,457	5,883	4,527
Others	448,387	537,935	9,640	112,658
	1,927,918	2,004,222	26,554	250,166

(c) Write off of project costs

This relates to a potential development at Belle Mare site which has not been materialised and now written off.

27. IMPAIRMENT

(a) Management assessed the recoverable amount of CGUs as at 30 June 2019 for which indicators of impairment exist, or to which goodwill has been allocated. The net impairment losses recognised are as follows:

Cash generating unit	Reportable segment	Impairment charged to profit or loss	Reversal of revaluation surplus	Total impairment
		Rs'000	Rs'000	Rs'000
Kanuhura:	**Maldives**			
- Land and buildings		21,997	210,759	232,756
- Plant and machinery		15,782	-	15,782
- Hotel furniture and soft furnishing		35,821	-	35,821
Impairment on property, plant and equipment		73,600	210,759	284,359
Impairment on leasehold rights and land prepayments		41,249	-	41,249
Impairment of goodwill		1,732,532	-	1,732,532
Total impairment on Kanuhura		1,847,381	210,759	2,058,140
Long Beach Resort Ltd:	**Mauritius**			
- Land and buildings		18,995	137,519	156,514
- Plant and machinery		7,234	-	7,234
- Hotel furniture and soft furnishing		10,878	-	10,878
Impairment on property, plant and equipment		37,107	137,519	174,626
Loisirs des Iles Ltée:	**Mauritius**			
- Land and buildings		-	44,960	44,960
Impairment on property, plant and equipment		-	44,960	44,960
Total impairment		1,884,488	393,238	2,277,726

Analysed as follows:		
Statements of Profit or loss:		
Impairment of goodwill and other non-financial assets	1,884,488	
Statements of comprehensive income		
Impairment of property, plant and equipment		393,238

** Above impairment charges and reversal of revaluation surplus exclude the taxation impact*

In determining the impairment of the carrying amount of assets for each cash generating unit (CGU), a value in use calculation was carried out.

(b) Kanuhura

During the year ended 30 June 2019, the goodwill and assets in relation to the Group's operations in Kanuhura were impaired primarily due to revised projections of the resort over the next five years with the increasing supply of rooms in the Maldives industry, leading to intense competition. The value in use calculation was determined based on the discounted cash flow model which resulted in an enterprise value of USD 70.3M. Based on this assessment, impairment losses allocated to goodwill and property, plant and equipment were USD 48.7M (Rs.1,733M) and USD 9.6M (Rs.325.6M) respectively.

The Group has used a number of assumptions and judgements in determining the value in use of the Maldives operations, as follows:

(i) the expected future net cash flows for five years have been discounted and added to the discounted estimated terminal value.

(ii) the pre-tax adjusted discount rate used in the most recent value in use in the year ended 30 June 2019 calculation was 13.9% (2018: 13.1%) which was based on the specific circumstances of the CGU.

(iii) the terminal value has been computed by capitalising the net income prevailing at the end of the cash flow projections, using a perpetual growth rate of 3%.

(iv) the ADR is expected to grow at a compounded annual growth rate (CAGR) of 3% per annum from USD 721 in financial year 2020.

(v) an occupancy rate of 60% has been considered in financial year 2020 to reach 75% by financial year 2024

(vi) these forecasts are based on past experience adjusted to incorporate the expected share of the tourists arrivals and room price increases.

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27. IMPAIRMENT

(c) Long Beach Resort Ltd

During the year ended 30 June 2019, the assets of Long Beach was impaired by Rs.174.6M primarily due to revised projections of the resort over the next five years under the current challenging conditions of the industry. The value in use calculation was determined based on the discounted cash flow model which resulted in an enterprise value of Rs.2,398M at 30 June 2019.

The Group used a number of assumptions and judgements in determining the value in use of the Long Beach's operation, as follows:

(i) the expected future net cash flows for five years have been discounted and added to the discounted estimated terminal value.

(ii) the pre-tax adjusted discount rate used in the most recent value in use in the year ended 30 June 2019 calculation was 11.8% (2018: 12.3%) which was based on the specific circumstances of the CGU.

(iii) the terminal value has been computed by capitalising the net income prevailing at the end of the cash flow projections, using a perpetual growth rate of 3%.

(iv) the ADR is expected to grow at a compounded annual growth rate (CAGR) of 3.3% per annum from Rs.4,861 in financial year 2020.

(v) an occupancy rate of 81% has been considered in financial year 2020 to reach 83% by financial year 2024.

(vi) these forecasts are based on past experience adjusted to incorporate the expected share of the tourists arrivals and room price increases.

(d) Loisirs des Iles Ltée

Management's approach for impairment assessment was to state the assets at their fair value less cost to dispose which was higher than value in use.

The fair value was determined based on a valuation conducted by Broll Indian Ocean Limited, Chartered Valuer, in 2018 (Fair Value Hierarchy level 2). Management has considered a discount of 7% on the fair value of buildings to cater for registration duties and other selling costs. Based on this assessment, the fair value less cost to dispose was Rs.911M, which resulted in an impairment charge of Rs.44.96M on the buildings.

28. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Interest payable on:				
Loans	**160,652**	166,267	**41,607**	41,549
Bank overdrafts	**7,981**	15,555	**5,131**	8,905
Swap	**-**	-	**(4,751)**	2,331
Bonds	**266,391**	275,806	**266,390**	275,805
Obligations under finance leases	**19,743**	22,194	**-**	-
	454,767	479,822	**308,377**	328,590

29. FINANCE INCOME

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Interest received on:				
- Bank deposits	**18,392**	16,312	**168**	-
- Current accounts with subsidaries	**-**	-	**139,375**	200,272
	18,392	16,312	**139,543**	200,272

30. OTHER INCOME

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Proceed from insurance claims	**13,560**	-	**-**	-
Foreign exchange gains	**101,700**	50,277	**87,757**	71,673
	115,260	50,277	**87,757**	71,673

31. EARNINGS PER SHARE

	THE GROUP	
	2019	2018
(a) Basic and diluted earnings per share	**Rs'000**	Rs'000
(Loss)/profit attributable to equity holders of the Company	**(1,885,048)**	179,517
	-	-
Weighted average number of ordinary shares (thousand)	**174,427**	167,211
Basic and diluted (loss)/earnings per share (Rs)	**(10.81)**	1.07

Basic and diluted earnings per share is calculated by dividing profit/(loss) for the year attributable to ordinary equity owners of the Company by the number of shares in issue excluding treasury shares. After the reporting period, no ordinary shares (2018: nil ordinary shares) have been issued for cash; however, the earnings per share amount was not adjusted for such transaction occurring after the reporting period because such transactions do not affect the amount of capital used to produce profit or loss for the period.

