## OUR VISION

To be a Premier World Class Infocom Services Provider

## OUR CORE VALUES

Innovation & Creativity

Quality

Professionalism

Customer Service

Competitiveness

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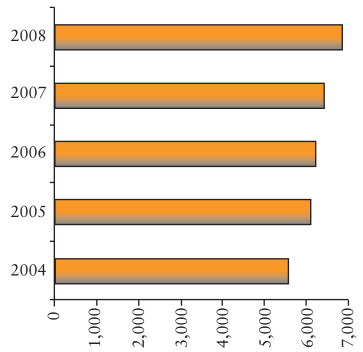
## Key Results for 2008

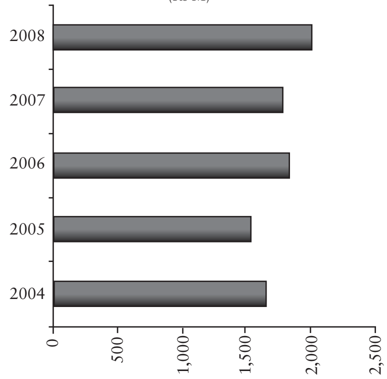
| 5.9% | 12.8% | 5.0% |
|---|---|---|
| Group Operating Revenue | Profit from Operations | Profit before Tax |

- Operating revenue for the Group was up 5.9% to Rs 6.8 billion compared to prior year
- Group Profit from operations reached Rs 2 billion, an increase of 12.8% over 2007
- Profit after Tax decreased by 8.1% over last year, to reach Rs 1.9 billion
- Group Capital Expenditure of Rs 1.2 billion, that is 18% of operating revenue
- Earnings per share at Rs 10.15 that is an 8% decrease compared to 2007
- Return on total assets of 14.1% compared to 17.8% for last year
- Return on equity of 25%, against a return of 30.2% for last year

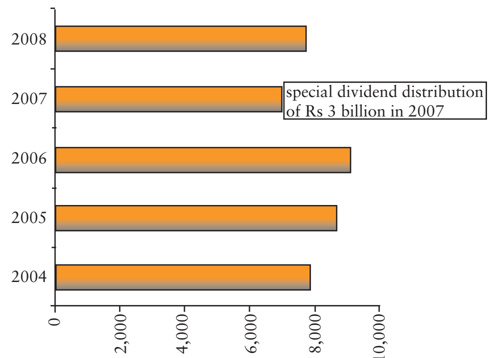
Evolution Consolidated Revenues
(Rs M)




Evolution in Group profit from operations
(Rs M)




Evolution in Consolidated Shareholders' Equity
(Rs M)



# financial highlights

for the year ended 31 December 2008 (cont'd)

Financial Key Figures For The Group

| | 2008 (Million Rs) | 2007 (Million Rs) |
|---|---|---|
| **Income Statement** | | |
| Operating Revenue | 6,790 | 6,413 |
| Profit Before Tax | 2,441 | 2,325 |
| Prrofit After Tax | 1,929 | 2,099 |
| Earnings Per Share (Rs) | 10.15 | 11.05 |
| Dividend Per Share (Rs) | 6.07 | 22.31 |
| **Balance Sheet** | | |
| Total Assets | 13,706 | 11,869 |
| Total Liabilities | 5,988 | 4,926 |
| Debt Interest Bearing | 154 | 240 |
| Shareholders funds | 7,718 | 6,943 |
| Net asset Value per share (Rs) | 40.62 | 36.54 |

## *Certificate By Company Secretary*

## *Certificate By Secretary Required By The Companies Act 2001*

I certify to the best of my knowledge and belief that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 as at 31 December 2008.

P.C. COLIMALAY
Company Secretary
27 May 2009

# corporate profile

Mauritius Telecom (MT) is the leading telecommunications operator and services provider in Mauritius. Incorporated in 1988 under the name Mauritius Telecommunications Services (MTS), it acquired the assets of Overseas Telecommunications Services (OTS) in 1992 and became Mauritius Telecom. The Company has enjoyed a phenomenal rate of development and it is now one of the top enterprises in the country, with a revenue of Rs 6.8 billion in 2008.

The Government of Mauritius, the State Bank of Mauritius and the National Pensions Fund hold 59% of shares in the Company. 1% of the total shares of Mauritius Telecom have been sold to eligible employees and pensioners in 2007 at a discounted price under an Employee Share Participation Scheme. The remaining 40% belong to France Telecom, through its investment vehicle RIMCOM. Procedures are well under way for the listing of the Company on the Stock Exchange of Mauritius.

Mauritius Telecom is committed to providing its customers with quality ICT services at competitive prices. It provides a full spectrum of voice and data services over fixed, mobile and internet platforms. Mauritius Telecom also offers convergent services through My.T, its Multiplay-IPTV services. Television on mobile telephones has been introduced in May 2009.

Mauritius Telecom is also present in the regional telecommunications market through its investments in Orange Madagascar.

Its growth strategy is based on innovation, in line with its vision "To be a Premier World Class Infocom Services Provider", whilst its commercial strategy is led by the concept of "Customer Satisfaction First". In 2007, the Company successfully completed its organisational restructuring which constitutes a crucial step in its endeavour to become an integrated operator.

