

Annual Report 2005



New Mauritius Hotels Limited





NEW MAURITIUS HOTELS LIMITED

BOARD OF DIRECTORS

At September 30, 2005

Non-Executive

Hector ESPITALIER-NOEL	- Chairman - Member of the Corporate Governance Committee
Sunil BANYMANDHUB	- Chairman of the Audit Committee
Jean-Pierre MONTOCCHIO	- Chairman of the Corporate Governance Committee - Member of the Audit Committee
Michel PITOT	- Member of the Corporate Governance Committee
Louis RIVALLAND	- Member of the Audit Committee
David SAVY	
Timothy TAYLOR	

Executive

Herbert COUCAUD C.M.G.	- Chief Executive Officer - Member of the Corporate Governance Committee
Robert DOGER DE SPEVILLE	- Commercial Director
Marcel MASSON	- Finance Director - Member of the Corporate Governance Committee

SECRETARY

BEACHCOMBER LIMITED
10, Robert Edward Hart Street,
Curepipe, Mauritius.

AUDITORS

ERNST & YOUNG
Anglo Mauritius House,
Port-Louis, Mauritius.

BANKERS

BARCLAYS BANK PLC
STATE BANK OF MAURITIUS LIMITED
THE MAURITIUS COMMERCIAL BANK LIMITED

LEGAL ADVISER

Me. Guy RIVALLAND S.A.

NOTARY

Me. Jean-Hugues MAIGROT

REGISTERED OFFICE

c/o BEACHCOMBER LIMITED
10, Robert Edward Hart Street,
Curepipe, Mauritius.
Website: <http://www.beachcomber-hotels.com>



Dear Shareholder,

Once again, I am proud to report that the Group continues to perform well and is in good health as reflected in the Financial Statements for the year ended 30th September 2005:

- Turnover progressed in all segments, totalling Rs 5.3 billion.
- Average rate of occupancy remained above the national average.
- Earnings increased by 14% to reach Rs 970 million.

The Group's indebtedness continues to decrease in spite of the significant capital expenditure program. At year-end total debt amounted to Rs 3.3 billion representing a debt to equity ratio of 0.55 as compared to 0.65 last year.

The dividend of Rs 4.00 per share declared by the Board was the highest ever and represents an increase of 33% over 2004.

Worldwide, the tourism industry is enjoying a sustainable growth rate of around 6% per annum which could translate into 550 million annual travellers in five years. Long-term prospects are thus excellent for the NMH Group with its nine high-class resorts located on prime locations in Mauritius and the region.

The renovation and extension of Le Canonnier carried out from May to September 2005 is already producing very positive results. With its greater number of rooms, the hotel is currently achieving a higher average rate of occupancy whilst maintaining the level of revenue per guest.

In 2006, Le Victoria will in turn be renovated and, for that purpose, closed between the 26th May and 29th September. I am confident that, thereafter, the hotel will be in a position to further improve its performance.

Since December 2005, it appears that tourist arrivals have found a new momentum and that the 10% growth anticipated by the authorities could well be realised. According to the information presently available and management forecast, I am pleased to express confidence that the Group's expectations to increase its turnover and earnings for the current year will be achieved.

I am also glad to report that the committees formed to deal with specific issues linked with Corporate Governance have well fulfilled their duties. The Corporate Governance Statement at page 18 gives more details on the work done during the year.

As announced at the last shareholders meeting, the Group is about to embark on an ambitious project in Morocco with the participation of a foreign partner. The project consists in creating an integrated resort with luxury villas, golf courses and a high class hotel in the outskirts of Marrakech facing the Atlas. Negotiations with the Kingdom of Morocco have reached an advanced stage and should be finalised shortly.

To conclude, I wish to express my gratitude to the Board Members for their most valuable support and to congratulate our Chief Executive Officer and the personnel of the Group at large for their good work and continued efforts.


Hector ESPITALIER-NOEL

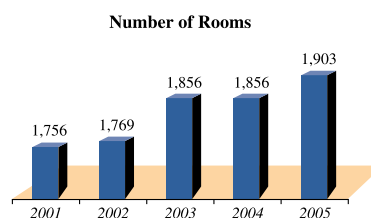
February 13, 2006



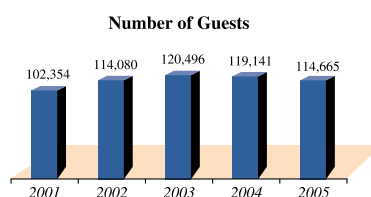
Key Figures

	2005 (Rs m)	2004 (Rs m)
Income Statement		
Turnover	5,286	4,739
Operating profit	1,431	1,282
Profit after tax	989	866
Earnings	970	850
	(Rs)	(Rs)
Earnings per share (EPS)	6.01	5.27
Dividends per share (DPS)	4.00	3.00
Balance Sheet		
	(Rs m)	(Rs m)
Total Assets	11,957	11,238
Debt - interest bearing	3,258	3,423
Shareholders funds	5,923	5,243
	(Rs)	(Rs)
Net asset value per share (NAV)	36.69	32.48
Financial Ratios		
Operating margin (%)	27.08	27.06
Interest cover (X)	6.56	5.87
Dividend cover (X)	1.50	1.76
Dividend pay out (%)	66.56	56.95
Return on equity (ROE) (%)	16.38	16.22
Return on assets (ROA) (%)	8.11	7.57
Debt: equity (x:1)	0.55	0.65

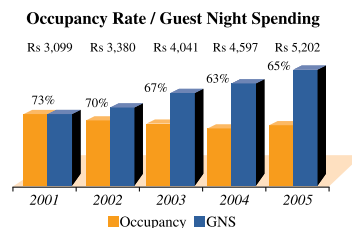
The staff quarters at Le Mauricia were transformed into 11 family rooms and came into operation in January 2005 whereas the 36 standard rooms added at Le Canonnier became available after the financial year-end.



The Group's total number of guests dropped in 2005 due to the closure of Le Canonnier for four months of renovation and extension works and the redecoration of certain rooms at Shandrani and Paradis.



The downward trend in the average rate of occupancy reversed positively this year whilst the average guest night spending continued to increase. Excluding Sainte Anne, the average rate of occupancy was 66% in 2005 and 64% in 2004.





The Directors are pleased to present their Annual Report for the year ended September 30, 2005.

PRINCIPAL ACTIVITIES

New Mauritius Hotels Limited (NMH) is one of the leading listed companies on The Stock Exchange of Mauritius, operating eight resort hotels and an airline catering unit in Mauritius and one hotel in Seychelles. The hotels are marketed under the well-known Beachcomber brand. NMH is also engaged in tour operating activities through its foreign subsidiaries.

At September 30, 2005, the market capitalisation of NMH amounted to Rs 11.622 billion with a share price of Rs 72.00 and 161,423,536 shares in issue.

CONSOLIDATION AND ACCOUNTING STANDARDS

The consolidated Financial Statements for the year ended September 30, 2005 have been prepared in accordance with International Financial Reporting Standards. There has been no change in the accounting policies and methods that were adopted in the previous year.

OPERATING STRUCTURE

As mentioned in our last Annual Report, the operations of all local hotels, boutiques and airline catering unit have been transferred to the Company as from October 01, 2004. The results of the Company are therefore not comparable with those of last year.

RESULTS

NMH's turnover continues to show a satisfactory growth trend reaching Rs 5.286 billion this year, up by 11.6%, in spite of the closure of Le Canonier for four months of renovation and extension works and the unavailability of certain rooms earmarked for redecoration at Shandrani and Paradis. The Group experienced buoyant business conditions for the first six months of operation with revenues increasing by 19.5% whilst the second semester was noticeably less favourable because of the reduction in room capacity as mentioned above and a weakening Euro.

The growth of 4.5% in tourists arrivals at national level for the period under review was far below the original target of the tourism authorities. Total receipts for the industry, however, was up by 6.9%.

Although the number of rooms available in the country increased by some 10% and competitive pressure intensified further, both nationally and internationally, the occupancy of NMH local resorts averaged 66% as compared to 64% last year thus remaining above the national average which, this year, was 63%.

The Group's other activities also progressed and contributed to the increase of 11.7% in operating profit which totalled Rs 1.431 billion. The personnel of local operations benefited from salary structural adjustments with effect from January 2005 and this was the main cause for the 11.9% increase in the Group's total staff costs. The profit margin on revenues, however, remained the same as last year at 27%.

Excluding the loss on exchange of Rs 35 million arising on repayment of foreign currency loans contracted in 2003, finance costs dropped from Rs 263 million in 2004 to Rs 226 million this year, as a result of the decrease in borrowings. Interest cover remains comfortable at 6.6 times.

Since the reconstruction scheme became effective in 2003, the Group's profitability progressed significantly with EPS increasing from Rs 4.43 to Rs 6.01 this year and NAV per share from Rs 30.21 to Rs 36.69.



The taxation charge of Rs 189 million for the year, representing an annual effective rate of 16%, includes Rs 97 million for deferred taxation net of a reversal of Rs16 million in respect of Sainte Anne Resort and Rs 52 million for Alternative Minimum Tax.

Earnings attributable to shareholders progressed by 14.1% to Rs 970 million. As a result, earnings per share rose from Rs 5.27 to Rs 6.01.

DIVIDENDS

A final dividend of Rs 2.00 per share totalling Rs 323 million was declared in September 2005 and paid in early November 2005 bringing total dividend pay out per share to Rs 4.00 against Rs 3.00 in the previous year. Total dividends paid to shareholders was Rs 646 million representing 66.5 % of attributable profits.

CASH FLOW AND CAPITAL EXPENDITURE

The operating activities generated Rs 1.270 billion during the year of which Rs 395 million were spent on capital items, Rs 579 million on dividends and Rs 171 million on net loan repayments. The main capital expenditure was in connection with the renovation/extension of Le Canonnier Hotel which, at 30th September 2005, amounted to Rs 180 million.

