NEW MAURITIUS HOTELS LIMITED

AUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2016

STATEMENTS OF PROFIT OR LOSS

	THE GROUP		THE COMPANY	
	2016	2015 Restated	2016	2015 Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	9,601,457	9,156,542	7,048,524	6,336,528
Direct costs	(2,047,640)	(2,188,259)	(1,098,461)	(1,004,461)
Staff costs	(3,246,152)	(3,092,693)	(2,351,716)	(2,184,162)
Other expenses	(3,020,789)	(2,691,091)	(2,042,980)	(1,854,928)
Earnings from operating activities	1,286,876	1,184,499	1,555,367	1,292,977
Other income	121,136	257,191	157,127	267,090
Share of results of associates	(6,620)	13,956	-	-
Profit/(loss) on disposal of property, plant and equipment	15,681	(8,174)	(65)	(11,956)
Normalised EBITDA	1,417,073	1,447,472	1,712,429	1,548,111
Rebranding and reorganisation costs	(119,237)	-	(79,575)	-
Loss arising from fraud	(115,210)	-	(115,210)	-
Fair value gain on investment property	-	106,063	-	-
EBITDA	1,182,626	1,553,535	1,517,644	1,548,111
Finance costs	(981,888)	(940,718)	(757,530)	(714,361)
Finance revenue	14,774	165,969	1,232	2,230
Depreciation of property, plant and equipment	(647,744)	(544,508)	(394,871)	(350,941)
Impairment losses	(325,919)	(3,636)	(2,271,939)	(1,500,000)
(Loss)/ profit before tax	(758,151)	230,642	(1,905,464)	(1,014,961)
Income tax expense	(208,747)	(49,566)	(85,623)	(68,996)
(Loss)/ profit for the year	(966,898)	181,076	(1,991,087)	(1,083,957)
(Loss)/Profit attributable to:				
Owners of the parent	(997,678)	141,446	(1,991,087)	(1,083,957)
Non-controlling interests	30,780	39,630	-	-
	(966,898)	181,076	(1,991,087)	(1,083,957)
Basic earnings per share (Rs)	(2.06)	0.29	(4.11)	(2.24)

SEGMENTAL INFORMATION

GEOGRAPHICAL	2016	2015 Restated
Revenue:	Rs.'000	Rs.'000
Mauritius	7,622,751	6,814,808
Morocco	848,706	1,184,223
Others	1,130,000	1,157,511
	9,601,457	9,156,542
Normalised EBITDA		
Mauritius	1,736,073	1,585,536
Morocco	(299,756)	(124,942)
Others	(19,244)	(13,122)
	1,417,073	1,447,472

STATEMENTS OF COMPREHENSIVE INCOME

	THE GROUP		THE COMPANY	
	2016	2015 Restated	2016	2015 Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(Loss)/ profit for the year	(966,898)	181,076	(1,991,087)	(1,083,957)
Other comprehensive (loss)/income for the year, net of tax	(212,312)	287,176	206,669	(257,820)
Total comprehensive (loss)/ income for the year	(1,179,210)	468,252	(1,784,418)	(1,341,777)
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(1,208,336)	432,725	(1,784,418)	(1,341,777)
Non-controlling interests	29,126	35,527	-	-
	(1,179,210)	468,252	(1,784,418)	(1,341,777)