Mauritius Telecom is the country's only telecommunications company that provides universal service and universal access. In embracing this responsibility, the Company has ongoing strategies to develop its networks throughout the country and provide effective services to all citizens and residents within the Republic of Mauritius.

At the end of December 2008 Mauritius Telecom counted a total of over 1 million subscriptions to its fixed line, mobile, internet dial-up, broadband and My.T convergent services. This significant customer-base has enabled Mauritius Telecom to position itself as the preferred end-to-end solutions provider.

Mauritius Telecom rebranded all its mobile and Internet offers to Orange in April 2008. This rebranding has been realised in a bid to provide Mauritius Telecom's customers with a new experience of Telecommunication based on convergence and innovation to satisfy their daily needs. Through the Orange brand, customers benefit from the potential of one of the world's leading telecom operator and of a strong international brand. They can, for example, benefit from new offers of products and services, the Apple iPhone 3G being a recent example, and roam on the Orange network overseas. Customers travelling in the Indian Ocean region will enjoy preferential telecom tariffs to Madagascar, Reunion and Mayotte, through Orange Zone.

Mauritius Telecom's network is being developed and upgraded to provide high performance voice, data, video and multimedia services. The Company is finalising the migration of its existing legacy network to NGN (New Generation Network).

State-of-the-art technology is providing businesses with a one-stop solution for IP-based services, virtual private networks, high-speed internet access and application services.

# corporate profile (cont'd)

Mauritius Telecom is leading the way towards the Government's vision of Broadband Mauritius and the transformation of the country into a Cyber Island.

The Company offers global connectivity via the SAT3/WASC/SAFE undersea fiber-optic cable and satellite systems. As the provider of international bandwidth services, Mauritius Telecom is continuously upgrading the available bandwidth on the SAT3/WASC/SAFE cables in order to meet the increasing demand of Call Centre and BPO operators and of customers connecting to bandwidth hungry services such as Facebook, YouTube and online games.

Mauritius Telecom is also playing an active part in the process of connecting Mauritius to the EASSy (Eastern Africa Submarine System) cable, which will link the countries of East Africa and Madagascar between themselves and to the rest of the world.

The Company is also investing in the LION (Lower Indian Ocean Network) cable which will be put in service in the second semester of 2009. LION will connect Mauritius, Reunion and Madagascar and will provide a second cable landing point in Mauritius, hence additional redundancy and route diversity. This investment together with those on the EASSy and the EIG (Europe-India Gateway) submarine cable systems, will further increase the reliability, resiliency and the bandwidth capacity of our international connectivity.

As a responsible corporate citizen Mauritius Telecom ensures that its Corporate Social Responsibilities (CSR) are fully discharged. CSR play a major part in how the Company functions. The Company has enhanced its strategies to comply with good Corporate Governance practices, provide fair working conditions, offer secure products and services, avoid damaging the environment and continue to support many worthwhile educational, sporting, environmental and community projects. In its endeavour to make ICT available to as many people as possible in Mauritius, the Company launched the Mauritius Telecom NetPC in June 2008. The NetPC is a low-cost device using a thin client technology and provides home computing services and broadband internet at an affordable price.

# board of directors

for the year ended 31 December 2008

## CHAIRMAN

### Appalsamy THOMAS

Appalsamy Thomas holds a Diploma in Personnel Management and a Diploma in Occupational Health and Safety as well as an MBA from the University of Surrey, UK.

He started his career with the national carrier, Air Mauritius, and worked with them for 13 years, occupying several positions including that of Executive Adviser to the Chairman and Managing Director. He then became a Human Resources Manager at British American Tobacco (BAT), ending up as an Expatriate Merger Integration Director with BAT in Russia. In 2001, he joined the leading consultancy firm in Mauritius, DCDM, as a free-lance consultant and, in 2004, became its CEO for the Central, Eastern and Southern Africa Region. He is currently Harel Mallac's Group Human Resources Director, as well as being Chairman of Mauritius Telecom.

As a consultant, his work included assignments for Mauritius Telecom, Telecoms Malagasy (Telma), the Malawi Communications and Regulatory Authority and Tanzania Telecommunications. He is a council member of the Mauritius Employers Federation. He has delivered papers at ILO conferences in Geneva and Swaziland and twice been a speaker for the Commonwealth Telecommunications Organisation.

## MEMBERS

### Michel BARRÉ (as from 16 May 2008)

Michel Barré is a qualified Engineer from Institut National des Télécommunications (France) and holds an Executive MBA from the HEC School of Management, Paris.

He has more than 30 years of experience in the telecommunications industry and has held various positions of responsibility in France Telecom and its affiliates, in particular as Vice-President Operations and Development in Mobistar (Belgium), Vice-President Operations then CEO of Telemate (France), General Secretary and HR Director of Transpac (France).

He joined France Telecom's International Division in October 2007 as Vice-President in charge of operations in Central Africa, Indian Ocean and Pacific.

He has been a Chairman or a Board member of 9 companies associated with France Telecom in Cameroon, Central African Republic, Kenya, Madagascar, Mauritius and Vanuatu.