31. EARNINGS PER SHARE (CONT'D)

	THE GROUP	
	2019	2018
(b) Normalised basic and diluted earnings per share	**Rs'000**	Rs'000
Normalised earnings before interest, tax, depreciation and amortisation	**1,260,372**	1,290,403
Depreciation and amortisation	**(568,498)**	(546,079)
Normalised operating profit	**691,874**	744,324
Net finance costs	**(436,375)**	(463,510)
Share of result of joint venture	**300**	-
Normalised profit before tax	**255,799**	280,814
Income tax charge	**(201,538)**	(86,747)
Deferred tax asset on tax losses not recognised	**111,903**	-
Normalised profit for the year	**166,164**	194,067
Normalised profit attributable to non-controlling interests	**553**	(14,550)
Normalised profit attributable to equity holders of the Company	**166,717**	179,517
Weighted average number of ordinary shares (thousand)	**174,427**	167,211
Normalised basic and diluted earnings per share (Rs)	**0.96**	1.07

Normalised profit is calculated before the impairment of goodwill and other non-financial assets, the loss on disposal of subsidiary, the write-off of project costs and the reversal of deferred tax assets.

32. CASH FLOW INFORMATION

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
(i) Movement in working capital	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Inventories	**7,429**	41,958	**-**	-
Trade and other receivables	**10,740**	(59,224)	**1,697,460**	(3,177,308)
Trade and other payables	**125,721**	167,756	**(2,108,679)**	2,228,068
Contract liabilities	**1,562**	-	**-**	-
Movement in working capital	**145,452**	150,490	**(411,219)**	(949,240)

(ii) Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash and short-term deposits	**627,661**	573,153	**41,083**	51,900
Bank overdrafts (Note 18)	**(51,892)**	(162,153)	**(46,978)**	(14,161)
	575,769	411,000	**(5,895)**	37,739

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

(iii) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented :

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Cash and cash equivalents	**627,661**	573,153	**41,083**	51,900
Borrowings (including bank overdraft)	**(8,863,416)**	(9,194,232)	**(6,175,040)**	(6,100,370)
Net debt	**(8,235,755)**	(8,621,079)	**(6,133,957)**	(6,048,470)
Cash and liquid investments	**627,661**	573,153	**41,083**	51,900
Gross debt - fixed interest rates	**(4,152,101)**	(411,639)	**(3,828,713)**	(3,876,985)
Gross debt - variable interest rates	**(4,711,315)**	(8,782,593)	**(2,346,327)**	(2,223,385)
Net debt	**(8,235,755)**	(8,621,079)	**(6,133,957)**	(6,048,470)

> NOTES TO THE FINANCIAL STATEMENTS

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32. CASH FLOW INFORMATION (CONT'D)

THE GROUP

	Other assets	Liabilities from financing activities				
	Cash/(Bank overdraft)	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Net debt as at 1 July 2017	171,438	(19,875)	(365,709)	(1,179,303)	(9,137,050)	(10,530,499)
Cash inflows/(outflows)	239,562	19,875	38,807	1,179,303	645,331	2,122,878
Acquisitions under finance lease	-	(3,295)	(81,442)	-	-	(84,737)
Amortised cost on borrowings	-	-	-	11,400	-	11,400
Other non cash movement	-	(170)	170	(527,747)	504,947	(22,800)
Foreign exchange adjustments	-	-	-	3,781	(121,102)	(117,321)
Net debt as at 1 July 2018	411,000	(3,465)	(408,174)	(512,566)	(8,107,874)	(8,621,079)
Cash inflows/(outflows)	164,769	3,609	-	523,525	(309,747)	382,156
Acquisition through business combination	-	-	-	(490)	(1,686)	(2,176)
Acquisitions under finance lease	-	-	(2,522)	-	-	(2,522)
Amortised cost on borrowings	-	-	-	8,501	-	8,501
Other non cash movement	-	(4,019)	4,019	(965,951)	948,951	(17,000)
Foreign exchange adjustments	-	-	-	-	16,365	16,365
Net debt as at 30 June 2019	**575,769**	**(3,875)**	**(406,677)**	**(946,981)**	**(7,453,991)**	**(8,235,755)**

THE COMPANY

	Other assets	Liabilities from financing activities				
	Cash/(Bank overdraft)	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Net debt as at 1 July 2017	(122,063)	(16,393)	(34,937)	(675,823)	(6,169,194)	(7,018,410)
Cash inflows/(outflows)	159,802	16,393	34,767	675,823	171,073	1,057,858
Amortised cost on borrowings	-	-	-	11,400	-	11,400
Other non-cash movements	-	-	-	(256,087)	233,287	(22,800)
Foreign exchange adjustments	-	-	-	-	(76,518)	(76,518)
Net debt as at 1 July 2018	37,739	-	(170)	(244,687)	(5,841,352)	(6,048,470)
Cash inflows/(outflows)	(43,634)	-	170	253,188	(306,714)	(96,990)
Amortised cost on borrowings	-	-	-	8,501	-	8,501
Other non-cash movements	-	-	-	(629,683)	623,153	(6,530)
Foreign exchange adjustments	-	-	-	-	9,532	9,532
Net debt as at 30 June 2019	**(5,895)**	**-**	**-**	**(612,681)**	**(5,515,381)**	**(6,133,957)**

33. COMMITMENTS

(a) Capital commitments

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Authorised and contracted for	**293,158**	1,800	**-**	-
	293,158	1,800	**-**	-

The capital commitments relate to on-going maintenance capital expenditure and phase 2 of Sugar Beach renovation planned in financial year 2020.