STATEMENTS OF FINANCIAL POSITION

	THE GROUP			THE COMPANY		
	2016	2015 Restated	2014 Restated	2016	2015 Restated	2014 Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS						
Non-current assets						
Property, plant and equipment	25,055,983	25,508,432	24,817,560	17,845,993	17,440,839	17,958,601
Investment properties	363,964	366,000	786,900	-	-	195,125
Intangible assets	1,691,095	1,696,073	1,697,550	1,214,240	1,216,581	1,218,924
Investment in subsidiaries	-	-	-	7,357,517	7,057,733	7,798,406
Investment in associates	474,727	535,395	526,863	19,062	19,062	19,062
Available-for-sale financial assets	1,541	4,512	25,340	1,247	1,467	1,850
Deferred tax assets	139,540	209,877	130,261	-	-	-
	27,726,850	28,320,289	27,984,474	26,438,059	25,735,682	27,191,968
Current assets	7,781,377	8,374,181	7,697,702	3,712,560	5,743,435	4,815,922
Total assets	35,508,227	36,694,470	35,682,176	30,150,619	31,479,117	32,007,890
EQUITY AND LIABILITIES						
Shareholders' interests	11,849,777	13,217,922	12,785,197	7,676,010	9,620,237	10,962,014
Non-controlling interests	50,006	58,738	72,897	-	-	-
Non-current liabilities	15,034,004	15,118,428	11,914,253	14,351,459	14,352,685	11,330,546
Current liabilities	8,574,440	8,299,382	10,909,829	8,123,150	7,506,195	9,715,330
Total equity and liabilities	35,508,227	36,694,470	35,682,176	30,150,619	31,479,117	32,007,890

STATEMENTS OF CHANGES IN EQUITY

	THE GROUP			THE COMPANY
	Shareholders' interests	Non-controlling interests	Total equity	Total equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At October 1, 2014				
- As previously reported	13,191,794	74,257	13,266,051	11,303,112
- Prior year adjustments	(406,597)	(1,360)	(407,957)	(341,098)
- As restated	12,785,197	72,897	12,858,094	10,962,014
Changes in equity for the year				
Total comprehensive income for the year	432,725	35,527	468,252	(1,341,777)
Dividends	-	(49,686)	(49,686)	-
At September 30, 2015 (Restated)	13,217,922	58,738	13,276,660	9,620,237
At October 1, 2015	13,217,922	58,738	13,276,660	9,620,237
Changes in equity for the year				
Total comprehensive income for the year	(1,208,336)	29,126	(1,179,210)	(1,784,418)
Acquisition of subsidiary	-	600	600	-
Dividends	(159,809)	(38,458)	(198,267)	(159,809)
At September 30, 2016	11,849,777	50,006	11,899,783	7,676,010

STATEMENTS OF CASH FLOWS

	THE GROUP		THE COMPANY	
	2016	2015	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net cash flows generated from operating activities	1,407,813	1,376,431	1,250,240	1,052,965
Net cash flows used in investing activities	(499,055)	(669,324)	(359,106)	(321,279)
Net cash flows (used in)/generated from financing activities	(1,500,914)	104,678	(1,350,016)	88,038
Net (decrease)/increase in cash and cash equivalents	(592,156)	811,785	(458,882)	819,724
Cash and cash equivalents at October 1,	(1,459,545)	(2,195,886)	(1,859,647)	(2,690,733)
Net foreign exchange difference	(9,836)	(75,444)	(26,128)	11,362
Cash and cash equivalents at September 30,	(2,061,537)	(1,459,545)	(2,344,657)	(1,859,647)

RESULTS SEVERELY IMPACTED BY THE IMPAIRMENT OF MOROCCAN ASSETS
TURNOVER UP BY 5%, EARNINGS FROM OPERATING ACTIVITIES UP BY 9 % ON THE BACK OF STRONG HOTEL PERFORMANCE IN MAURITIUS

The Group registered a 5% increase in turnover of Rs 9,601m (FY15: Rs 9,156m) whilst profits from operations increased by 9% to Rs 1,286m (FY15 Rs 1,184m). Normalised EBITDA stood at Rs 1,417m (FY15 Rs 1,447m). This good operational performance was driven by strong turnover from operations in Mauritius, with growth of 12% year on year, despite unfavourable movements in the GBP and Euro exchange rates. In view of the continued difficulties faced by its Moroccan operations, the Board has decided to adopt a prudent stance with respect to the carrying value of its real estate and hotel investments. Consequently, substantial impairment charges amounting to Rs 277m for the Group and Rs 2,272m for the Company have impacted the financial statements for the year. After accounting for a number of additional "one-off" items this year, the Group and the Company posted losses after tax of Rs 967m and Rs 1,991m respectively.