PROSPECTS FOR THE FINANCIAL YEAR 2006

The latest estimates indicate that earnings for the first semester are likely to reach the Rs 1 billion mark although Easter holidays will fall in April and not in March as last year. The prime season occupancies and revenues have shown tangible improvements on previous year. Bookings for the second quarter have also progressed and have not, as last year, been affected by the “*tsunami threat*”.

Le Victoria Hotel is scheduled to be closed for four months during the winter season for the renovation of its rooms. Nonetheless, earnings for the second semester are anticipated to be higher than those recorded for the same period last year due to the combined effect of (a) Easter holidays falling in April, (b) a lower amount of Euro loans being refunded thus reducing the loss on exchange and, (c) an expected increase in room occupancy.

The overall results for the financial year 2006 should therefore improve on those achieved this year.

CORPORATE GOVERNANCE STATEMENT

Board of Directors

Organisation

The Board of Directors comprises ten members (see page 7) of which seven are Non-Executive and Independent. The posts of Chairman and Chief Executive Officer are separated. The Board holds regular meetings and meets at least six times per year. Prior to each meeting, the Directors receive the agenda and a set of Board papers relevant to the matters to be considered at the meeting. In 2004/05 the Board met seven times and the average attendance was 80 %.



Capital budget for 2006 is estimated at Rs 600m mainly for the renovation of Le Victoria Hotel, the transformation of Le Mauricia shopping centre into 20 apartments, the upgrading of 8 villas at Paradis and the refurbishment of 180 Superior rooms at Shandrani.

The Board retains full and effective control over the Group, delegating the day-to-day running and operational issues to the Chief Executive Officer and his Executive team which comprises the two other Executive Directors and the General Managers. This Executive committee meets regularly to review the current performance of the Group and to develop strategy and policy proposals.

Share dealings

Members of the Board have been well briefed that they should not deal in NMH shares during the 30 calendar days preceding publication of semi-annual and annual results and prior to the declaration of dividends or any other major event affecting the Company that might influence its share price. To that effect, four periods that recur every year have been identified and communicated to the Members as being closed dealing dates during which they should not, directly or indirectly, carry out securities transactions in respect of shares held in NMH. Members are called upon, outside these restricted periods, to declare to the Company all transactions conducted directly by each of them or through an intermediary company which the member controls.

The Committee is satisfied that the Directors have adhered strictly to the above code of practice.

Constitution of Committees

Two committees have been formed to deal with specific issues linked with Corporate Governance. They are: the Corporate Governance Committee and the Audit Committee. Their attributions, procedures and activities are summarised below.

Corporate Governance Committee

In accordance with the recommendations contained in the Report on Corporate Governance for Mauritius, the Board of Directors of New Mauritius Hotels Limited have established, for the Company and all its subsidiary Companies, a Corporate Governance Committee whose constitution provides the following:

a) Objects

- ensure that the disclosure requirements with regard to Corporate Governance, whether in the Annual Report or other reports on an ongoing basis, are in accordance with the principles of the applicable Code of Corporate Governance.
- make recommendations to the Board on all new Board appointments and to review, through a formal process, the balance and effectiveness of the Board, identifying the skills needed and those individuals who might best be seen to be providing such skills in a fair and thorough manner.
- determine and develop a policy on remuneration of Executive Directors to avoid potential conflicts of interest.

b) Terms of reference

i) on the Corporate Governance Aspect

- advise the Board on all aspects of Corporate Governance and recommend the adoption of best practices as appropriate for the Company and the Group.
- determine, agree and develop the Company's general policy on Corporate Governance in accordance with the applicable Code of Corporate Governance.



- recommend to the Board any closed periods during which the Directors and any other persons in the Company who are privy to price sensitive information shall not be permitted to deal in shares or securities of the Company.
- prepare the Corporate Governance report to be published in the Company's Annual Report.
- ensure that disclosures are made in the Annual Report in compliance with the disclosure provisions in the Code of Corporate Governance.

ii) On the Nomination Aspect

- make recommendations to the Board on appointment of new Executive and Non-Executive Directors, including recommendations on composition of the Board in general regarding balance between Executive and Non-Executive Directors appointed to the Board.
- review Board structure, size and composition and make recommendations to the Board where necessary with regard to any adjustment deemed necessary.
- identify and nominate candidates for approval of the Board to fill Board vacancies as and when they arise, (as well put in place plans for succession, in particular for Chairperson and Chief Executive Officer).

iii) On the Remuneration Aspect

- determine and recommend to the Board the level of Directors' fees.
- determine and recommend to the Board specific remuneration packages for Executive Directors of the Company (basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives, pensions and other benefits).
- determine, agree, develop and recommend to the Board the Company's general policy on senior management remuneration (General Managers of the various hotels and other enterprises).
- determine any criteria necessary to measure the performance of the Executive Directors, in discharging their functions and responsibilities.

c) Composition

The Committee shall be composed of three independent Non-Executive members of the Board, the Chief Executive Officer and the Finance Director. The Chairperson of the committee must be a Non-Executive Independent Director. The members of the Committee are assisted by the Company's Secretary.

d) Meetings and proceedings

The meetings are to be held as the Committee deems appropriate. However, the Corporate Governance Committee must meet at least three times each year to deal with matters relating to its objects and terms of reference. The Chairperson of the Committee or any member of the Committee may call a meeting at any other time.

The notice of each meeting of the Committee confirming the venue, time and date and enclosing an agenda of items to be discussed must, other than under exceptional circumstances, be forwarded to each member of the Committee not less than ten working days prior to the date of the meeting.

The quorum of the Committee shall consist of three members present throughout the meeting provided that, when a decision is called for, at least two of the members shall be Non-Executive Directors.



Beachcomber Training Academy (BTA) provides continuous training to NMH personnel to promote service excellence and enhance guest satisfaction. It also participates actively in projects aiming at facilitating the integration of vulnerable young persons into the society and fighting youth unemployment.

e) Remuneration of members

Members of the Committee shall be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to Directors.

f) General

The Committee, in carrying out its tasks, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.

The Constitution may be amended as required subject to the approval of the Board.

The Remuneration Committee shall normally invite the Chairperson of the Board (if not already a member of the Committee) to attend meetings to discuss the performance of Executive Directors and to make proposals as necessary.

Unless varied by these Terms of Reference, meetings and proceedings of the Committee are governed by the Company's constitution regulating the meetings and proceedings of Directors and Committees.

The minutes of proceedings, taken by the Secretary, must at first be circulated to the members of the Committee. They are read and approved by the members of the Committee at a subsequent meeting of the Committee. The minutes are thereafter made available to the other Board Members.

No attendee is to participate in any discussion or decision in respect of his own remuneration or performance or evaluations.

The constitution of the Corporate Governance Committee was approved by the Board at its meeting held on 12th May 2005.

Current Committee and its activities

The current Committee is composed of Messrs. Jean-Pierre Montocchio, *Chairman*, Hector Espitalier-Noël, Michel Pitot, Herbert Couacaud, *Chief Executive Officer*, and Marcel Masson, *Finance Director*. Three meetings were held during the year under review for the purpose of drafting the constitution and thereafter dealing with matters falling within its Terms of Reference.

The Committee thus went deeply into the various formal methods adopted by the Group to fix remuneration and other conditions of service of employees of the various operational units. It also analysed the profit sharing schemes in operation within the Group as well as the operation and results of the Group Superannuation Fund.

Furthermore, the Committee discussed matters relating to Board and Director Appraisal. Whilst being satisfied that all Executive, Non-Executive and Independent Directors sitting on the Board have been playing fully their respective roles and have well kept up with the performance standard expected of them, the Committee will come up with definite procedures to carry out such appraisal in the future.



Audit Committee

The Audit Committee was set up in the course of year 2004 and is presently composed of Messrs. Sunil Banymandhub, *Chairman*, Jean-Pierre Montocchio and Louis Rivalland, all of whom are Non-Executive Independent Directors.

The Committee meets as frequently as it deems necessary, and at least twice a year prior to the Board of Directors' review of the semi-annual and annual Financial Statements. Its Charter provides for the presence of external auditors, internal auditors, the Finance Director and the Chief Accountant. The minutes of the meetings are made available to members of the Board.

During the year under review, the Committee met four times and the main areas discussed were as follows:

- Review of the audit scopes, programs, functions and resources requirement of the Internal Audit Division and ensure that it has the necessary authority to carry out its work.
- Review of the annual audit plan, audit report and the scope of work with external auditors.
- Analysis of the internal audit reports, audit recommendation and management response.
- Analysis of the Financial Statements of the Group on a half yearly basis before recommending them for the approval of the Board.

The Audit Committee was also entrusted by the Board with ensuring that there is a Risk Committee within the Company with the appropriate risk management framework in place. A senior member of the Internal Audit Division has been designated by the Committee to ensure the effectiveness of this function which includes formulating and reviewing the relevant Group's policies. A number of meetings are scheduled for senior management whilst internal discussion on and sharing of risk related matters are encouraged in order to improve the Group's strength.

Internal Control

The internal control procedures in effect are designed to ensure that management decisions, operations and employee conduct are in conformity with applicable legislation and regulations and with the Group's internal values, standards and rules.

One of the goals of the internal control system is to prevent and control risks arising from the Group's activities and risks of fraud and error, in particular in the accounting and financial fields. As with any system of control, it cannot, however, provide an absolute guarantee that such risks have been totally eliminated.

The internal control objectives involve:

- the preservation of the Group's assets by monitoring and controlling the activity and strategy of each unit of operation, the choice of capital expenditure, the Group's financial situation.
- the prevention and control of risks related to the Group's activities.
- the verification that accounting and financial information communicated to the Board fairly represents the Group's business and financial situation.