# board of directors

for the year ended 31 December 2008 (cont'd)

### Roland DUBOIS (up to 16 May 2008)

Roland Dubois is a graduate of the Ecole Supérieure de Commerce, Le Havre, and holder of a Diplôme d'Etude de Comptabilité Supérieure.

He has been Head of Financial Controlling at the AMEA Division (Africa, Middle East and Asia) of France Telecom, since 2006. In that capacity, he is a Board member of several local and overseas subsidiaries of France Telecom dealing with fixed and mobile telephony and the internet.

He was formerly Head of Financial Controlling at the International Division of France Telecom (2003- 2006) and Financial Controller of the Africa-Asia-America zone (2000-2002).

Roland Dubois has also been Financial Director of Global One (1996-1999), Financial Director of Cogecom (1991-1995) and Financial Director of Télésystèmes (1987-1991).

Before joining France Telecom, he held several positions in finance with Schlumberger (1981-1987), GTE Sylvania (1977-1981) and General Biscuits (1975-1977).

### Christophe EOUZAN (as from 16 May 2008)

Christophe Eouzan is Vice-President for Financial Control International of FT-Orange Group. Previously he was Head of the Beyond Project and was Deputy Group Controller. After starting his career in external audit at Salustro Reydel (KPMG) in Poland and in France, Christophe Eouzan joined the FT-Orange Group in 2002 in the Group Accounting Policies Department and then served as Head of Staff to the Group Chief Financial Officer. He graduated from the University of Paris-Dauphine and the UMIST-Manchester School of Management. He is a French Chartered Accountant.

### Georges Henry JEANNE (as from 26 February 2008)

Georges Henry Jeanne is a graduate of the University of Mauritius in Administration and Social Sciences. He was appointed Administrative Officer in the Public Service in 1980.

He was promoted to the rank of Principal Assistant Secretary in 1997 and served in various Ministries (Local Government, Environment, Housing and Lands, Rodrigues).

In March 2007, he was appointed Principal Assistant Secretary at the Ministry of Information and Communication Technology where he is presently the Acting Permanent Secretary.

## Ali Michael MANSOOR

Ali Mansoor holds an MSc in Mathematical Economics and Econometrics, London School of Economics, and a Master's in Public Policy.

He has been Financial Secretary at the Ministry of Finance and Economic Development in Mauritius since 2006.

He was an Economist at the International Monetary Fund in Washington DC (1982-1988), and a Public Finance and Trade Economist at the World Bank, also in Washington (1988-1992).

Ali Mansoor has also worked for the European Commission (1992-1995). He was subsequently the Country Economist for Madagascar for the World Bank (1995-1997) and then the Executive Secretary of the COMESA Clearing House, Harare, Zimbabwe (1997-1999).

From 2003 to 2006, he was the Lead Economist at the World Bank's Economist Office for Europe and Central Asia Region (2003-2006) and also served at the Office of Iraq Assessment in Washington (2005).

## Michel MONZANI

Michel Monzani is a graduate of the HEC School of Management, Paris. He started his career at France Telecom as a financial controller in 1981.

After holding various responsibilities in the fields of IT, consumer and business sales, he was promoted to the position of Regional Director of France Telecom, covering the north of France, in 1991, prior to being appointed Senior Vice-President in charge of the Consumer Division in 1996. In 1998, he was appointed Senior Vice-President in charge of the Sales and Services Division for the whole of France. In 2002, he was seconded to Poland to assist TP management in restructuring the domestic consumer sales network. In 2003, Michel Monzani was appointed Head of the International Division's Strategy Department with worldwide responsibility for the corporate development of the France Telecom group.

Since September 2006, Michel Monzani has been Vice-President in charge of Poland at France Telecom corporate level. He is a member of the Supervisory Board of the TP Group, which is the leading player in the Polish telecommunications market. He is also a Chevalier de l'Ordre National du Mérite.

# board of directors

for the year ended 31 December 2008 (cont'd)

### Marc RENNARD

Marc Rennard is a graduate of EM Lyon and holds a postgraduate diploma in Management Science. He is Executive Vice-President International of France Telecom-Orange, in charge of Africa, the Middle East & Asia and member of the group leadership team. In this capacity he has been Chairman or Board member of several of France Telecom's international fixed-line, mobile and internet operators since 2006. He has been Chairman and Chief Executive Officer of the telecommunications operator UNI2, a France Telecom subsidiary in Spain, Deputy Managing Director of TDF, Chairman of TDF Video Service, Chairman of TDF Cable and Commercial Director of TD.

### Suresh Chundre SEEBALLUCK

Suresh Seeballuck is a graduate in Economics from the University of Delhi, a holder of a diploma in Public Administration from the University of Mauritius, a Diploma in Development Administration & Management from Jawarhalall Nehru University in India and another Diploma in Public Management from the Institution of Public Administration in Quebec. He has served in various ministries, including the Ministry of Finance, the Ministry of Housing and Lands, and the Prime Minister's Office. He is currently the Secretary to Cabinet and Head of the Civil Service. He is also a Director of Air Mauritius and of the State Investment Corporation.