(b) Operating lease commitments

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

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Within one year	**260,620**	178,935	**2,961**	5,207
After one year but before five years	**778,588**	544,954	**1,481**	2,403
After five years	**17,295,312**	19,511,285	**-**	-
	18,334,520	20,235,174	**4,442**	7,610

(i) The above operating lease arrangements include state leasehold land rentals for the periods up to which the rental amounts have been agreed.

(ii) The state leasehold land rentals terms go up to a maximum of 60 years and do not contain any option to buy at the end of the lease term for the periods up to which the rental amounts have been agreed.

(iii) Sun Limited through its subsidiaries had entered into 60 years state lease agreement offered by the Government of Mauritius in respect of six properties.

34. BUSINESS COMBINATION AND DISPOSAL

(a) Acquistion of CTL Retail Ltd

(i) Effective 1 August 2018, the Group acquired 100% of the share capital of CTL Retail Ltd. The rationale behind the acquisition is to consolidate all retail operations under a single cluster of CIEL Group.

	2019
	Rs'000
Consideration:	
Cash consideration	7,500
Total consideration	7,500
Recognised amounts for identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,173
Deferred tax assets	2,979
Inventories	17,846
Trade and other receivables	4,096
Cash in hand and at bank	599
Trade and other payables	(9,192)
Borrowings	(2,176)
Bank overdraft	(7,197)
Employee benefit liability	(1,628)
Total identifiable net assets	7,500

(ii) **Net cash outflow on acquisition of subsidiary**

Consideration paid in cash	(7,500)
Less: cash and cash equivalents balances acquired	(6,598)
Net cash outflow	(14,098)

(iii) The revenue and profit included for CTL Retail Ltd in the consolidated financial statements since date of acquisition to 30 June 2019 are Rs.35.5M and Rs.(2.3M) respectively

Had CTL Retail Ltd been consolidated from 01 July 2019, revenue would have been Rs. 39.3M and loss would have been Rs.(0.5M).

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34. BUSINESS COMBINATION (CONT'D)

(b) Disposal of subsidiary

Disposal of 50% share in Solea Vacances SA

On 28 February 2019, the Group disposed of 50% of its shareholding in Solea Vacances SA to a French travel agent, as part of a new strategic partnership to strenghten its distribution network on the French market. Accordingly, the results of Solea Vacances SA have been deconsolidated, effective 28 February 2019 and accounted for as an investment in joint venture.

(i) **Loss on disposal**	**2019**
	Rs'000
Consideration received	-
Fair value of interest retained	43,496
Less: net assets disposed of	(42,796)
Less: reversal of goodwill	(5,962)
Loss on disposal of subsidiary	**(5,262)**

(ii) **Assets and liabilities over which control was lost:**	**2019**
	Rs'000
Assets	
Property, plant and equipment	852
Intangible assets	2,037
Trade and other receivables	133,834
Cash and bank balances	28,665
	165,388
Liabilities	
Trade and other payables	122,592
Net assets	**42,796**

(iii) **Net cash flow from disposal of subsidiary**	**2019**
	Rs'000
Consideration received	-
Less: cash and bank balances disposed of	(28,665)
Net cash outflow from disposal of subsidiary	**(28,665)**

35. RELATED PARTY TRANSACTIONS

The transactions of the Group and the Company with related parties during the period are as follows:

	THE GROUP		**THE COMPANY**	
	2019	2018	**2019**	2 018
(a) Sales of goods and services	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Subsidiaries and associates of parent	**30,507**	49,604	-	-
Subsidiaries	**-**	-	**71,163**	90,721
	30,507	49,604	**71,163**	90,721
(b) Income income				
Subsidiaries	**-**	-	**139,375**	200,272
(c) Rental income				
Subsidiaries	**-**	-	**6,273**	92,209
(d) Dividend income				
Associate	**-**	21,898	**-**	21,882
Subsidiaries	**-**	-	**763,500**	877,501
(e) Purchases of goods and services				
Subsidiaries and associates of parent	**48,818**	80,401	**4,862**	22,531
(f) Administrative and secretarial service fees				
Subsidiaries and associates of parent	**12,514**	11,054	**3,707**	16,054

(g) The Company has an agreement for the provision of advisory, legal, administrative and secretarial services by CIEL Corporate Services Ltd.

35. RELATED PARTY TRANSACTIONS (CONT'D)

(h) Compensation	**THE GROUP**		**THE COMPANY**	
	2019	2018	**2019**	2018
Key management personnel	**Rs'000**	Rs'000	**Rs'000**	Rs'000
- Short-term benefits	**127,242**	101,447	**53,128**	36,482
- Share based payments expense	**2,000**	1,961	**1,070**	1,050
- Termination benefits	**4,520**	-	**4,520**	-
- Post-employment benefits	**10,998**	7,607	**4,587**	3,209
	144,760	111,015	**63,305**	40,741

(i) Outstanding balances	**THE GROUP**		**THE COMPANY**	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Receivables from related parties: Non current				
Subsidiaries and associates of parent	**2,015**	398	**-**	-
Loan to subsidiaries	**-**	-	**2,230,000**	2,329,982
	2,015	398	**2,230,000**	2,329,982

- Loans to related parties are unsecured, with no fixed terms of repayment and carries interest at 6.25% (2018: 9.25%) per annum.

Receivables from related parties - Current				
Subsidiaries and associates of parent	**485**	5,961	**-**	-
Subsidiaries	**-**	-	**1,743,269**	3,636,496
	485	5,961	**1,743,269**	3,636,496

- The current amounts receivable from related parties are unsecured, interest free and will be settled in cash. No guarantees have been given or received. No expense has been recognised as loss allowance in respect of amounts owed by related parties (current).