A comprehensive structure has been developed for the benefit of the employees and their families including high salary ranges, performance rewards, profit sharing, retirement benefits, medical assistance and continuous training.



Internal Audit

The Internal Audit Department is organised to respond to management's needs while maintaining an appropriate degree of independence in performing its duties. The scope of internal audit functions includes performing independent evaluation of the adequacy and effectiveness of controls, monitoring the accuracy of financial reporting mechanisms and information systems and providing additional assurance regarding the safeguarding of assets.

STATUTORY DISCLOSURES

Directors' emoluments and share interests

Emoluments and benefits paid by the Company for the year ended September 30, 2005 to:

	2005 Rs'000	2004 Rs'000
Executive Directors of the Company	29,273	28,672
Non-Executive Directors of the Company	1,699	1,601

NOTE: None of the Company's Directors received emoluments from the subsidiaries.

Emoluments and benefits paid by subsidiaries for the year ended September 30, 2005 to:

	2005 Rs'000	2004 Rs'000
Executive Directors of:		
Beachcomber Tours Limited	23,474	22,639
Beachcomber Marketing (Pty) Ltd	7,435	5,678

NOTE: Directors of other subsidiaries did not receive any emolument during the year.

The Directors' direct and indirect interests in the shares of the Company at year-end were as follows:

	Direct %	Indirect %
Hector ESPITALIER-NOEL	0.03	0.30
Sunil BANYMANDHUB	-	-
Herbert COUACAUD C.M.G.	7.05	0.72
Robert DOGER de SPEVILLE	0.37	-
Marcel MASSON	-	-
Jean-Pierre MONTOCCHIO	0.02	-
Michel PITOT	0.83	1.71
Louis RIVALLAND	-	-
David SAVY	-	-
Timothy TAYLOR	0.31	2.00

There was no service contract between the Company and any of the Directors during the year.

Substantial shareholders

Shareholders, other than any Director of the Company, who are directly or indirectly interested in 5% or more in the share capital of the Company as at February 10, 2006 are as follows:

	Direct %	Indirect %	Total %
Rogers & Co. Ltd	16.95	0.73	17.68



Contracts of significance

The Group did not have any contract of significance as defined by the Listing Rules of The Stock Exchange of Mauritius with any of its Directors. The Company does not have any controlling shareholder.

Donations

The Company has maintained its policy of channelling all requests for donation through its solidarity fund, Fondation Espoir et Developpement (FED), created in March 1999 and to which is allocated an annual budget of Rs 10 million.

Political donations, however, are dealt with by the Board. For the year under review, such donation amounted to Rs 2.7 million.

Auditors

The fees paid to the auditors for audit and other services were:

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
(a) Lead Auditors				
Audit services	4,354	4,234	4,314	2,013
Other services	384	390	379	142
Total	4,738	4,624	4,693	2,155
(b) Overseas Auditors				
Audit services	1,988	1,734	-	-
Other services	258	165	-	-
Total	2,246	1,899	-	-

Note of Appreciation

The Directors wish to thank all General Managers and their teams for their hard work and motivation and congratulate them for the results achieved.

Hector ESPITALIER-NOEL
Chairman

February 13, 2006

Herbert COUCAUD C.M.G.
Chief Executive Officer



We certify that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 in terms of Section 166(d).

BEACHCOMBER LIMITED

Secretary

(Per Francis MONTOCCHIO)

February 13, 2006

CALENDAR 2006

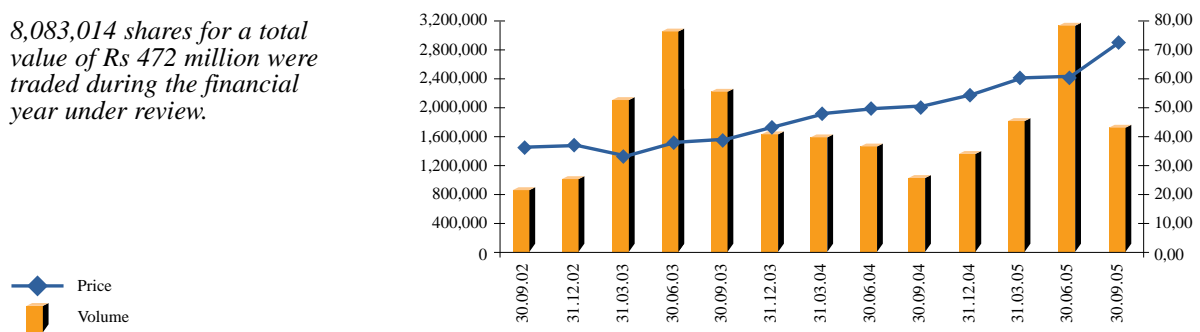
Publication of Abridged 1 st Quarter Results	February
Annual General Meeting	March
Declaration of Interim Dividend	March
Publication of Abridged Semi-Annual Results	June
Publication of Abridged 3 rd Quarter Results	August
Declaration of Final Dividend	September
Publication of Abridged Annual Results	December



Size of holding	Shareholders			Shares held		
	No.	%	Cumulative %	No.	%	Cumulative %
1 - 1,000	3,784	60.11	60.11	1,198,347	0.74	0.74
1,001 - 5,000	1,382	21.95	82.06	3,220,939	2.00	2.74
5,001 - 10,000	362	5.75	87.81	2,575,508	1.60	4.34
10,001 - 25,000	319	5.07	92.88	5,066,630	3.14	7.48
25,001 - 50,000	190	3.02	95.90	6,765,012	4.19	11.67
50,001 - 75,000	56	0.89	96.79	3,342,775	2.07	13.74
75,001 - 100,000	33	0.52	97.31	2,912,497	1.80	15.54
100,001 - 250,000	90	1.43	98.74	14,318,061	8.87	24.41
250,001 - 500,000	38	0.60	99.34	13,033,689	8.07	32.48
500,001 - 1,000,000	18	0.29	99.63	13,518,655	8.38	40.86
1,000,001 - 1,500,000	7	0.11	99.74	9,382,954	5.81	46.67
1,500,001 - 2,000,000	4	0.07	99.81	6,897,321	4.27	50.94
2,000,001 - 5,000,000	7	0.11	99.92	22,511,295	13.95	64.89
5,000,001 - 8,000,000	3	0.05	99.97	17,928,078	11.11	76.00
8,000,001 and above	2	0.03	100.00	38,751,775	24.00	100.00
	<u>6,295</u>			<u>161,423,536</u>		

Quarterly trading volume & share prices of NMH Shares

8,083,014 shares for a total value of Rs 472 million were traded during the financial year under review.





We have audited the Financial Statements on pages 38 to 65 which have been prepared on the basis of the accounting policies set out on pages 43 to 49.

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

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2001 and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' RESPONSIBILITIES

It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by Directors in the preparation of these Financial Statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or interests in the Group and the Company other than in our capacity as auditors and tax and general advisors.

OPINION

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the the Group and the Company as far as appears from our examination of those records; and
- the Financial Statements give a true and fair view of the financial position of the the Group and the Company as at September 30, 2005, and of their financial performance and cash flows for the year then ended, and comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Patrick NG TSEUNG A. C. A.

Signing Partner

February 14, 2006
Port Louis, Mauritius



INCOME statements

for the year ended September 30, 2005

	Notes	THE GROUP		THE COMPANY	
		2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Revenue	5	5,285,654	4,738,578	4,250,498	2,148,270
Other operating income	6	48,312	22,213	3,327	4,722
Direct Costs		(654,430)	(548,006)	(607,486)	(231,344)
Staff costs	7	(1,475,155)	(1,318,717)	(1,123,980)	(515,195)
Depreciation charges		(275,383)	(259,967)	(232,103)	(149,900)
Amortisation of intangible assets	13	(1,847)	(1,107)	-	-
Loss on disposal of property, plant and equipment		(1,671)	(2,365)	(2,280)	(2,291)
Other operating expenses	8	(1,493,993)	(1,348,554)	(997,038)	(636,965)
Operating profit		1,431,487	1,282,075	1,290,938	617,297
Finance costs	9	(260,560)	(263,067)	(244,386)	(228,772)
Share of profit before taxation of associated companies	15	6,755	18,352	-	-
Profit before taxation		1,177,682	1,037,360	1,046,552	388,525
Taxation	10				
- Holding and subsidiary companies		(187,822)	(171,338)	(165,368)	(73,941)
- Associated companies		(700)	(174)	-	-
Profit after taxation		989,160	865,848	881,184	314,584
Minority interests	21	(19,106)	(15,438)	-	-
Profit for the year		970,054	850,410	881,184	314,584
Earnings per share (Rs)	11	6.01	5.27	5.46	1.95

The notes on pages 43 to 65 form part of these Financial Statements.