### Gilles VAILLANT (up to 16 May 2008)

Gilles Vaillant is a graduate of the French Ecole Polytechnique. He is also a qualified Engineer from High School for Telecommunications (France) and Officier de l'Ordre National du Mérite. He has more than 30 years of experience in the telecommunications industry and has held various positions of responsibility in technical and other fields of management, and as Regional Director between 1984 and 1991. He has been in France Telecom's International Division since 1991. He was Managing Director of FT in Indonesia (1995-2000) and, since 2001, Vice-President of FT's International Division, with a supervisory role for the Middle East (including Jordan), the Indian Ocean and Asia. He has been a Board member of 7 companies associated with France Telecom in Jordan, Lebanon, Mauritius, Singapore and Vietnam.

## COMPANY SECRETARY

### Conrad COLIMALAY

However sophisticated our technologies and systems may be, it takes human vision, skills, talent, commitment and determination to ensure they are used to their optimum capacity, so that we can in return excel in our customer service standards. The level of performance Mauritius Telecom delivered, despite the various tariff reductions implemented during the year, stems from a real and somewhat special team effort, to which the Board of Directors, representing the interests of the Shareholders, the management team and all employees have contributed positively.

The Board has drawn up effective strategies for investment, marketing, people development and motivation, as well as for social responsibility, notwithstanding our strict adherence to the best Corporate Governance practices. Employees have implemented these strategies diligently, under the leadership of the Chief Executive Officer and his management team, and this has resulted into a strong financial performance for 2008.

I therefore wish to express my appreciation to my fellow Board Directors, to the Chief Executive Officer, the management team and to all Mauritius Telecom employees for their valuable contribution. I would also like to thank our shareholders for their confidence in our strategy, and our valued customers for their unflinching loyalty.

Hence, I am pleased to submit, on behalf of the Board of Directors, the Annual Report and the Audited Financial Statement of Mauritius Telecom for the financial year ending 31st December 2008.

## *Financial Review*

Faced with increasing competition on the market and in a context of economic downturn Mauritius Telecom Group has booked a 5% growth in its profit before tax figure. The Group profit attributable to MT shareholders stood at Rs 1.9 billion, while Earnings Per Share were Rs 10.15.

# chairman's message (cont'd)

The Group has maintained growth in all of its main lines of business while operating expenses curbed down slightly by 2%.

The mobile segment is now a major contributor to the Group's profit with 14% growth in profit before tax, while revenue grew by 12% over the previous year's figure. The advent of broadband on the fixed line access network is now paving the way for the promising multimedia services which have a tremendous growth potential.

The dividends totalling Rs 1,153.3 million, paid during year 2008, were made up of a final dividend of Rs 1.26 per share for 2007 and an interim dividend of Rs 4.81 per share for 2008.

The capital and reserves of the Group at year end stood at Rs 7.7 billion, growing by nearly Rs 775 million over the previous year.

*Mauritius Telecom's performance underlines the validity and relevance of the Company's strategy for profitable growth, based on the development of broadband, mobile and converging technologies, which we have been pursuing relentlessly in recent years.*

## Company Strategy

Mauritius Telecom's performance underlines the validity and relevance of the Company's strategy for profitable growth, based on the development of broadband, mobile and converging technologies, which we have been pursuing relentlessly in recent years.

Mauritius Telecom Group has invested Rs 1.2 billion in 2008 in the development of its network infrastructure and systems. These investments were made on our fixed and mobile broadband networks, the deployment of the New Generation Network (NGN) and the enhancement of our country's submarine cable connectivity, as well as for the set-up of the Customer Care and Billing System (CCBS), which is an innovative and integrated customer-relationship management system.

Mauritius Telecom is starting to reap the first benefits of its recent organisational restructuring and of its integrated-operator approach to the conduct of its business. The synergies accruing from these initiatives have had a positive impact on performance. The growth of our combined subscription base to over 1 million testifies to the increased efficiency of our commercial operations and the effectiveness of related commercial strategies.

## Rebranding to Orange

The telecommunications sector is so dynamic in Mauritius, just as it is all over the world, that we have had to review our brand strategies. Hence our decision to rebrand our mobile and internet offerings to Orange. Mauritius Telecom remains, however, the corporate brand, as well as that of products and services relating to fixed line usage. Orange has become the MT Group's single commercial brand for mobile and internet services.

We have noted with great satisfaction that the rebranding has been followed by an increase in our mobile and ADSL services subscribers by 8.9% and 30.1%, respectively, over a one-year period.

## Corporate Social Responsibility (CSR)

Mauritius Telecom remains committed to operating in a socially responsible and environmentally sustainable way. We continue to look into ways in which we can use our technologies to foster the building of a more inclusive society and help preserve the environment for future generations.

In 2008, as in previous years, our Corporate Social Responsibility initiatives have been numerous and varied. MT donated more than Rs 11 million in 2008 to projects in various sectors, such as education, sports, health, culture and environmental protection.

## *Floatation on the Stock Exchange*

Mauritius Telecom is in a state of readiness for the listing of its shares on the Stock Exchange of Mauritius. The due diligence exercise carried out by financial experts has been completed and shows that MT should easily meet all listing requirements, as it is already compliant in terms of financial reporting and corporate governance. The valuation and pricing of shares are currently under way and we expect to obtain the go-ahead from the divesting shareholders once they can fairly assess the market conditions for the sale of the shares.