Comments on operations

Mauritius

- The Mauritian hotel operations performed well, with the average occupancy in our eight hotels increasing from 69% to 75%. Room nights sold increased by 8% whilst Guest Night Spending (total spending per guest per night) increased by only 1%, mainly due to the drop in the Euro and GBP. Trou Aux Biches Beachcomber achieved a particularly notable performance and has become, with its 333 rooms, suites and villas, the highest contributor to the Group's operating profits. The operating profits of the Mauritian hotel operations increased by 20% to Rs 1,569m (FY15 Rs 1,306m).
- Mautourco further consolidated its position in the market and posted an improved PAT of Rs 27m (FY15 Rs 23m).
- A much-needed major restructuring exercise was undertaken at White Palm Ltd (White Sand Tours). This resulted in the company incurring significant provisions during the year, leading to a loss of Rs 17m. The management of the company has now been entrusted to Mautourco and the company is already posting monthly profits.

Seychelles

- The performance of Beachcomber Ste Anne Resort in the Seychelles has been disappointing. The results were impacted by the strength of the Seychelles Rupee and by increased operational costs further to the unexpected salary hike of 20% imposed by the authorities during the year. The resort is set to close in FY18 for important renovation and extension works.
- In spite of the operational challenges faced by local operators due to the high costs of operation, the growth in tourist arrivals is encouraging and the open air access policy implemented by the government augurs well for the future of the industry.

Marrakech

- The terrorist attacks in France during the past year have severely impacted the tourism industry in North Africa. The poor performance of Royal Palm Marrakech (RPM) continued to significantly affect the Group results, with Beachcomber Hotel SA (the company which owns and operates RPM) posting a negative EBITDA of Rs 148m (FY15: Rs 202m) and negative PAT of Rs 785m (FY15: Rs 363m). The results were negatively impacted by an impairment charge of Rs 277m against property, plant and equipment, an increase in depreciation charge of Rs 49m and a significant reversal of deferred tax asset impacting results by Rs 164m year on year. The Group is currently in the final stages of negotiation with a well-recognised international hotel operator, with good reach in the main source markets for Marrakech, to which it plans to entrust the management of the hotel operations.
- As could be expected, the sale of villas at Domaine Palm Marrakech has also been negatively impacted by the prevailing geopolitical events mentioned above. Domaine Palm Marrakech (DPM), the Group's 100% subsidiary undertaking the real estate development in Marrakech, saw its turnover drop by Rs 385m year on year, which resulted in a negative EBITDA of Rs 151m for the year under review. Taking into account an impairment of an investment of Rs 48m done during FY16, the entity posted a loss of Rs 281m for the year. The signature of a management agreement with the hotel operator referred to above is also expected to have a positive impact on villas sales in the coming years.

Beachcomber Tours

- The performance of Beachcomber Tours South Africa was dampened by the depreciation of the Rand resulting in a lower PAT of Rs 54m (FY15: Rs 81m).
- Beachcomber Tours UK posted a PAT of Rs 15m (FY15: Rs 4m).
- A major restructuring exercise was undertaken at Beachcomber Tours France during the year under review. The company's performance over the past few years had deteriorated significantly and drastic changes were needed to put the company back on a sound footing. The company's top management was replaced at the beginning of 2016 and a number of operational changes were undertaken. Whilst this restructuring exercise impacted negatively the company's accounts for the year under review, with the company posting a loss of Rs 69m for FY16, the company's profitability has been restored and the operations are performing satisfactorily.

Reorganisation, rebranding and other one-off costs

The Group results have been severely impacted by a number of non-recurrent costs during the year amounting to Rs 234m. These include the following:

- Electronic fraud: Rs 115m
- Rebranding costs: Rs 44m
- Reorganisation costs: Rs 75m

Discussions have reached an advanced stage with the Group's insurers with respect to the electronic fraud. The Board believes that that the Group will be compensated for the fraud and the provision related to this event should partly reverse during FY17.