BALANCE sheets

as at September 30, 2005

	Notes	THE GROUP		THE COMPANY	
		2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	8,662,243	8,151,315	7,205,565	4,204,875
Intangible assets	13	1,385,445	1,302,765	1,148,626	-
Investment in subsidiaries	14	-	-	1,317,080	1,317,080
Investment in associates	15	117,802	103,311	19,777	19,057
Available-for-sale financial assets	16	8,964	10,194	260	980
		10,174,454	9,567,585	9,691,308	5,541,992
Current assets					
Inventories	17	213,246	192,346	173,158	68,072
Trade and other receivables	18	893,770	880,544	1,177,348	1,287,579
Cash and cash equivalents	19	675,325	597,240	72,359	1,907
		1,782,341	1,670,130	1,422,865	1,357,558
Total assets		11,956,795	11,237,715	11,114,173	6,899,550
EQUITY AND LIABILITIES					
Equity					
Stated capital	20	1,724,361	1,724,361	1,724,361	1,724,361
Other reserves		2,432,041	2,083,548	1,425,297	265,758
Retained earnings		1,766,834	1,435,431	649,440	409,581
Total equity		5,923,236	5,243,340	3,799,098	2,399,700
Minority interests	21	64,188	57,175	-	-
Non-current liabilities					
Borrowings	22	1,962,479	2,249,364	1,486,594	1,888,133
Deferred taxation	23	829,073	666,838	845,335	342,235
Retirement benefit obligations	24	160,781	180,108	159,319	100,969
		2,952,333	3,096,310	2,491,248	2,331,337
Current liabilities					
Borrowings	22	1,295,817	1,173,661	1,171,501	732,432
Trade and other payables	25	1,638,465	1,576,700	3,599,863	1,416,540
Income tax payable	10	82,756	90,529	52,463	19,541
		3,017,038	2,840,890	4,823,827	2,168,513
Total equity and liabilities		11,956,795	11,237,715	11,114,173	6,899,550

Approved by the Board of Directors on February 13, 2006 and signed on its behalf by:

Hector ESPITALIER-NOEL
Chairman

Herbert COUACAUD c.m.g.
Chief Executive Officer

The notes on pages 43 to 65 form part of these Financial Statements.



STATEMENTS
of changes in equity
for the year ended September 30, 2005

(a) THE GROUP	Stated Capital	Share Premium	Fair value reserve arising on consolidation	Revaluation and other Reserves	Exchange Difference Reserves	Retained Earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at October 1, 2003	1,614,235	110,126	1,443,455	673,181	(59,547)	1,065,716	4,847,166
Reclassification of share premium following conversion of par value shares into no par value shares	110,126	(110,126)	-	-	-	-	-
Share of fair value reserves in associates (Note 15)	-	-	-	43,201	-	-	43,201
Transfer of depreciation on surplus on revaluation of property	-	-	-	(3,576)	-	3,576	-
Currency translation differences	-	-	-	-	7,461	-	7,461
Loss arising on cash flow hedges	-	-	-	-	(20,627)	-	(20,627)
Profit for the year	-	-	-	-	-	850,410	850,410
Dividends (Note 26)	-	-	-	-	-	(484,271)	(484,271)
Balance at September 30, 2004	1,724,361	-	1,443,455	712,806	(72,713)	1,435,431	5,243,340
Balance at October 1, 2004	1,724,361	-	1,443,455	712,806	(72,713)	1,435,431	5,243,340
Net revaluation surplus arising on revaluation of property	-	-	-	288,640	-	-	288,640
Share of fair value reserves in associates (Note 15)	-	-	-	564	-	-	564
Transfer of depreciation on surplus on revaluation of property	-	-	-	(7,043)	-	7,043	-
Loss arising on cash flow hedges	-	-	-	-	(6,816)	-	(6,816)
Realised on repayment of loans	-	-	-	-	34,650	-	34,650
Currency translation differences	-	-	-	-	38,498	-	38,498
Profit for the year	-	-	-	-	-	970,054	970,054
Dividends (Note 26)	-	-	-	-	-	(645,694)	(645,694)
Balance at September 30, 2005	1,724,361	-	1,443,455	994,967	(6,381)	1,766,834	5,923,236

The notes on pages 43 to 65 form part of these Financial Statements.



STATEMENTS
of changes in equity
for the year ended September 30, 2005

(b) THE COMPANY

	Stated Capital	Share Premium	Revaluation and other Reserves	Exchange Difference Reserve	Retained earnings	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at October 1, 2003	1,614,235	110,126	308,335	(10,906)	577,628	2,599,418
Reclassification of share premium following conversion of par value shares into no par value shares	110,126	(110,126)	-	-	-	-
Transfer of depreciation on surplus on revaluation of property	-	-	(1,640)	-	1,640	-
Loss arising on cash flow hedges	-	-	-	(30,031)	-	(30,031)
Profit for the year	-	-	-	-	314,584	314,584
Dividends (Note 26)	-	-	-	-	(484,271)	(484,271)
Balance at September 30, 2004	1,724,361	-	306,695	(40,937)	409,581	2,399,700
Balance at October 1, 2004	1,724,361	-	306,695	(40,937)	409,581	2,399,700
Transfer of net revaluation reserves following transfer of operations from subsidiaries	-	-	849,335	-	-	849,335
Net Revaluation surplus during the year	-	-	288,014	-	-	288,014
Transfer of depreciation on surplus on revaluation of property	-	-	(4,369)	-	4,369	-
Realised on repayment of loans	-	-	-	33,375	-	33,375
Loss arising on cash flow hedges	-	-	-	(6,816)	-	(6,816)
Profit for the year	-	-	-	-	881,184	881,184
Dividends (Note 26)	-	-	-	-	(645,694)	(645,694)
Balance at September 30, 2005	1,724,361	-	1,439,675	(14,378)	649,440	3,799,098

The notes on pages 25 to 48 form part of these Financial Statements.



STATEMENTS of cash flows

for the year ended September 30, 2005

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	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Cash flows from operating activities				
Profit before tax	1,177,682	1,037,360	1,046,552	388,525
Adjustments for:				
Depreciation	275,383	259,967	232,103	149,900
Loss on disposal of property, plant and equipment	1,671	2,365	2,280	2,291
Unrealised foreign exchange (gain)/loss on translation of monetary assets	(23,728)	(3,760)	1,102	(2,118)
Investment and other income	(24,584)	(18,453)	(4,429)	(2,604)
Interest expense	260,560	263,067	244,386	228,772
Share of profits from associates	(6,055)	(18,178)	-	-
Amortisation of intangible assets	1,847	1,107	-	-
	1,662,776	1,523,475	1,521,994	764,766
(Increase)/decrease in trade and other receivables	(9,484)	31,393	113,973	(450,976)
Increase in inventories	(20,900)	(7,621)	(105,086)	(1,630)
Increase/(decrease) in trade and other payables	17,896	27,770	(306,592)	593,670
Decrease in retirement benefit obligations	(19,327)	(14,189)	(18,875)	(6,724)
	1,630,961	1,560,828	1,205,414	899,106
Interest paid	(260,560)	(263,067)	(244,386)	(228,772)
Income tax paid	(99,883)	(69,873)	(19,449)	-
	1,270,518	1,227,888	941,579	670,334
Net cash inflow from operating activities				
Cash flows from investing activities				
Investment income	24,584	18,453	4,429	2,604
Purchase of property, plant and equipment	(395,270)	(197,243)	(314,312)	(58,046)
Purchase of investments	(82,689)	(51,991)	-	(17,131)
Proceeds from sale of property, plant and equipment	3,865	8,201	2,634	2,309
	(449,510)	(222,580)	(307,249)	(70,264)
Net cash outflow from investing activities				
Cash flows from financing activities				
Loans raised	425,169	1,400,640	200,000	1,400,000
Loans repaid	(545,997)	(1,674,487)	(486,452)	(1,386,493)
Leasing finance repaid	(50,211)	(52,589)	(45,584)	(43,383)
Dividends paid to members of the Company	(564,983)	(484,271)	(564,983)	(484,271)
Dividends paid to minority shareholders of the Group	(14,153)	(7,683)	-	-
	(750,175)	(818,390)	(897,019)	(514,147)
Net cash outflow from financing activities				
Increase/(decrease) in cash and cash equivalents	70,833	186,918	(262,689)	85,923
Movements in cash and cash equivalents				
At the beginning of the year	152,602	(69,246)	(47,171)	(133,094)
Increase/(decrease) during the year	70,833	186,918	(262,689)	85,923
Net foreign exchange difference	29,694	34,930	-	-
At the end of the year (Note 19)	253,129	152,602	(309,860)	(47,171)

The notes on pages 43 to 65 form part of these Financial Statements.



1. GENERAL INFORMATION

New Mauritius Hotels Limited is a public company incorporated in the Republic of Mauritius and is listed on The Stock Exchange of Mauritius. Its registered office is situated at 10, Robert Edward Hart Street, Curepipe, Mauritius.

2. MAIN BUSINESS ACTIVITIES

The main business activities of the Group consist of operating hotels and tour operators as well as the provision of airline catering.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Company and its subsidiaries are as follows:

(a) Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and interpretations issued by the Standing Interpretations Committee (SIC) issued by the International Accounting Standards Board (IASB).

The preparation of Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Where necessary, comparative figures have been restated to conform with current year presentation.

(b) Basis of accounting

The consolidated Financial Statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and the fair valuation of available-for-sale assets, except those for which a reliable measure of fair value is not available.

(c) Basis of consolidation

Subsidiaries

The consolidated Financial Statements include the Company and its subsidiary undertakings. Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise, and/or which has power to exercise control over the operations are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The results of the subsidiaries are included in the consolidated Financial Statements by using the purchase method of accounting. The purchase considerations have been allocated to the assets and liabilities on the basis of fair value at the respective date of acquisition. Inter-Group transactions are eliminated on consolidation. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

In the separate Company Financial Statements, investments in subsidiary undertakings are carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.



3. ACCOUNTING POLICIES (Cont'd)

(c) Basis of consolidation (Cont'd)

Associates

Investments in associated undertakings are accounted for using the equity method of accounting in the Group Financial Statements from the date on which they become associates. Associates are those entities in which the Group has significant influence from which it derives economic benefits.

On acquisition of investment in associated undertakings, the surplus of the cost of investment over the share of the net fair value of the associates' identifiable assets, that is goodwill, is included in the carrying amount of investment. The entire carrying amount of the investment is reduced to recognise any impairment in the value of individual investment. Any excess of the net fair value of the associates identifiable assets over the cost of investment is included as income in the period in which the investment is acquired. When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition is discontinued except to the extent of the Group's commitment.