## *Human Capital*

Our pool of experienced, skilled and talented people is one of the Company's most valuable assets. Indeed, the success of the organisation rests largely on the contribution and engagement of each and every member of our team.

Employees need to be fairly remunerated for their efforts and contributions. The exercise carried out by the Salary Commission during the year has led to a modern remuneration management approach where performance management is of dominant importance.

## *Changes in Board Membership*

Mr Gilles Vaillant has retired from the Board after almost five years of exemplary service. We have valued his positive contribution to the Board and wise advice on our strategies. I wish him a long and happy retirement.

On the other hand, I take this opportunity to welcome Messrs G. H Jeanne, C. Eouzan and M. Barré as our three new Directors. We look forward to working with them for the long-term benefit of the Company.

## *Conclusion*

The global financial crisis will undoubtedly affect our business. The reduction in tourist arrivals, for example, will have an impact on our international roaming revenues. But the prevailing global economic and financial situation also presents opportunities for organisations which dare to take calculated risks.

As such, I am confident that Mauritius Telecom is well placed to make the most of every emerging opportunity.

Appalsamy THOMAS
Chairman of the Board of Directors
June 2009

# chief executive officer's message

During year 2008, the Group's operating revenue has increased by nearly Rs 400 million to reach Rs 6.8 billion. Gross profit increased by 4% while operating profit grew by 13% to cross the Rs 2 billion threshold for the first time. The profit before tax stood at Rs 2.4 billion compared to the previous year's restated figure of Rs 2.3 billion, showing a growth of around 5%. The mobile segment, with a revenue growth of 12%, contributed significantly towards the group's performance. Overall, the financial results generated from our operations have been quite satisfactory considering the world economic crisis which started in the last months of year 2008.

Indeed, following some judicious cost savings operations, we managed to sustain growth in most of the segments of our business.

The contribution our other subsidiaries, namely Telecom Plus, Call Services Ltd and Teleservices Ltd have made towards the Group's good financial results are worth highlighting. They have all turned in a markedly improved performance compared with the previous year.

## *Rebranding*

The rebranding of our mobile and internet services to Orange was undoubtedly the major event for the Mauritius Telecom Group in 2008.

The first International Orange Marathon of Mauritius and the fun race "Walk and Run for Fun", organised to celebrate this milestone in the history of telecommunications in Mauritius, had considerable impact and are still remembered by one and all.

The commitment of our partner France Telecom was demonstrated by the presence of the Chairman and Managing Director of FT-Orange Group, Didier Lombard, for the rebranding exercise.

The motive for the rebranding exercise has been to improve our services to customers, giving them numerous advantages in terms of coverage, quality of service and innovation.

Prior to the exercise, the core values of the Orange brand were explained to all employees and these values now underpin their daily interaction with customers. The enhancement of service quality coupled to the new offers has resulted in a new telecommunications experience for Mauritians.

The rebranding has also resulted in the latest and most innovative services on the international market being introduced in Mauritius much more rapidly. The world acclaimed Apple 3G iPhone, for example, was available in Mauritius in December 2008, only a few months after its introduction in major overseas markets.

Mauritius Telecom is now also able to exploit Orange's know-how and research and development potential.

## *Network Development*

Mauritius Telecom has invested in technologies, such as FTTC (Fibre-to-the-Cabinet) and HSPA (High Speed Packet Access) and has extended broadband access to our fixed-line and mobile customers almost everywhere in Mauritius.

Meanwhile, the movement from our legacy network to Next Generation Network (NGN) is well under way.

The NGN is a state-of-the-art fully IP (Internet Protocol) network, enabling switching between voice, internet and multimedia through the same equipment. It provides a platform that considerably facilitates the rapid deployment of the latest technologies and services.

Our substantial investments in the upgrading of the SAFE cable's bandwidth capacity, as well as our stakes in the LION (Lower Indian Ocean Network), EASSy (Eastern Africa Submarine System), EIG (Europe-India Gateway) and other regional undersea cable projects, are aimed at increasing the capacity, speed, reliability and resilience of our international connectivity. All these facilitate the further growth of the ITES (IT Enabled Services) sector, consisting principally of BPO enterprises and call centres. The additional capacity will also be used to meet the needs of customers connecting to bandwidth-hungry applications, such as YouTube and online games. In line with our commitment to making broadband more affordable, we make sure that our customers always benefit from tariff reductions made possible by economies of scale and increases in volumes.

## *ContinuityMauritius*

In this era of fast moving technologies business continuity is considered as a sine qua non requirement to maintain competitive edge and maintain market share. Hence, MT has decided to spearhead the development of this activity in Mauritius and has set up a company, ContinuityMauritius, together with Blanche Birger and ContinuitySA of South Africa to provide Business Continuity Management services to Mauritius Telecom as well as to other Mauritian businesses.

## *Cellplus Mobile Communications Ltd*

At the end of 2008, a few months after the rebranding to Orange, the company's mobile customer base grew to over 600,000, an increase of 8% over the previous year.