Provisions for impairment of receivables from related parties	**-**	**-**	**250,838**	**-**

	THE GROUP		**THE COMPANY**	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Payables to related parties - current				
Holding company	**184**	-	**-**	-
Subsidiaries and associates of parent	**3,003**	1,798	**-**	-
Subsidiaries	**-**	-	**897,417**	3,145,279
	3,187	1,798	**897,417**	3,145,279

The above transactions have been made in the normal course of business.
The amounts payable to related parties are unsecured, interest free and will be settled in cash.

(j) Borrowings - Bank loans	**THE GROUP AND THE COMPANY**	
	2019	2018
	Rs'000	Rs'000
Subsidiaries and associates of parent	**-**	59,008

Bank loans with a related party carries interest at 3% per annum (2018: 3%). The bank loans have been repaid in 2019.

(k) Loans and interest receivable from key management personnel under the Phantom Share Option Scheme
Refer to Note 13(a)

(l) Pension contributions to pension plan
Please refer to Note 20.

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36. CONTINGENT LIABILITIES

At 2019, the Group had no contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business.

The Company has provided corporate financial guarantee for an amount of Rs. Nil (2018: Rs 59M) in respect of bank loans to one of its subsidiaries. The Directors consider that no liabilities will arise as the probability for default in respect of the guarantee is remote.

37. FINANCIAL INSTRUMENTS

37.1 Capital 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 balance.

The capital structure of the Group consists of interest-bearing loans and borrowings net of cash and cash equivalents and equity attributable to equity owners of the parent, comprising retained earnings, stated capital and reserves as disclosed in notes 16 and 17 respectively.

Gearing ratio

The Group has a target gearing ratio up to a maximum of 55% determined as the proportion of net debt to capital employed.

The gearing ratio at the year end was as follows:	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
Debt (Note (i))	**8,863,416**	9,194,232	**6,175,040**	6,100,370
Cash and cash equivalents	**(627,661)**	(573,153)	**(41,083)**	(51,900)
Net debt	**8,235,755**	8,621,079	**6,133,957**	6,048,470
Capital employed ((Note (ii))	**16,685,036**	19,484,400	**19,444,685**	22,351,055
Net debt to capital employed ratio	**49.4%**	44.2%	**31.5%**	27.1%

(i) Debt is defined as loans, finance leases, debentures and overdrafts.
(ii) Capital employed includes all capital, reserves and the net debt of the Group.

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

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

37.2 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
Financial assets	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Amortised Cost				
Cash and short term deposits	**627,661**	573,153	**41,083**	51,900
Trade and other receivables	**568,523**	455,345	**1,750,781**	3,642,707
Other financial assets	**18,935**	16,920	**2,246,920**	2,346,902
	1,215,119	1,045,418	**4,038,784**	6,041,509
Assets at Fair Value Through Other Comprehensive Income				
Other investments	**164,170**	-	**5,550**	-
Interest in subsidiaries	**-**	-	**15,564,331**	-
	164,170	-	**15,569,881**	-
Available for sale assets				
Other investments	**-**	178,923	**-**	5,550
Interest in subsidiaries	**-**	-	**-**	18,736,976
	-	178,923	**-**	18,742,526
Financial liabilities				
Amortised Cost				
Borrowings	**8,863,416**	9,194,232	**6,175,040**	6,100,370
Trade and other payables	**1,183,345**	1,163,940	**944,130**	3,240,303
	10,046,761	10,358,172	**7,119,170**	9,340,673

37. FINANCIAL INSTRUMENTS (CONT'D)

37.2 Categories of financial instruments (cont'd)

Available for sale assets have been reclassified on 1 July 2018 to assets at fair value through profit or loss and to assets at fair value through other comprehensive income as follows:

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
	Rs'000	Rs'000	**Rs'000**	Rs'000
From Available for sale assets:				
Assets at fair value through profit or loss	**-**	178,923	**-**	5,550
Assets at fair value through other comprehensive income	**-**	-	**-**	-
	-	178,923	**-**	5,550

37.3 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 (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

37.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Financial market risk is defined as the risk that business performance is affected by movements in financial market prices or rates. Financial market risk may therefore result in a profit or loss and is the risk that derivatives are usually designed to manage.

The Group enters into a variety of forwards contracts, swaps and cap to manage its exposure to interest rate and foreign currency risk. Details of contracts outstanding at the end of the reporting period are given in Note 21.

37.5 Foreign currency risk management

The Group has financial assets and financial liabilities denominated in various foreign currencies. Consequently, the Group is exposed to the risk that the carrying amounts of these foreign currency denominated assets and liabilities may change due to fluctuations in foreign exchange rates.

The currency profile of the financial assets and financial liabilities, excluding equity investments in subsidiaries and associates and employee benefit liability at 30 June 2019 and 30 June 2018, are as follows:

	THE GROUP		THE COMPANY	
	Financial assets	**Financial liabilities**	**Financial assets**	**Financial liabilities**
2019	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
US Dollar	**93,135**	**788,957**	**1,148,991**	**212,821**
Euro	**347,615**	**7,676,374**	**27,748**	**6,154,277**
South African Rand	**184,862**	**181,428**	**109**	**2**
UK Pound	**133,398**	**152,774**	**257**	**6,239**
Others	**14,922**	**22,931**	**309**	**-**
Total foreign currencies	**773,932**	**8,822,464**	**1,177,414**	**6,373,339**
Mauritian Rupee	**441,187**	**1,224,297**	**2,861,370**	**745,831**
Total	**1,215,119**	**10,046,761**	**4,038,784**	**7,119,170**
2018				
US Dollar	92,666	748,547	3,244	-
Euro	468,940	4,940,562	34,316	3,079,323
South African Rand	175,327	54,748	1,630	-
UK Pound	127,383	154,877	1,586	-
Others	6,914	5,403	301	-
Total foreign currencies	871,230	5,904,137	41,077	3,079,323
Mauritian Rupee	353,111	4,454,035	3,676,000	6,261,348
Total	1,224,341	10,358,172	3,717,077	9,340,671

The Group is mainly exposed to fluctuations in US Dollar, Euro, South African Rand and UK Pound exchange rates.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.5 Foreign currency risk management (Cont'd)

The following table details the Group's sensitivity to a 1% increase and/or decrease in the Mauritian Rupee against the relevant foreign currencies.