Where a Group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the separate Company's Financial Statements, investments in associates are carried at cost less any write-offs as a result of impairment.

(d) Foreign currency translation

Transactions in foreign currencies are recorded in Mauritian rupees at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the balance sheet date which are denominated in foreign currencies are translated at the rates of exchange ruling at balance sheet date. Exchange gains and losses are dealt through the Income Statements except for qualifying cash flow hedges which are deferred in equity.

The assets and liabilities of foreign subsidiaries are translated at exchange rates ruling at the balance sheet date. Income statements of foreign subsidiaries are translated into the Group's reporting currency at average exchange rates for the year. The exchange differences arising on retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the Income Statements as a component of the gain or loss on disposal.

(e) Financial instruments

The Group's accounting policies in respect of the applicable financial instruments are as follows:

Available-for-sale financial assets

Available-for-sale assets are financial assets that are not held for trading purposes or held to maturity. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, available-for-sale assets are measured at fair value less impairment losses except those for which a reliable measure of fair value is not available. Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity.

The fair value of financial instruments is based on their quoted bid market price at the balance sheet date. If a quoted bid market price is not available, the fair value of the instrument is estimated using generally accepted valuation models. When the fair value cannot be reliably measured, the securities are stated at cost.



3. ACCOUNTING POLICIES (Cont'd)
(e) Financial instruments (Cont'd)

On disposal, the difference between (a) the carrying amount of the asset and (b) the sum of the sale proceeds and any prior adjustment to reflect the fair value of that asset that had been reported in equity, is included in the Income Statements.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with banks and short-term highly liquid investments with maturities of three months or less when purchased.

Borrowings

Interest bearing bank loans and overdrafts are recorded at amortised cost.

Trade Payables

Trade payables are stated at their nominal value.

Equity Instruments

Shares issued are recorded at the proceeds received, net of direct issue costs.

(f) Hedge accounting

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 net profit or loss.

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

Where a financial instrument hedges the exposure to variability in the cash flows of anticipated transactions or firm commitments, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the Income Statements.

The cumulative gain or loss recognised in equity is transferred to the Income Statements at the same time that the hedged transaction affects net profit or loss and included in the same line item as the hedged transaction.

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to Income Statement.



3. ACCOUNTING POLICIES (Cont'd)

(g) Revenue recognition

Revenue is recognised according to the following specific criteria:

Revenue from hotel operations

Revenue is recognised upon amounts invoiced and customers' acceptance, net of value added tax and discounts.

Revenue from airline catering

Revenue is recognised upon amounts invoiced and customers' acceptance, net of value added tax, concessionary charges and discounts.

Revenue from tour operating

Commissions are recorded in the Financial Statements at the date services are performed and are net of sales taxes and value added taxes.

Interest

Interest is recognised as it accrues.

Dividends

Dividend income is recognised when the shareholders' right to receive the payment is established.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation.

It is the Group's policy to revalue its hotel buildings at least every two years. Such revaluation exercises are performed by independent qualified surveyors. The bases used are open market values for buildings and freehold land. Any surplus in the carrying amount arising on such revaluation is credited to *Revaluation reserve*.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

Depreciation is provided on all property, plant and equipment, other than land, so as to write-off the cost or valuation of each asset to its estimated net residual value over its expected useful life, as follows:

Buildings	35 years
Plant and equipment	6 years
Furniture, fittings, office equipment and electrical appliances	3 to 10 years
Computers and electronic equipment	3 to 10 years
Motor vehicles	5 years

The depreciation method applied is reviewed at each balance sheet date so that current and future depreciation charge is adjusted to reflect any change in future economic benefits of any asset, particularly for future known hotel renovation works.

The estimated net residual value of hotel buildings, which is based on their current price according to their expected condition at the end of their respective useful life, is taken into account for the purpose of calculating depreciation. The net residual value is estimated by a qualified Surveyor and is also reviewed at each Balance Sheet date.



3. ACCOUNTING POLICIES (Cont'd)

(i) Borrowing costs

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

All major hotel renovations are considered as qualifying assets for this purpose. All other borrowing costs are expensed in the period they are incurred.

(j) Intangible assets

Goodwill

Goodwill represents the excess of the cost of business combination over the fair value of the Group's share of identifiable net assets of the acquired subsidiaries at the date of the business combination. The carrying amount of goodwill is reviewed at the end of each financial year and is shown net of any impairment loss. For the purpose of impairment testing, goodwill has been allocated to each cash-generating unit acquired. Each cash-generating unit is tested for impairment by comparing each unit's carrying amount, including goodwill, with its recoverable amount. The recoverable amount is the higher of the unit's fair value, less costs to sell, and the present value of the unit's expected future cash flows, that is, its value in use. If the unit's carrying amount including goodwill exceeds its recoverable amount, the impairment loss is recognised immediately in the Income Statement. The impairment loss is first applied to reduce the carrying amount of any goodwill and then pro rata to other assets of the unit.

Leasehold rights

Expenditure incurred to acquire leasehold rights is capitalised and amortised on a straight line basis over the period of the respective lease.

(k) Inventories

- Food and beverages are valued at cost.
- Operating supplies and small equipment are amortised on a straight line basis over their estimated useful life which is between two to four years.
- Spare parts, fabrics and garments are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price less any further costs expected to be incurred to completion and disposal.

(l) Finance leases

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

Assets held under finance leases are recognised at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the Balance Sheets as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the Income Statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset. Payments made under operating leases are charged to the Income Statements according to the terms of the lease agreements.



3. ACCOUNTING POLICIES (Cont'd)

(m) Deferred taxation

Deferred tax is provided, using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

(n) Retirement benefit obligations

Defined benefit scheme

The Group subscribes to a multi-employer defined benefit plan, the assets of which are held in a separately administered fund. The pension plans are funded by payments from employees and by the employer, by taking into account the recommendations of independent qualified actuaries who carry out a full valuation of the plan every three years. The pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the Income Statements so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate by reference to the current interest rates and the yields on bonds and treasury bills. Actuarial gains and losses are recognised over the average remaining service lives of employees.

Defined contribution scheme

Contributions to defined contribution scheme, where applicable, are charged to the Income Statement as they become due.

(o) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. 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.



3. ACCOUNTING POLICIES (Cont'd)

(p) Provisions

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

(q) Related party transactions

For the purposes of these Financial Statements, parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(r) Segmental reporting

The Group is composed of three business segments namely hotel operations, tour operating and airline catering. Each business segment provide products and services that are subject to risks and returns that are different from those of other business segments. The hotel operations are carried out in Mauritius and Seychelles, tour operating activities in France, United Kingdom, South Africa and Australia, and airline catering in Mauritius.



4. RISK MANAGEMENT POLICIES

(a) Financial Risks

A description of the various financial risks to which the Group is exposed is shown below as well as the approach taken by management to control and mitigate those risks.

Liquidity risk

This refers to the possibility of default by a company to meet its obligations because of unavailability of funds to meet both operational and capital requirements. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and actions taken accordingly.

Foreign exchange risk

The Group is exposed to foreign exchange risk with respect to foreign currency arising from foreign supplies and revenue. The Group mitigates part of its foreign exchange risk through hedging activities including forward contracts.

Interest rate risk

The Group's income and operating cash flows are exposed to interest rate risk as it borrows at variable rates. The Group's policy is to minimise finance costs on interest-bearing liabilities.

Credit risk

Credit risk relates to the possibility of default by customers and agents in settling their obligations to the Group. The Group has established policies to ensure that sales of its products and services are made to customers with an appropriate credit history. Advance payments are requested where necessary until positive credit rating is established. The Group has also insurance covers to reduce financial losses in case of default by customers.

(b) Insurable Risks

The Group has adequate insurance cover for its properties and material contents, loss of profits and public liability. The sums insured for each insurance cover are reviewed annually in accordance with recommendations from professional advisers, where applicable.



NOTES
to the financial statements
for the year ended September 30, 2005

5. SEGMENTAL REPORTING

Primary reporting - Business segments
For the year ended September 30, 2005

	Hotel operations Rs'000	Tour operating Rs'000	Airline catering Rs'000	Other Rs'000	Group Rs'000
Sales to external customers	4,222,175	687,380	376,099	-	5,285,654
Segment result	1,221,237	73,532	136,718	-	1,431,487
Finance costs					(260,560)
Share of profit before tax of associated companies					6,755
Profit before tax					1,177,682
Taxation					(188,522)
Profit after taxation					989,160
Minority interests					(19,106)
Profit for the year					970,054
Segment assets	10,385,808	1,148,138	305,047	-	11,838,993
Associates				117,802	117,802
Total assets					11,956,795
Segment liabilities	5,017,542	914,845	36,984	-	5,969,371
Other segment items					
Capital expenditure	433,864	21,600	6,781	-	462,245
Depreciation charges	253,864	13,384	8,135	-	275,383
Amortisation of intangible assets	1,847	-	-	-	1,847

Primary reporting - Business segments
For the year ended September 30, 2004

	Hotel operations Rs'000	Tour operating Rs'000	Airline catering Rs'000	Other Rs'000	Group Rs'000
Sales to external customers	3,801,101	600,836	336,641	-	4,738,578
Segment result	1,091,535	54,619	135,921	-	1,282,075
Finance costs					(263,067)
Share of profit before tax of associated companies					18,352
Profit before tax					1,037,360
Taxation					(171,512)
Profit after taxation					865,848
Minority interests					(15,438)
Profit for the year					850,410
Segment assets	9,822,532	1,050,204	261,668	-	11,134,404
Associates	-	-	-	103,311	103,311
Total assets					11,237,715
Segment liabilities	5,050,089	833,407	53,704	-	5,937,200
Other segment items					
Capital expenditure	289,367	40,431	1,755	-	331,553
Depreciation charges	230,823	24,538	4,606	-	259,967
Amortisation of intangible assets	1,107	-	-	-	1,107



5. SEGMENTAL REPORTING (Cont'd)

Secondary reporting - Geographical segments
For the year ended September 30, 2005

	Mauritius	Europe	Other countries	Group
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	4,242,635	547,745	495,274	5,285,654
Segment assets	9,150,325	1,042,208	1,764,262	11,956,795
Capital expenditure	338,379	18,497	105,369	462,245

Secondary reporting - Geographical segments
For the year ended September 30, 2004

	Mauritius	Europe	Other countries	Group
	Rs'000	Rs'000	Rs'000	Rs'000
Revenue	3,842,502	485,071	411,005	4,738,578
Segment assets	8,877,580	943,273	1,416,862	11,237,715
Capital expenditure	144,588	37,589	149,376	331,553

Revenue is based on the country in which services are rendered. Segment assets and capital expenditure are where the assets are located.