Impairment charge at Company level and Group level

Given the prevailing operational environment in Marrakech and the resulting slowdown in villa sales, the Board has decided to adopt a prudent approach with respect to the investment in DPM (property development) and Beachcomber Hotel SA (hotel operation). Accordingly, a further Rs 2,272m impairment charge has been accounted for in the Company accounts during the year under review. This brings the total provision with respect to our Marrakech investments to Rs 3,772m at Company level given a sum of Rs 1,500m was already provided for in FY15. On the other hand, the Group registered an impairment of Rs 277m on its hotel asset in Morocco as at the year end.

Prior year adjustments

Following consultation with tax experts, it was agreed that the 2% Corporate Social Responsibility (CSR) contribution as imposed by the Government should be taken into account in the computation of deferred tax, resulting in an increase in the deferred tax liability recognised in earlier years. In respect of the valuation of inventories held in DPM, selling and marketing costs which had been incorrectly included in the cost of inventories have now been expensed in DPM. The group accounts for the FY14 and FY15 have been restated accordingly. As a result of the above, the adjustment to the FY15 Group's profit for the year was a reduction of Rs 21m whereas the adjustment to the Group net assets was Rs 429m.

Beachcomber Hospitality Investments Ltd (BHI)

The immovable assets of Victoria Beachcomber, Canonnier Beachcomber and Mauricia Beachcomber have been sold to BHI. MaraDelta group has, on 16 December 2016, injected EUR 21.5m in shareholder's equity and will subscribe a further EUR 28.5m upon obtaining PMO's approval. This will bring MaraDelta's total investment in BHI to EUR 50m, representing 44.4% of the company's equity, with NMH retaining the remaining 55.6%. Furthermore, BHI has secured loans totalling EUR 50m at favourable terms and conditions with local banks. Further to these transactions, NMH will receive a total of EUR 100m in cash, of which EUR 71.5m has already been received and utilised to repay existing debts of NMH.

Refinancing of the Company's debt

Further to the debt reduction mentioned above, NMH is engaged in discussions with its bankers with a view to refinancing its remaining debt. These discussions have reached an advanced stage and should result in a significant reduction in the Company's average cost of debt as well as a rescheduling of the loan capital repayment terms, resulting in a significant improvement in the Company's cash flows.

Outlook

Whilst occupancy rates in the Group's Mauritian hotels for the first quarter of FY17 are higher than last year, Group revenues are being affected by the continued weakness of the EUR and GBP. Forward bookings for the second quarter of the financial year are in line with those of last year.

The hotel operations in Marrakech have posted improved results for the first quarter and forward bookings are higher than the corresponding period last year. The Board is confident that the planned partnership with the operator referred to above will lead to a further improvement in future results.

Cost containment will be an ongoing priority at Ste Anne Resort in the Seychelles until the hotel is closed for renovation in FY18.

A major renovation is planned at Canonnier Beachcomber during the next low season, with the hotel planning to reopen in September 2017.

The Group results will continue to be affected during FY17 by the negative performance of its operations in Marrakech and in Seychelles. However, the Board is confident that the restructuring and reorganisation efforts of last year, together with the repositioning of the Beachcomber brand, the planned operational changes in Marrakech and the reduction in the Group's indebtedness will all contribute to a much improved performance in FY17.

The Audited Abridged Financial Statements are issued pursuant to Listing Rule 12.20 and the Securities Act 2005. The Board of Directors of NMH accepts full responsibility for the accuracy of the information contained therein.

Copies of the Statement of direct and indirect interests of Officers pursuant to rule 8(2)(m) of the Securities(Disclosure Obligations of Reporting Issuers) Rules 2007 and the Financial Statements are available free of charge at the head office of the Company, Beachcomber House, Botanical Garden Street, Curepipe.

By order of the Board
December 27, 2016