	THE GROUP			
	Profit or loss	Other equity	Profit or loss	Other equity
	2019		2018	
	Rs'000	Rs'000	Rs'000	Rs'000
US Dollar	(6,958)	(6,297)	(6,528)	24
Euro	(73,288)	(45,094)	(5,755)	(38,953)
South African Rand	34	6	1,206	(7)
UK Pound	(194)	(1,191)	1,179	(1,453)
Others	(80)	-	-	-

	THE COMPANY			
	Profit or loss	Other equity	Profit or loss	Other equity
	2019		2018	
	Rs'000	Rs'000	Rs'000	Rs'000
US Dollar	9,362	-	32	-
Euro	(61,265)	(29,975)	91	(30,541)
South African Rand	1	-	16	-
UK Pound	(60)	-	16	-

The above is mainly attributable to:

(i) the exposure outstanding on receivables and deposits in above currencies; and

(ii) differences on translation of receivables and payables in foreign subsidiaries.

37.6 Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrows funds at both fixed and floating interest rates. The Group's policy is to minimise exposure to interest rate movements without exposing the Group to speculation or undue risk. Sun Limited shall manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or securing its interest revenues through the purchase of certain hedging instruments such as interest rate caps, floors, swaps or forward rate agreements.

The current policy is to have a good mixed of fixed versus variable interest rate and fixed at least 50% of the interest rate.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section.

The interest rate profile of the Group at the end of the reporting period were as follows:

Financial assets

	Balances with banks	
	Interest rate	
	2019	2018
	%	%
South African Rand	3.00% - 7.53%	3.00% - 7.30%
Mauritian Rupee	1.90%	2.30%

37. FINANCIAL INSTRUMENTS (CONT'D)

37.6 Interest rate risk management (Cont'd)

Financial liabilities

	Loans		Finance leases		Bank overdrafts		Bonds	
	Fixed interest rate %	*Floating interest rate %*	*Fixed interest rate %*	*Floating interest rate %*	*Fixed interest rate %*	*Floating interest rate %*	*Fixed interest rate %*	*Floating interest rate %*
2019								
Mauritian Rupee	N/A	3.25 - 5.75	6.25	N/A	N/A	5.75 - 6.00	6.00 - 6.5	4.80 - 5.20
US Dollar	N/A	4.37 - 7.33	N/A	N/A	N/A	6.87	N/A	N/A
Euro	3.25	2.15 - 3.88	5.00	N/A	N/A	N/A	4.50	4.00
GBP	N/A	5.11	N/A	N/A	N/A	N/A	N/A	N/A
2018								
Mauritian Rupee	N/A	N/A	6.25	N/A	N/A	5.75 - 6.75	6.00 - 6.5	4.80 - 5.20
US Dollar	N/A	3.98 - 7.50	2	N/A	N/A	6.5	N/A	N/A
Euro	3.25	1.77 - 3.93	5	N/A	N/A	N/A	4.50	4.00
GBP	N/A	5.04	N/A	N/A	N/A	N/A	N/A	N/A

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both financial assets and liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was for the whole year. A 1% increase or decrease is used and represents management's assessment of the likely change in interest rate.

If interest rates had been 1% higher/lower and all other variables were held constant:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Profit or loss	(42,723)	(35,018)	(19,993)	(35,045)
Other equity	-	(212)	-	(213)

37.7 Other price risks

The Group and the Company are exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group and the Company do not actively trade into these investments.

Equity price sensitivity analysis

If equity prices had been 1% higher/lower:

- Profit for the year ended 2019 and 2018 would have been unaffected as the equity investments are classified at fair value through other comprehensive income.
- Other equity reserves would increase/decrease by Rs 9.1M (2018: Rs 7.02M) for the Group and Rs. 0.06M (2018: Rs. 0.06M) for the Company respectively as a result of the changes in fair value of FVPL shares.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

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37. FINANCIAL INSTRUMENTS (CONT'D)

37.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements.

Sun Limited shall ensure that it has adequate though not excessive cash resources, borrowing arrangements, overdraft facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business objectives. Cash and debt management is centralised through corporate finance and receipts from the centralised debtors' collection department are monitored on a monthly basis to match the payments of creditors and other commitments. Any temporary gap in cash is covered by the overdraft and short-term borrowing facilities in place.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

Non derivative financial instruments

THE GROUP

	Weighted average effective interestrate	At call	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2019							
Non-interest bearing		**-**	**578,737**	**578,737**	**-**	**-**	**1,157,474**
Finance lease liabilities	**5.63%**	**-**	**6,030**	**18,091**	**94,273**	**985,235**	**1,103,629**
Variable interest rate instruments	**4.5%**	**-**	**520,982**	**580,533**	**4,119,157**	**393,951**	**5,614,623**
Fixed interest rate instruments	**4.8%**	**-**	**11,232**	**212,223**	**3,721,535**	**-**	**3,944,990**
		-	**1,116,981**	**1,389,584**	**7,934,965**	**1,379,186**	**11,820,716**
2018							
Non-interest bearing		-	581,970	581,970	-	-	1,163,940
Finance lease liabilities	6.2%	-	5,884	17,826	94,145	1,006,731	1,124,586
Variable interest rate instruments	5.7%	16	222,369	533,575	2,780,919	809,703	4,346,582
Fixed interest rate instruments	5.4%	-	11,601	229,174	3,478,436	989,676	4,708,887
		16	821,824	1,362,545	6,353,500	2,806,110	11,343,995