6. OTHER OPERATING INCOME

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	Rs'000	Rs'000	Rs'000	Rs'000
Investment income: Quoted	2	8	2	2
Unquoted	1,014	180	1,014	2,056
Interest receivable	23,568	18,265	3,413	546
Unrealised foreign exchange gain/(loss) on translation of monetary assets	23,728	3,760	(1,102)	2,118
	48,312	22,213	3,327	4,722

7. STAFF COSTS

	2005	2004	2005	2004
	Rs'000	Rs'000	Rs'000	Rs'000
Wages and salaries	1,091,899	954,410	808,364	374,394
Employee benefits and related expenses	383,256	364,307	315,616	140,801
	1,475,155	1,318,717	1,123,980	515,195
The number of employees at the end of the year was:	4,541	4,466	4,045	2,076

8. OTHER OPERATING EXPENSES

The following items have been included in other operating expenses:

	2005	2004	2005	2004
	Rs'000	Rs'000	Rs'000	Rs'000
Operating supplies and cleaning expenses	223,690	200,915	202,814	116,601
Repairs and Maintenance	136,347	122,152	99,212	53,079
Utility costs	191,818	173,427	169,446	81,927
Marketing expenses	525,284	493,213	258,474	44,618
Management fees	-	-	-	200,504
Guest entertainment	62,239	60,683	59,718	38,124
Administrative expenses	234,227	204,013	105,616	53,864
Licences, patents, insurance and taxes	120,388	94,151	101,758	48,248
	1,493,993	1,348,554	997,038	636,965

9. FINANCE COSTS

	2005	2004	2005	2004
	Rs'000	Rs'000	Rs'000	Rs'000
Interest expense:				
Bank overdrafts	17,504	66,084	7,444	52,080
Loans	188,249	172,983	186,144	158,028
Leasing finance	20,157	24,000	17,423	18,664
Net foreign exchange loss on cash flow hedges	34,650	-	33,375	-
	260,560	263,067	244,386	228,772



10. TAXATION

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
(a) Liability				
Income tax on the adjusted profit for the year at 15% to 30%	(36,093)	(73,204)	-	-
Less: Already paid during the year	5,800	2,216	-	-
	(30,293)	(70,988)	-	-
Alternative Minimum Tax at 5% of adjusted profit	(52,463)	(19,541)	(52,463)	(19,541)
	(82,756)	(90,529)	(52,463)	(19,541)
(b) Charge for the year				
Income tax on the adjusted profit for the year at 15% to 30%	(36,093)	(73,204)	-	-
Over/(under)provision in previous year	(2,649)	459	93	-
Alternative Minimum Tax	(52,463)	(19,541)	(52,463)	(19,541)
Deferred taxation charge (see note 23)	(96,617)	(79,052)	(112,998)	(54,400)
Share of taxation of associates	(700)	(174)	-	-
Charge for the year	(188,522)	(171,512)	(165,368)	(73,941)
(c) Reconciliation between tax expense and accounting profit is as follows:				
Profit before taxation	1,177,682	1,037,360	1,046,552	388,525
Tax calculated at a tax rate of 15% (2004: 15%)	(176,652)	(155,604)	(156,983)	(58,279)
Alternative Minimum Tax	(52,463)	(19,541)	(52,463)	(19,541)
Expenses not deductible for tax purposes	(9,010)	(5,636)	(377)	(530)
Expenses qualifying for double deduction	35,181	44,770	32,587	342
Investment allowances	4,805	5,944	11,550	2,144
Balancing charge restriction	(413)	-	-	-
Foreign tax credit	5,063	-	-	-
Transfer of Assets	668	-	-	-
Rate differential	(23,131)	(32,497)	-	-
Consolidation adjustment	19,447	(13,316)	-	-
Under/(over) provision of tax in current year	11,178	-	-	1,614
Over/(under) provision in previous year	(2,649)	459	93	-
Share of taxation in associates	(700)	(174)	-	-
Income not subject to tax	154	4,083	225	309
Tax charge	(188,522)	(171,512)	(165,368)	(73,941)
11. EARNINGS PER SHARE				
Earnings per share is based on:				
Profit for the year	970,054	850,410	881,184	314,584
Number of equity shares in issue	161,423,536	161,423,536	161,423,536	161,423,536



12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Other Fixed Assets	Motor Vehicles	Work in progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
THE GROUP						
Cost and Valuation						
At October 1, 2003	529,111	6,611,608	1,698,387	119,129	-	8,958,235
Additions	-	183,799	93,548	22,596	-	299,943
Disposals	-	-	(38,958)	(10,747)	-	(49,705)
Exchange differences	(538)	(10,476)	1,402	680	-	(8,932)
At September 30, 2004	528,573	6,784,931	1,754,379	131,658	-	9,199,541
Depreciation						
At October 1, 2003	-	9,644	772,463	43,791	-	825,898
Charge for the year	-	32,031	213,908	14,028	-	259,967
Disposals adjustments	-	-	(31,768)	(7,371)	-	(39,139)
Exchange differences	-	76	1,173	251	-	1,500
At September 30, 2004	-	41,751	955,776	50,699	-	1,048,226
Net Book Values						
At September 30, 2004	528,573	6,743,180	798,603	80,959	-	8,151,315
Cost and Valuation						
At October 1, 2004	528,573	6,784,931	1,754,379	131,658	-	9,199,541
Additions	-	39,133	143,114	25,605	173,393	381,245
Disposals	-	-	(28,198)	(9,349)	-	(37,547)
Revaluation adjustment	28,100	233,833	-	-	-	261,933
Exchange differences	2,527	63,961	11,235	1,913	-	79,636
At September 30, 2005	559,200	7,121,858	1,880,530	149,827	173,393	9,884,808
Depreciation						
At October 1, 2004	-	41,751	955,776	50,699	-	1,048,226
Charge for the year	-	32,076	224,865	18,442	-	275,383
Disposals adjustments	-	-	(23,678)	(5,677)	-	(29,355)
Revaluation adjustment	-	(73,205)	-	-	-	(73,205)
Exchange differences	-	269	1,121	126	-	1,516
At September 30, 2005	-	891	1,158,084	63,590	-	1,222,565
Net Book Values						
At September 30, 2005	559,200	7,120,967	722,446	86,237	173,393	8,662,243

The land and hotel buildings of the Group and the Company have been revalued on September 30, 2005 by Mr. Noor DILMOHAMED, Bsc (Appl) Val, Dip L.S. FAPI, Certified Practising Surveyor, based on open market value in respect of freehold land and hotel buildings.

If land and buildings were stated at historical cost, the amounts would be as follows:

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Cost	5,947,474	5,908,341	5,213,673	2,868,713
Accumulated depreciation	(294,776)	(270,986)	(198,133)	(175,465)
Net book values	5,652,698	5,637,355	5,015,540	2,693,248



12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold Land	Buildings	Other Fixed Assets	Motor Vehicles	Work in progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
THE COMPANY						
Cost and Valuation						
At October 1, 2003	463,900	3,218,466	1,103,379	53,672	-	4,839,417
Additions	-	24,330	36,553	5,780	-	66,663
Disposals	-	-	(13,960)	(3,971)	-	(17,931)
At September 30, 2004	463,900	3,242,796	1,125,972	55,481	-	4,888,149
Depreciation						
At October 1, 2003	-	-	509,380	37,325	-	546,705
Charge for the year	-	16,730	131,503	1,667	-	149,900
Disposals adjustments	-	-	(10,008)	(3,323)	-	(13,331)
At September 30, 2004	-	16,730	630,875	35,669	-	683,274
Net Book Values						
At September 30, 2004	463,900	3,226,066	495,097	19,812	-	4,204,875
Cost and Valuation						
At October 1, 2004	463,900	3,242,796	1,125,972	55,481	-	4,888,149
Transfer from subsidiaries	4,275	2,340,384	671,293	-	-	3,015,952
Additions	-	21,669	116,242	21,782	173,393	333,086
Disposals	-	-	(27,110)	(6,082)	-	(33,192)
Revaluation for the year	28,100	239,876	-	-	-	267,976
At September 30, 2005	496,275	5,844,725	1,886,397	71,181	173,393	8,471,971
Depreciation						
At October 1, 2004	-	16,730	630,875	35,669	-	683,274
Transfer from subsidiaries	-	21,368	422,700	-	-	444,068
Charge for the year	-	27,808	199,312	4,983	-	232,103
Disposals adjustments	-	-	(22,891)	(4,242)	-	(27,133)
Revaluation adjustment	-	(65,906)	-	-	-	(65,906)
At September 30, 2005	-	-	1,229,996	36,410	-	1,266,406
Net Book Values						
At September 30, 2005	496,275	5,844,725	656,401	34,771	173,393	7,205,565

ASSETS HELD UNDER FINANCE LEASES

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Plant and equipment (included in Other Fixed Assets)				
Cost	238,636	238,636	238,636	235,012
Accumulated depreciation	(149,637)	(126,541)	(149,637)	(124,079)
Net book values	88,999	112,095	88,999	110,933
Motor vehicles				
Cost	53,169	58,904	53,169	20,395
Accumulated depreciation	(26,748)	(27,078)	(26,748)	(12,108)
Net book values	26,421	31,826	26,421	8,287

Property, plant and equipment are included in assets given as securities for bank borrowings.