Revenue has also increased by 12% to reach Rs 2.8 billion.

Innovation is the keyword in Orange's efforts to achieve sustained growth in the rapidly changing mobile market.

New credit services such as e-voucher and e-transfer have been introduced. Several bundled offers, such as Orange Pack and Youth Classic Fashion Pro, were also launched to cater for the needs of different market segments.

An SMS gateway has been installed to provide push-pull text messaging services, to further develop messaging-oriented value-added services, for which there is consistent and increasing demand.

With the increase in demand for innovative mobile broadband services, Orange has deployed new mobile technologies such as High Speed Mobile Packet Access (HSPA), a 3G+ technology, allowing downlink of up to 7.2 Mbps and uplink of up to 1.8 Mbps.

*We have achieved significant progress during 2008. We have consolidated important building blocks, all with the potential to ensure the long-term growth of our Company: the new organisational structure, the introduction of the Orange brand, the integrated-operator approach and the new set of salaries and conditions of employment, amongst others.*

## *Telecom Plus Ltd*

Telecom Plus brought in revenue of Rs 520 million during 2008, an increase of 9% over the previous year.

The company has significantly increased its international bandwidth for internet service from 180 Mbps in 2007 to over 400 Mbps in 2008, providing even higher service quality to our 37,000 dial-up and 47,400 broadband (ADSL, My.T and NetPC) customers at the end of December 2008.

In Rodrigues, there has been a 60% ADSL customer base increase during the year under review.

Following its positioning as a Content and Application Services Provider, Telecom Plus has been involved in the implementation and delivery of various forms of content, including films, music, ringtones and logos for a wide variety of terminals, such as mobile, TV and PC. Telecom Plus manages the VoD catalogue now offering more than 400 programmes to My.T customers.

## *Call Services Ltd*

Our subsidiary, Call Services Ltd, the pioneer in the local call-centre sector, has ended 2008 with revenue of Rs 95 million, as compared to Rs 74.2 million in 2007. Profit after tax has grown by 49%, jumping from Rs 20.3 million to Rs 30.3 million. Revenue from the 152 service (business directory and tourist information) has increased by 29.6%. The average number of calls received monthly by Call Services has grown by 6.5% from 2007 to 2008.

## *Teleservices Ltd*

Teleservices is still the largest directory publishing company in Mauritius and has performed well in 2008. Its revenue grew by 37% over the previous year and profit after tax increased by 89 %. Media planning services, which Teleservices offers to the MT group and other companies, continue to contribute significantly to it's overall revenue.

## *Tariff Reductions*

To make its services still more affordable, Mauritius Telecom continuously strives to make tariff reductions. Thus, in 2008, the following reductions in call tariffs were implemented:

- A reduction of up to 41% in international call tariffs using SEZAM prepaid cards in May

- A reduction of 30 cents per minute on international call tariffs using code 020 in May

- A 20% decrease in the cost of 'Mobile to Fixed' calls in June 2008

- A reduction of between 21% and 45%, depending on the post-paid rental package, on post-paid mobile call tariffs, in June.

I am particularly glad that we have also been able to implement the "One Country, One Tariff" policy, by aligning inter-island tariffs between Mauritius and Rodrigues with those prevailing in mainland Mauritius. This important step reinforces the territorial integrity of our Republic.

As regards IPLC (International Private Leased Circuits) tariffs, we announced in December 2008, a decrease in the range of 22% to 36% for January 2009. These tariffs had already been reduced by some 50% from 2003 to 2008.

This has been particularly beneficial for the development of the IT Enabled Services (ITES) sector, comprising mainly BPOs and call centres.

## *The NetPC*

The limited number of homes in Mauritius with computers is a major obstacle to the wider use of internet and broadband. To contribute to an improvement, Mauritius Telecom introduced the NetPC, a thin-client, and low-cost, hassle-free computing device. The NetPC is also being made available to Youth, Women and Community centres in collaboration with several ministries, the National Computer Board and Microsoft.

## *One million subscriptions*

Since the end of November 2008, the total number of subscriptions to our fixed-line, mobile, internet and convergence services has crossed the symbolical one million mark. The trust shown by our subscribers strongly motivates us to reinforce our efforts to keep them at the very heart of our business.

## *Organisational Development*

I strongly support the view that we have to reform the Company while it is successful, so as to retain our competitive edge and continue to grow, even in the midst of a global economic and financial crisis. Thus, I am happy that, during 2008, Mauritius Telecom has pursued its efforts to transform itself into a lean and flexible organisation, capable of meeting the challenges of an integrated operator efficiently.

However, fair remuneration and conditions of service are essential to reward the dedication and engagement of employees, who are critical in delivering the best customer experience. Therefore, I am glad that the implementation of the Salary Commission's new set of terms and conditions of MT employment has laid down the basis for a modern approach to managing the remuneration of employees.

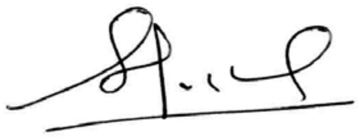
## *Conclusion*

We have achieved significant progress during 2008. We have consolidated important building blocks, all with the potential to ensure the long-term growth of our Company: the new organisational structure, the introduction of the Orange brand, the integrated-operator approach and the new set of salaries and conditions of employment, amongst others.