THE COMPANY

	Weighted average effective interestrate	At call	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2019							
Non-interest bearing		**-**	**23,357**	**23,357**	**-**	**-**	**46,714**
Variable interest rate instruments	**4.6%**	**-**	**487,087**	**184,280**	**2,238,885**	**101,909**	**3,012,161**
Fixed interest rate instruments	**4.8%**	**-**	**11,232**	**212,223**	**3,721,535**	**-**	**3,944,990**
		-	**521,676**	**419,860**	**5,960,420**	**101,909**	**7,003,865**

37. FINANCIAL INSTRUMENTS (CONT'D)

37.9 Liquidity risk management (Cont'd)

Liquidity and interest risk tables (cont'd)

THE COMPANY

	Weighted average effective interest rate	At call	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
2018							
Non-interest bearing		-	1,578	1,578	-	-	3,156
Finance lease liabilities	2.9%	-	-	174	-	-	174
Variable interest rate instruments	3.8%	14	26,445	261,404	1,682,571	450,020	2,420,454
Fixed interest rate instruments	4.1%	-	11,601	229,174	3,478,436	989,676	4,708,887
		14	39,624	492,330	5,161,007	1,439,696	7,132,671

37.10 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and to the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and the Company only transact with entities of good credit rating. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar charateristics.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

37.11 Fair value of financial instruments

Except where stated elsewhere, 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 fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

> NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

37. FINANCIAL INSTRUMENTS (CONT'D)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that includes inputs for the assets or liability that are not based on observation market data (unobservable inputs).

	THE GROUP AND THE COMPANY			
	Level 1	Level 2	Level 3	Total
FVTPL financial assets:	Rs'000	Rs'000	Rs'000	Rs'000
Listed equities				
2019	3	-	-	3
2018	3	-	-	3

The table above only includes financial assets.

During the period, the Group and the Company recognised an amount of Rs 5.9M (2018: Rs 1.7M) and Rs. 13M (2018: Rs. 71M) respectively in the profit or loss in respect of the cash flow hedge.

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Amount recognised in profit or loss	5,947	(1,753)	13,284	(71,731)

Below is a schedule indicating as at 30 June 2019 the periods when the hedge cash flows are expected to occur and when they are expected to affect profit or loss.

THE GROUP				
2019	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years
	Rs'000	Rs'000	Rs'000	Rs'000
Cash inflows	971,102	4,723,371	2,450,235	1,359,893
Cash outflows	(971,102)	(4,723,371)	(2,450,235)	(1,359,893)
Net cash outflows	-	-	-	-
2018	Within 1 year	1 to 3 years	3 to 5 years	More than 5 years
	Rs'000	Rs'000	Rs'000	Rs'000
Cash inflows	536,277	3,289,745	2,656,723	3,262,283
Cash outflows	(536,277)	(3,289,745)	(2,656,723)	(3,262,283)
Net cash outflows	-	-	-	-

38. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

(a) The hedge of the variability of cash flows due to exchange rate fluctuations

The final repayment of the bank borrowings and bonds identified as the hedge instrument range from 31 December 2025 to 31 March 2026 for the Group and range from 31 December 2021 to 31 March 2026 for the Company.

The foreign exchange loss on translation of the borrowings was recognised in other comprehensive income during the year:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Foreign exchange loss	8,782	6,017	-	-

The fair value of the denominated bank loans and bonds is as follows:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
As at 30 June	8,400,972	8,620,440	6,128,062	6,086,038

These financial assets are classified under Level 3 of the Fair Value Hierarchy.

(b) ***Amount recognised in profit or loss and other comprehensive income***

During the year, the following exchange related amounts were recognised in profit or loss and other comprehensive income :

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs'000	Rs'000	Rs'000	Rs'000
Net foreign exchange gain/loss included in other income/other expenses	101,700	50,277	87,757	71,673
Exchange losses on foreign currency borrowing included in finance cost	(5,947)	(19,734)	(4,751)	(1,915)
Total net foreign exchange(losses) recognised in profit before income tax for the period	95,753	30,543	83,006	69,758
Net gain/loss on foreign currency derivatives not qualifying as hedges included in other income/expense	-	-	-	-
Net loss for ineffective portion of derivatives designated as cash flow hedges and in relation to the forward element of foreign currency forward contracts	-	-	-	-
Net gain/losses recognised in other comprehensive income cash flow hedges	20,054	(85,319)	-	-

> NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2019

39. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has two reportable segments, as follows:

- Hotel operations which relates to operating and/or managing six resorts in Mauritius and Maldives
- Others which relates to hospitality management services

	THE GROUP	
	2019	2018
GEOGRAPHICAL	**Rs'000**	Rs'000
Geographical revenue:		
Mauritius	**5,682,111**	5,808,908
Maldives	**519,200**	414,177
Others	**413,573**	500,794
Total revenue	**6,614,884**	6,723,879
Geographical results:		
Mauritius	**(1,557,288)**	370,959
Maldives	**(343,325)**	(182,585)
Others	**15,012**	5,693
(Loss)/profit for the year	**(1,885,601)**	194,067
Segment revenue:		
Hotel operations - External sales	**6,201,311**	6,223,085
Hotel operations - Inter-segment sales	**284,378**	354,638
	6,485,689	6,577,723
Others - External sales	**413,573**	500,794
Elimination of inter-segment sales	**(284,378)**	(354,638)
Total revenue	**6,614,884**	6,723,879
Segment results:		
Hotel operations	**(1,900,613)**	188,373
Others	**15,012**	5,694
(Loss)/profit for the year	**(1,885,601)**	194,067
The results before considering the impact of non-recurring events are:		
Geographical results:		
Mauritius	**267,726**	370,959
Maldives	**(116,574)**	(182,585)
Others	**15,012**	5,693
(Loss)/profit for the year before non-recurring events	**166,164**	194,067
Segment results:		
Hotel operations	**151,152**	188,374
Others	**15,012**	5,693
(Loss)/profit for the year before non-recurring events	**166,164**	194,067
Depreciation and amortisation		
Mauritius	**478,219**	463,804
Maldives	**86,485**	76,104
Hotel operations	**564,704**	539,908
Others	**3,794**	6,171
	568,498	546,079
Finance costs		
Mauritius	**410,714**	432,292
Maldives	**44,053**	47,530
Hotels operations	**454,767**	479,822
Finance income		
Mauritius	**10,064**	10,248
Others	**8,328**	6,064
	18,392	16,312