13. INTANGIBLE ASSETS

THE GROUP	Goodwill arising on acquisition	Leasehold Rights	Total
Cost	Rs'000	Rs'000	Rs'000
At October 1, 2003	1,206,761	67,486	1,274,247
Exchange differences	-	(1,042)	(1,042)
Goodwill arising on additional stakes in four operating subsidiaries	31,610	-	31,610
At September 30, 2004	1,238,371	66,444	1,304,815
Amortisation			
At October 1, 2003	-	957	957
Amortisation charge	-	1,107	1,107
Exchange differences	-	(14)	(14)
At September 30, 2004	-	2,050	2,050
Net book values			
At September 30, 2004	1,238,371	64,394	1,302,765
Cost			
At October 1, 2004	1,238,371	66,444	1,304,815
Addition	-	81,000	81,000
Exchange differences	-	3,616	3,616
At September 30, 2005	1,238,371	151,060	1,389,431
Amortisation			
At October 1, 2004	-	2,050	2,050
Amortisation charge	-	1,847	1,847
Exchange differences	-	89	89
At September 30, 2005	-	3,986	3,986
Net Book Values			
At September 30, 2005	1,238,371	147,074	1,385,445

The leasehold rights are made up of two land leases which have been acquired in Seychelles for the right to operate hotels at Sainte Anne Island and Praslin Island respectively. The acquisition of the leasehold right for Praslin Island was completed during the year. Both leasehold rights are amortised over a period of sixty years which represents the period over which the respective right is to be exercised.

THE COMPANY

Cost and net book value

	Goodwill Rs'000
Addition during the year	1,148,626
At September 30, 2005	1,148,626

The goodwill paid on acquisition of local subsidiaries has been recognised in the Company following the transfer of activities of the relative cash-generating unit into the Company on October 01, 2004.



13. INTANGIBLE ASSETS (Cont'd)

Goodwill has been allocated for impairment testing purposes to the following individual cash-generating units as follows:

Cash-generating units	Allocation of goodwill Rs'000
Hotel Management and Tour Operating	818,221
Hotel Boutiques	4,101
Hotel Operations - Royal Palm	168,685
Hotel Operations - Le Canonnier	98,885
Airline Catering	58,734
	<hr/>
The Company	1,148,626
Hotel Operations - Sainte Anne Resort	89,745
	<hr/>
The Group	1,238,371
	<hr/> <hr/>

Each cash-generating unit represents a business operation and is the lowest level within New Mauritius Hotels Limited Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of each unit has been determined based on value in use calculation. The value in use calculation uses cash flow forecasts based on approved financial budgets covering one year-period which has been extrapolated for a further period of four years by using a growth rate varying between 2% and 6%.

The key assumptions used for preparing cash flow forecasts are based on management's past experience in the industry, the ability of each unit to at least maintain its market share and stable local and international monetary and economic conditions. The discount rate used is based on the weighted average cost of capital of 9.1%.

14. INVESTMENT IN SUBSIDIARIES

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
(a) Cost (Unquoted)				
At the beginning and at the end of the year	-	-	1,317,080	1,317,080
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(b) List of Subsidiaries

Name of Corporation	Main business activity	Country of incorporation	Percentage of equity interest 2005 & 2004 %
Grand Baie Hotel Limited	Dormant	Mauritius	100
Royal Gardens Ltd	Dormant	Mauritius	100
Maunex (Mauritius) Limited	Dormant	Mauritius	100
Imperial Ltd	Dormant	Mauritius	100
Plaisance Catering Limited	Dormant	Mauritius	100
Beachcomber Limited	Dormant	Mauritius	100
Beachcomber Boutiques Limited	Dormant	Mauritius	100
Société Immobilière et Touristique de Grand Baie	Dormant	Mauritius	100
Société Royal Gardens	Dormant	Mauritius	100
Kingfisher Ltd	Investment	Mauritius	100
La Médina Ltd	Hotel boutiques	Mauritius	90
Beachcomber Training Academy Limited	Hotel training	Mauritius	100
Ste Anne Resorts Limited	Hotel operations	Seychelles	100
Beachcomber Marketing (Pty) Ltd	Tour operators	South Africa	51
Beachcomber Tours SARL	Tour operators	France	90
Holiday Marketing (Pty) Ltd	Tour operators	Australia	75
Beachcomber Tours Limited	Tour operators	England	80
Wild Africa Safari Ltd	Dormant	England	80

Following the transfer of activities of local subsidiaries to the Company, those entities have become dormant and will be wound-up as soon as necessary clearance is obtained from relevant authorities regarding the transfer of land leases to New Mauritius Hotels Limited.



15. INVESTMENT IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
At the beginning of the year	103,311	25,351	19,057	1,926
Reclassification of Parure Limitee as Associates (see note 16)	1,230	-	720	-
Addition during the year	6,642	17,131	-	17,131
Share of profit before taxation	6,755	18,352	-	-
Share of taxation	(700)	(174)	-	-
Share of fair value reserves	564	43,201	-	-
Dividends paid	-	(550)	-	-
	117,802	103,311	19,777	19,057

List of associates

Name of Corporation	Description	Percentage held	
		2005 %	2004 %
South West Tourism Development Co Ltd	Ordinary shares	31	31
Launderers (Hotels & Restaurants) Ltd	Ordinary shares	50	50
Parure Limitee	Ordinary shares	27	6

All the companies listed above are unquoted and are incorporated in the Republic of Mauritius.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
At the beginning of the year	10,194	10,194	980	980
Reclassification of Parure Limitee as Associates (see note 15)	(1,230)	-	(720)	-
	8,964	10,194	260	980
Quoted	45	45	13	13
Unquoted	8,919	10,149	247	967
	8,964	10,194	260	980

Available-for-sale financial assets consist of investments in ordinary shares.
The fair values of these assets are based on market conditions prevailing at balance sheet date.

17. INVENTORIES

Food and beverages (cost)	43,191	37,255	60,555	15,360
Operating supplies and small equipment (net realisable value)	89,634	91,420	76,913	40,762
Spare parts (net realisable value)	43,878	42,069	28,369	11,950
Fabrics and garments (cost)	36,543	21,602	7,321	-
	213,246	192,346	173,158	68,072

Inventories are included in assets given as securities for bank borrowings.



18. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Trade receivables	651,393	610,267	464,080	181,778
Other receivables and prepayments	238,635	270,277	151,319	35,431
Forward foreign exchange contracts	3,742	-	3,742	-
Amounts due from subsidiaries	-	-	558,207	1,070,370
	893,770	880,544	1,177,348	1,287,579

19. CASH AND CASH EQUIVALENTS

Cash in hand and at bank	675,325	597,240	72,359	1,907
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For the purposes of the statements of cash flows, the cash and cash equivalents comprise the following:

Cash in hand and at bank	675,325	597,240	72,359	1,907
Bank overdrafts (see note 22)	(422,196)	(444,638)	(382,219)	(49,078)
	253,129	152,602	(309,860)	(47,171)

20. STATED CAPITAL

Issued and fully paid

161,423,536 ordinary shares at no par value

At the beginning of the year

Reclassification of share premium following conversion of par value shares into no par value shares

At the end of the year

THE GROUP AND THE COMPANY	
2005 Rs'000	2004 Rs'000
1,724,361	1,614,235
-	110,126
1,724,361	1,724,361

21. MINORITY INTERESTS

At the beginning of the year

Exchange difference

Share of net profit of subsidiaries

Net assets acquired by the Group from minority shareholders

Dividends paid

At the end of the year

THE GROUP	
2005 Rs'000	2004 Rs'000
57,175	124,670
2,060	4,047
19,106	15,438
-	(79,297)
(14,153)	(7,683)
64,188	57,175



22. BORROWINGS

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Current				
Bank overdrafts	422,196	444,638	382,219	49,078
Term loans	819,580	677,022	739,787	642,695
Leasing finance	54,041	52,001	49,495	40,659
	1,295,817	1,173,661	1,171,501	732,432
Non-current				
Term loans (see note (a) below)	1,849,188	2,082,126	1,386,285	1,759,271
Leasing finance (see note (b) below)	113,291	167,238	100,309	128,862
	1,962,479	2,249,364	1,486,594	1,888,133
Total borrowings	3,258,296	3,423,025	2,658,095	2,620,565
Note (a) Non-current portion of term loans is analysed as follows:				
- Between one and two years	435,303	497,951	355,327	463,622
- Between two and five years	747,594	721,931	521,096	580,001
- After five years	666,291	862,244	509,862	715,648
	1,849,188	2,082,126	1,386,285	1,759,271
Note (b) Leasing finance liabilities - minimum lease payments:				
- Within one year	69,092	70,444	62,584	55,032
- Between one and two years	77,982	66,886	65,092	53,594
- Between two and five years	51,230	122,464	49,275	93,758
- After five years	-	2,666	-	304
	198,304	262,460	176,951	202,688
Less: Future finance charges on leasing finance	(30,972)	(43,221)	(27,147)	(33,167)
Present value of leasing finance liabilities	167,332	219,239	149,804	169,521
Analysed as follows:				
Current: Within one year	54,041	52,001	49,495	40,659
Non-current: Between one and two years	65,712	53,541	54,521	43,275
Between two and five years	47,579	111,092	45,788	85,296
After five years	-	2,605	-	291
	113,291	167,238	100,309	128,862
	167,332	219,239	149,804	169,521

Bank overdrafts, term loans and leasing finance are secured by charges on the Group's assets and carry interest at annual rates varying between 3.0% and 7.5% for currency loans and between 7.75% and 8.75% for Mauritian Rupee loans.



23. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
At the beginning of the year	666,838	587,786	342,235	287,835
Transfer from subsidiaries	-	-	344,234	-
Movement for the year	65,618	-	45,868	-
Charge for the year (see note 10)	96,617	79,052	112,998	54,400
At the end of the year	829,073	666,838	845,335	342,235
Deferred tax assets and liabilities are attributable to the following items:				
Deferred income tax liabilities				
Accelerated capital allowances	718,775	611,040	641,793	393,957
Assets revaluation	242,637	169,809	242,637	44,725
	961,412	780,849	884,430	438,682
Deferred income tax assets				
Retirement benefit obligations	(24,049)	(32,709)	(23,838)	(15,145)
Tax losses carried forward	(108,290)	(81,302)	(15,257)	(81,302)
	(132,339)	(114,011)	(39,095)	(96,447)
Net deferred income tax liabilities	829,073	666,838	845,335	342,235

24. RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the Balance Sheets are determined as follows:

Present value of funded obligations	1,073,677	936,796	1,052,813	500,025
Fair value of plan assets	(855,604)	(697,404)	(839,041)	(372,247)
Projected defined benefit obligation in excess of plan assets	218,073	239,392	213,772	127,778
Unrecognised actuarial losses	(57,292)	(59,284)	(54,453)	(26,809)
Liability in the Balance Sheets	160,781	180,108	159,319	100,969

The amounts recognised in the Income Statements are as follows:

Current service cost	48,427	45,364	47,133	22,208
Interest cost	92,347	80,524	90,596	43,220
Expected return on plan assets	(77,469)	(62,742)	(75,981)	(33,483)
Actuarial loss	2,116	1,640	2,053	343
Total included in employee benefits (note 7)	65,421	64,786	63,801	32,288

Movement in the liability recognised in the Balance Sheets:

At the beginning of the year	180,108	193,806	100,969	107,694
Transfer from subsidiaries	-	-	77,312	-
Total expenses for the year	65,421	64,786	63,801	32,288
Contributions paid	(84,748)	(78,484)	(82,763)	(39,013)
At the end of the year	160,781	180,108	159,319	100,969

The pension plan include the Company's ordinary shares with a fair value of Rs 131.616 million (2004: Rs 83.744 million).



24. RETIREMENT BENEFIT OBLIGATIONS (Cont'd)

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
The principal actuarial assumptions used were as follows:	%	%	%	%
Discount rate	10.0	10.0	10.0	10.0
Expected return on plan assets	10.5	10.5	10.5	10.5
Future salary increases	8.0	8.0	8.0	8.0
Future increases in NPS ceiling	6.5	6.5	6.5	6.5
Future pension increases	3.0	3.0	3.0	3.0

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Trade payables	657,442	341,130	70,952	26,287
Other payables and accruals	658,176	993,434	530,136	205,522
Dividends payable	322,847	242,136	322,847	242,136
Amount due to subsidiary companies	-	-	2,675,928	942,595
	1,638,465	1,576,700	3,599,863	1,416,540

26. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2005 Rs'000	2004 Rs'000
Interim dividend paid: Rs 2.00 per share (2004 - Rs 1.50)	322,847	242,135
Final dividend proposed: Rs 2.00 per share (2004- Rs 1.50)	322,847	242,136
Total dividend declared	645,694	484,271

27. FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of the Group's financial assets and liabilities approximate their fair values.

Currency profile

The currency profile of the Group's financial assets and liabilities is summarised as follows:

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Euros	807,798	701,433	452,671	498,438
Pound Sterling	477,583	403,039	273,862	238,220
Rands	62,169	65,166	241,320	176,319
United States Dollars	-	-	351,734	376,537
Australian Dollars	32,849	31,589	22,690	22,860
Seychelles Rupees	41,449	44,417	372,095	380,944
Mauritian Rupees	156,212	242,334	3,182,389	3,306,407
	1,578,060	1,487,978	4,896,761	4,999,725

28. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2005 Rs'000	2004 Rs'000	2005 Rs'000	2004 Rs'000
Approved and already contracted for	120,000	-	120,000	-



NOTES
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29. SUBSEQUENT EVENTS

Subsequent after year-end, the Board has approved capital expenditure amounting to Rs 600 million in respect of renovation of Le Victoria Hotel, the transformation of Le Mauricia Shopping Centre into 20 apartments, the upgrading of 8 villas at Paradis and the refurbishment of 180 Deluxe rooms at Shandrani.

30. RELATED PARTY TRANSACTIONS

	THE GROUP	
	2005	2004
	Rs'000	Rs'000
The following transactions have been entered into with related parties:		
(i) Expenses		
(a) Laundry services		
Launderers (Hotels & Restaurants) Ltd (Associate Company)	69,162	65,532
(ii) Year-end balances payable to related parties		
Launderers (Hotels & Restaurants) Ltd (Associate Company)	5,327	4,968

Purchases of services from related parties were carried out on commercial terms and conditions and at normal market prices.



31. PARTICULARS OF DIRECTORATE IN SUBSIDIARIES

DIRECTORS	Subsidiaries													
	Grand Baie Hotel Limited	Royal Gardens Ltd	Maunex (Mauritius) Limited	Imperial Ltd	Kingfisher Ltd	Ste Anne Resorts Limited	Plaisance catering Limited	La Medina Ltd	Beachcomber Training Academy Limited	Beachcomber Boutiques Limited	Holiday Tours SARL	Beachcomber Tours (Pty) Ltd	Beachcomber Tours Limited	Beachcomber Marketing (Pty) Ltd
Jean-Paul ADAM			◆											
Sunil BANYMANDHUB	◆													
Jean Pierre CHAUMARD						◆								
Herbert COUACAUD	◆	◆		◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Michel DARUTY DE GRANDPRE				◆	◆		◆							
Robert DOGER DE SPEVILLE	◆	◆		◆				◆	◆			◆	◆	
Odile DE COMMARMOND									◆					
Robert DE FROBERVILLE			◆											
Annabelle DUPONT									◆					
Rodney EATHER											◆			
Mike EDWARDS												◆		
Hector ESPITALIER-NOEL	◆	◆							◆					
Maurice ESPITALIER-NOEL	◆			◆										
Jean-Marc LAGESSE					◆			◆						
René LAVIOLETTE						◆								
Jean-Hugues MAIGROT			◆		◆									
Marcel MASSON	◆	◆		◆	◆	◆	◆		◆	◆				
Frantz MERVEN						◆								
François MONTOCCHIO						◆		◆	◆					
Terry MUNRO														◆
Soopaya PARIANEN				◆										
Jean-Louis PISMONT								◆						
Michel PITOT	◆	◆	◆	◆	◆		◆							
Tiburce PLISSONNEAU DUQUESNE								◆						
Louis RIVALLAND	◆													
Soorianariana SEEBOO					◆									
Jacques SILVANT								◆						
Derek TAYLOR		◆												
Peter TAYLOR												◆		
Timothy TAYLOR	◆	◆		◆	◆				◆					
François VENIN								◆						



32. FINANCIAL SUMMARY

	2005 Rs'000	2004 Rs'000	2003 Rs'000
THE GROUP			
Income Statements			
Revenue	5,285,654	4,738,578	3,984,401
Profit before taxation	1,177,682	1,037,360	852,126
Taxation	(188,522)	(171,512)	(123,038)
Profit after taxation	989,160	865,848	729,088
Minority interests	(19,106)	(15,438)	(36,610)
Profit attributable to shareholders	970,054	850,410	692,478
Dividend	(645,694)	(484,271)	(403,560)
Retained profit for the year	324,360	366,139	288,918
Balance Sheets			
Non-current assets	10,174,454	9,567,585	9,315,213
Current assets	1,782,341	1,670,130	1,575,526
Issued and paid-up share capital	1,724,361	1,724,361	1,614,235
Reserves - Share premium	-	-	110,126
- Revaluation and other reserves	2,432,041	2,083,548	2,057,089
- Retained earnings	1,766,834	1,435,431	939,757
Minority interests	64,188	57,175	124,670
Non-current liabilities	2,952,333	3,096,310	3,454,717
Current liabilities	3,017,038	2,840,890	2,590,145
Financial Ratios			
	Rs	Rs	Rs
Earnings per share	6.01	5.27	4.43
Dividend per share	4.00	3.00	2.50
Net assets per share	36.69	32.48	30.21
THE COMPANY			
	2005 Rs'000	2004 Rs'000	2003 Rs'000
Income Statements			
Revenue	4,250,498	2,148,270	2,039,114
Profit before taxation	1,046,552	388,525	555,749
Taxation	(165,368)	(73,941)	(41,000)
Profit after taxation	881,184	314,584	514,749
Dividend	(645,694)	(484,271)	(403,560)
Retained profit /(loss) for the year	235,490	(169,687)	111,189
Balance Sheets			
Non-current assets	9,691,308	5,541,992	5,612,698
Current assets	1,422,865	1,357,558	905,628
Issued and paid-up share capital	1,724,361	1,724,361	1,614,235
Reserves - Share premium	-	-	110,126
- Revaluation and other reserves	1,425,297	265,758	297,429
- Retained earnings	649,440	409,581	577,628
Non-current liabilities	2,491,248	2,331,337	2,430,808
Current liabilities	4,823,827	2,168,513	1,488,100
Financial Ratios			
	Rs	Rs	Rs
Earnings per share	5.46	1.95	3.29
Dividend per share	4.00	3.00	2.50
Net assets per share	23.53	14.87	16.63