However, as the telecom sector continues to evolve, Mauritius Telecom must gear itself to rise to the challenges for 2009 and beyond, and meet the strategic objectives it has set itself in terms of:

- growth in the mobile and broadband sector
- brand positioning among the ten best in Mauritius
- reinforcement of team spirit and sense of belonging to the Company.

I wish to convey my sincere thanks to all our Company's stakeholders. After looking back at all that we have achieved under the guidance of the Board of Directors, with the support of FT-Orange, the trust and loyalty of our valued customers and the determination and commitment of our management team and employees, we can, without being overconfident, have faith in the potential of our Company to continue to grow and remain successful.



Sarat Dutt LALLAH

Chief Executive Officer

June 2009

# deputy chief executive's message

My first year at Mauritius Telecom has been very eventful, the most significant happening being the rebranding of our internet and mobile offers to Orange. But events in 2008 have also been surrounded by the worst economic crisis since the great depression. However, after the numerous changes and initiatives we have introduced in 2008, Mauritius Telecom has a number of advantages when facing up to the difficult times to come.

## *A strong new brand*

The Orange brand has been accepted by Mauritian customers much faster than I expected and our surveys show that, within a few months, it has become one of the most popular brands on the local market. The rebranding itself has been one of those milestones that occur only once in the life of a company. We celebrated the arrival of Orange in Mauritius with a series of major events, including an international Marathon and a Fun Race that gathered close to 8,000 participants.

I understand it was the first time that such a major rebranding event - which was also extended to Rodrigues - has taken place in Mauritius.

In fact, the impact was such that Orange has quickly been able to position itself in the local environment and give Mauritius Telecom a more intimate relationship with our customers, our ultimate goal being to become one of the preferred brands in the country.

Our daily challenge for the years to come is now to live up to the market's expectations and ensure that we deliver the brand promises through a renewed customer experience.

## *A solid partnership with a global player*

If a strong brand provides a solid base to face the downturn, MT can also rely on a strong relationship with France Telecom, one of the leading telecommunication groups with a global footprint.

# deputy chief executive's message (cont'd)

In 2008, MT has continued to benefit from this strategic partnership with France Telecom.

To take a few examples, the support of France Telecom has allowed us both to access competitive offers from suppliers (through a global sourcing programme) and also to bring innovative products and services to the local market (such as Apple iPhone 3G), as well as to develop our human resources via a talent-sharing programme.

For sourcing, we have benefited from our strategic partner's world market purchasing power and expertise. MT has been spared the lengthy process and procedures involved in identifying and negotiating with suppliers and has enjoyed the discounts negotiated by France Telecom. Our agreement has allowed us to achieve very significant savings from the best suppliers and to obtain exclusivities such as Apple iPhone 3G, which we introduced in Mauritius last December. The benefits that accrue to MT through this agreement are worth several million rupees each year.

*Boosted by our ISO 9001:2000 re-certification, we have embarked on a complete review of our internal processes to provide swift surfing through our more complex integrated offers, to keep things simple for our customers.*

Developing our human resources has always been one of MT's priorities. The talent-sharing programme provides key learning, sharing and skill-enhancement opportunities, where our employees have been given the possibility to work with colleagues in other countries and gain direct experience of best practices elsewhere. It is a programme we intend to expand. Our employees can also undergo training in France Telecom's corporate universities and participate in seminars and training courses.

More generally, being part of an international group gives MT better access to technology and innovation. Whenever MT is now embarking on a new project or reviewing a specific process, it can refer to similar projects which have been implemented by the France Telecom group in other parts of the world. MT can therefore use proven models, maximise benefits and reduce risks, while adapting to the specificities of the local market.

Being a member of an international group also gives us duties and I am happy to note that at MT corporate governance is high on the agenda.

## *A skilful, dedicated and motivated team*

Human resources are of course major in assuring competitiveness and resilience in an economic downturn. From my first day with the company, I could feel that we can rely on a very skilled, dedicated and motivated workforce with a strong team spirit.

## *An enriched portfolio of services*

During 2008, we have launched a number of innovative products and services while at the same time developing our network to cater for future offers.

On the mobile side, our network is steadily moving towards island-wide 3G coverage, allowing us to launch new offers including mobile internet and mobile TV.

The launch of the Apple iPhone 3G at the end of 2008 was a clear milestone in the evolution from a pure voice and SMS service to a real mobile multimedia experience.

On the fixed-line side, Mauritius Telecom has invested massively to meet the challenging demand of Mauritian customers for an enhanced broadband experience at an affordable price. This is why, at the beginning of 2009, we were able to introduce new internet offers where customers can select from a series of packages, from Rs 499 monthly for a simple Orange internet access, with improved customer experience in terms of surfing comfort and speed, to a complete "triple play" experience with My.T offers for Rs 999 monthly.