Non recurring events relate to:

(i) Impairment of goodwill and non-financial assets

(ii) Loss on disposal of subsidiary

(iii) Write off of project costs

(iv) Reversal of deferred tax assets

39. SEGMENT INFORMATION (CONT'D)

	THE GROUP	
	2019	2018
	Rs'000	Rs'000
Income tax expense/(credit)		
Mauritius	**96,340**	115,154
Maldives	**100,474**	(30,525)
Hotels operations	**196,814**	84,629
Others	**4,724**	2,118
	201,538	86,747
Assets		
Non-current		
Mauritius	**15,663,118**	15,990,664
Maldives	**2,510,300**	4,568,281
Hotel operations	**18,173,418**	20,558,945
Others	**5,725**	17,745
	18,179,143	20,576,690
Unallocated:		
Interest in associates	**702,445**	702,445
Interest in joint venture	**43,796**	-
	18,925,384	21,279,135
Current		
Mauritius	**1,234,882**	1,186,929
Maldives	**92,588**	99,075
Hotel operations	**1,327,470**	1,286,004
Real Estate - Mauritius	**-**	-
Others	**198,611**	309,862
	1,526,081	1,595,866
Liabilities		
Non-current		
Mauritius	**8,884,412**	9,331,446
Maldives	**417,890**	430,510
Hotel operations	**9,302,302**	9,761,956
Current		
Mauritius	**2,248,957**	1,684,823
Maldives	**222,884**	303,215
Hotel operations	**2,471,841**	1,988,038
Real Estate - Mauritius	**-**	-
Others	**228,042**	261,686
	2,699,883	2,249,724
Additions to non-current assets		
Mauritius	**381,351**	489,757
Maldives	**19,213**	99,836
Hotel operations	**400,564**	589,593
Others	**1,249**	2,322
	401,813	591,915
Investment in associates		
Mauritius	**702,445**	702,445
Investment in joint venture		
France	**43,796**	-

40. DIVIDENDS PER SHARE

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

	THE GROUP AND THE COMPANY	
	2019	2018
	Rs'000	Rs'000
Amount recognised as distributions to equity holders in the year:		
Final dividend payable for year ended 30 June 2019 of 75 cents per share (2018: 50 cents per share)	**130,820**	87,213

41. EVENTS AFTER THE REPORTING PERIOD

There has been no significant event after the reporting period which in the opinion of the directors requires disclosure in the financial statements.

42. PARENT AND ULTIMATE COMPANY

The company considers CIEL Limited, a company incorporated in Mauritius, as its parent and ultimate parent company.

ANNEXES

> NOTICE OF ANNUAL MEETING TO THE SHAREHOLDERS OF SUN LIMITED

Notice is hereby given that the Annual Meeting ("the Meeting") of the shareholders of Sun Limited ("the Company") will be held on 12 December 2019 at 14.00 hours at Hennessy Park Hotel, Ebony 1 Conference Room, 65 Cybercity, Ebène, to transact the following business in the manner required for passing ordinary resolutions:

1. To receive, consider and approve the Group's and the Company's Financial Statements for the financial year ended 30 June 2019, including the Annual Report and the Auditor's Report, in accordance with section 115(4) of the Companies Act 2001.
2. To appoint, as Director of the Company to hold office until the next Annual Meeting, Mr. François Eynaud, who has been nominated by the Board of Directors on 19 September 2019.
3. To re-elect, as Directors of the Company and by way of separate resolutions, to hold office until the next Annual Meeting, the following persons who offer themselves for re-election:
   - 3.1. Mr. Jean-Pierre Dalais
   - 3.2. Mr. Alexis Caude
   - 3.3. Mr. P. Arnaud Dalais
   - 3.4. Mr. R. Thierry Dalais
   - 3.5. Mr. L. J. Jérôme De Chasteauneuf
   - 3.6. Mrs. Hélène Echevin
   - 3.7. Mr. M. G. Didier Harel
   - 3.8. Mr. J. Harold Mayer
   - 3.9. Mr. Olivier Riché
   - 3.10. Mr. Jean-Louis Savoye
   - 3.11. Mr. Naderasen Pillay Veerasamy
   - 3.12. Mr. Pierre Vaquier
   - 3.13. Mr. Tommy Wong Yun Shing
4. To take note of the automatic re-appointment of PricewaterhouseCoopers Ltd as auditor of the Company for the financial year ending 30 June 2020, in accordance with section 200 of the Companies Act 2001 and to authorise the Board of Directors of the Company to fix their remuneration.
5. To ratify the remuneration paid to the auditor for the financial year ended 30 June 2019.

By Order of the Board

Clothilde de Comarmond, ACIS
For and on behalf of
CIEL Corporate Services Ltd
Group Company Secretary

22 October 2019

Notes:

A. *A shareholder of the Company entitled to attend and vote at the Meeting may appoint a proxy, whether a member or not, to attend and vote in his/her stead. A proxy need not be a member of the Company.*

B. *Proxy forms should be deposited at the Share Registry and Transfer Office of the Company, MCB Registry & Securities Limited, Ground Floor, Raymond Lamusse Building, 9-11, Sir William Newton Street, Port Louis, not less than twenty-four hours before the start of the Meeting, and in default, the instrument of proxy shall not be treated as valid.*

C. *A proxy form is included in this Annual Report and is also available at the Registered Office of the Company, 5th Floor, Ebène Skies, rue de l'Institut, Ebène.*

D. *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 and vote at the Meeting, shall be those shareholders whose names are registered in the share register of the Company as at 12 November 2019.*

E. *The minutes of proceedings of the Annual Meeting of the shareholders held on 14 December 2018 are available for inspection at the Registered Office of the Company during normal trading office hours.*

F. *The profiles and categories of the Directors appointed/re-elected are available in the Corporate Governance section of this report.*

> PROXY FORM

I/We ____________________

of ____________________

being shareholder(s) of Sun Limited ("the Company") do hereby appoint ____________________

of ____________________

or, failing him/her ____________________

of ____________________

or, failing him/her, the Chairman of the Meeting as my/our proxy to represent me/us and vote for me/us and on my/our behalf at the Annual Meeting of the shareholders of the Company ("the Meeting") to be held on 12 December 2019 at 14.00 hours at Hennessy Park Hotel, Ebony 1 Conference Room, 65 Cybercity, Ebène, to transact, and at any adjournment thereof, the following business in the manner required for passing ordinary resolutions.

I/We direct my/our proxy to vote in the following manner (Please vote with a tick).

RESOLUTIONS		FOR	AGAINST
1.	To receive, consider and approve the Group's and the Company's Financial Statements for the financial year ended 30 June 2019, including the Annual Report and the Auditor's Report, in accordance with section 115(4) of the Companies Act 2001.		
2.	To appoint, as Director of the Company to hold office until the next Annual Meeting, Mr. François Eynaud, who has been nominated by the Board of Directors on 19 September 2019.		
3.	To re-elect, as Directors of the Company and by way of separate resolutions, to hold office until the next Annual Meeting, the following persons who offer themselves for re-election:		
	3.1. Mr. Jean-Pierre Dalais		
	3.2. Mr. Alexis Caude		
	3.3. Mr. P. Arnaud Dalais		
	3.4. Mr. R. Thierry Dalais		
	3.5. Mr. L. J. Jérôme De Chasteauneuf		
	3.6. Mrs. Hélène Echevin		
	3.7. Mr. M. G. Didier Harel		
	3.8. Mr. J. Harold Mayer		
	3.9. Mr. Olivier Riché		
	3.10. Mr. Jean-Louis Savoye		
	3.11. Mr. Naderasen Pillay Veerasamy		
	3.12. Mr. Pierre Vaquier		
	3.13. Mr. Tommy Wong Yun Shing		
4.	To take note of the automatic re-appointment of PricewaterhouseCoopers Ltd as auditor of the Company for the financial year ending 30 June 2020, in accordance with section 200 of the Companies Act 2001 and to authorise the Board of Directors of the Company to fix their remuneration.		
5.	To ratify the remuneration paid to the auditor for the financial year ended 30 June 2019.		

Signed this ____________ day of ____________ 2019. ____________________

Signature/s

Notes:

A. *Any member of the Company entitled to attend and vote at the Meeting, may appoint a proxy, whether a member or not, to attend and vote in his/her stead. A proxy need not be a member of the Company.*

B. *If the instrument appointing the proxy is returned without an indication as to how the proxy shall vote on any particular resolution, the proxy will exercise his/her discretion as to whether, and, if so, how he/she votes. Proxy forms should be deposited at the Share Registry and Transfer Office of the Company, MCB Registry & Securities Limited, Ground Floor, Raymond Lamusse Building, 9-11, Sir William Newton Street, Port Louis, not less than twenty-four hours before the start of the Meeting, and in default, the instrument of proxy shall not be treated as valid.*

> APPLICATION FORM FOR E-COMMUNICATION

Should you wish to receive by e-mail, future notice of shareholders' meetings, annual reports, accounts, credit advices and other shareholder documents made available to you in your capacity as shareholder of Sun Limited, kindly fill in that section and return to:

Sun Limited
C/o MCB Registry & Securities Limited,
Ground Floor, Raymond Lamusse Building,
9-11, Sir William Newton Street, Port Louis Mauritius

Dear Sir/Madam,

Re: Authorisation to receive electronic communications

I/We

Name of shareholder *(primary shareholder in case of joint holding)*

National Identity Card Number/Passport Number
(for individuals)

Business Registration Number
(for corporate bodies)

agree to receive by e-mail, notice of shareholders' meetings, annual reports, accounts, credit advices and other shareholder documents made available to me/us in my/our capacity as shareholder of Sun Limited ("SUN") and also agree to receive notification that documents such as annual reports and circulars have been posted on SUN's website for consultation. I/we also agree to abide to the Terms and Conditions defined below.

Email address

Name of signatory

Signature/s

Contact number: ______________________

Date: ______________________

Terms and Conditions:

- *Upon approval of my/our request, issuance of paper notice of meetings, annual reports, accounts, credit advices and other shareholder documents shall be discontinued. However, in particular circumstances, I/we understand that SUN reserves the right to send documents or other information to the shareholders in hard copy rather than by e-mail.*
- *SUN cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failures.*
- *My/our instruction will also apply to any shares that I/we may hold jointly.*
- *In case of joint holders, the person named first in the share register will be eligible to fill in and sign this document.*
- *In case of companies, the person/s authorised will be eligible to fill in and sign this document, and, as a corporate shareholder, we shall ensure that the e-mail address provided shall easily be read by/accessible to employees responsible for our shareholding in SUN and that any de-activation of the said e-mail address will be notified promptly to SUN, C/o MCB Registry & Securities Limited, Ground Floor, Raymond Lamusse Building, 9-11, Sir William Newton Street, Port Louis, Mauritius.*
- *I/We shall be responsible for updating the designated e-mail address details, as and when necessary, to SUN, C/o MCB Registry & Securities Limited, Ground Floor, Raymond Lamusse Building, 9-11, Sir William Newton Street, Port Louis, Mauritius.*
- *I/We further undertake to hold SUN and/or its agents harmless in the execution of my/our present instructions and not to enter any action against the aforesaid parties and hereby irrevocably renounce to any rights I/We might have accordingly.*
- *The present authorisation shall remain valid until written revocation by me/us is sent to SUN, C/o MCB Registry & Securities Limited, Ground Floor, Raymond Lamusse Building, 9-11, Sir William Newton Street, Port Louis, Mauritius.*
- *This instruction supersedes any previous instruction given to SUN regarding the despatch of the documents mentioned above.*

CONTACTS

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