Beyond internet connectivity, Mauritius pioneered the introduction of IPTV on the African continent and we were proud to be serving over 30,600 connected customers at the end of the year. They can enjoy full access to internet through WiFi, TV, Video on Demand, and telephony services in their home from their single-point copper-wire connection. The significant growth in the number of subscribers has allowed us to add further to our services, with an enhanced range of TV programmes and new videos on our VoD platform. We have every reason to believe that this farsighted innovative service, which has attracted encouraging and growing interest, will act as a spearhead for the further development of broadband services in the near future.

This contribution of MT to the reduction of the digital divide in the country is a source of pride but also illustrates the key role we play in the socio-economic development of Mauritius.

## *A continuously improving service to delight our customers*

MT has the responsibility to offer its users the best possible customer experience, through a wide range of products and services, which are continuously reviewed to make them as simple as possible.

The environment, such as our shops, in which we welcome our customers, have been revamped to better reflect the brand and the level of customer service we are committed to offer.

We have invested heavily in a new Customer Care and Billing System (CCBS), which is an integrated project to facilitate the management of our relationship with our customers.

Boosted by our ISO 9001:2000 re-certification, we have embarked on a complete review of our internal processes to provide swift surfing through our more complex integrated offers, to keep things simple for our customers.

## *Conclusion: a company in excellent shape to face the future*

It is difficult to predict what will be the extent of the present worldwide downturn, its impact on Mauritius and on the telecommunication sector. What is certain is that Mauritius Telecom is in the best possible shape to face the difficulties, with a strong brand, the support of its strategic partner, a full portfolio of attractive services, the availability of international connectivity, a strong and motivated team, and a solid base of satisfied customers.

With such a list of achievements and bright future potential, I am happy and proud to form part of the team of highly dedicated professionals who are shaping the future of the company under the guidance of the Board.

Jean François THOMAS
Deputy Chief Executive and Chief Operating Officer
June 2009

# strategic executive committee

for the year ended 31 December 2008

## CHAIRMAN

### Sarat Dutt LALLAH

### Chief Executive Officer

Sarat Dutt Lallah is the CEO of Mauritius Telecom since October 2005. He was an ICT consultant and has had a long career in the IT field in the private sector, including the posts of Manager Computer Department and Software Manager of a leading Mauritian group. In 1991, he launched his own company.

He was the Minister of the newly created Ministry of Telecommunications and Information Technology from July 1997 to September 2000. He concurrently held the post of Minister of Social Security and National Solidarity from October 1997 to September 1999.

He has served as Chairman of the National Computer Board and of the Telecommunication Advisory Council. He has also been a member of the African Ministers of Telecommunications Steering Committee.

## MEMBERS

### Jean-Francois THOMAS

### Deputy Chief Executive & Chief Operating Officer (as from 04 February 2008)

Jean-François Thomas is a graduate in Business Management and Information Technologies from Ecole Nationale Supérieure des Télécommunications - France. He also graduated in Physics, Mathematics and Economics from Ecole Polytechnique.

He has over 15 years of experience in communications business and held marketing, sales, business development, project management and business analysis positions. Before joining Mauritius Telecom as Deputy Chief Executive and Chief Operating Officer in February 2008, he served as Regional Director (Sept 06-Feb 08) at France Telecom - Orange Alsace, Strasbourg. As a pioneer of the international development of the company, he previously held several senior management positions at France Telecom in France, Japan and Hong Kong.

### Davendra UTCHANAH

### Executive Head Networks & Information Systems

Davendra Utchanah holds a Bachelor's degree in Electronics Engineering and is registered with the Council of Registered Professional Engineers (Mauritius). He joined the telecommunications sector in 1984 and has acquired experience in both national and international operations. He has participated in several international courses, workshops and forums in the fields of telecommunications technology and management. He holds various diplomas in these subjects from different institutions including TEMIC (Canada) and OPMAN (Sweden), as well as the ITU.

Davendra Utchanah has served in different management and senior management positions in the former MTS and in Mauritius Telecom, particularly in the Network Department, of which he became Head in 2001. He was appointed Executive Head Networks and Information Systems following MT's organisational restructuring. Davendra Utchanah has chaired several regional telecommunications conferences and represented Mauritius Telecom and Mauritius at various international forums including the ITU.

Cyprien MATEOS

Chief Financial Officer

Cyprien Mateos has been Mauritius Telecom's Chief Financial Officer since February 2007. He has a Master's degree in Management and Finance, and he has gained worldwide experience working for a number of major companies in various financial posts for the last 24 years, in Europe, Africa, Asia and America. The companies' sectors of activity have included ICT, Construction, Civil Engineering, Utilities, Tourism and Telecommunications.

Alain CORNU

Executive Head Commercial (up to 31 July 2008)

Alain Cornu has been Executive Head Commercial at Mauritius Telecom from May 2007 to July 2008. He is a management and commercial consultant. From 2002 to 2007, he carried out various assignments for INVESTCOM-MTN, Trace TV, Orange Distribution and for private investors planning the setting-up of a call centre in Mauritius.

Alain Cornu served successively as Managing Director Hutchinson France SA and Chairman of Orange Communication France SA from 1994 to 2001. He worked as Department Director at Robert Bosch France and Managing Director Bosch Telecom Service France SA from 1989 to 1994.

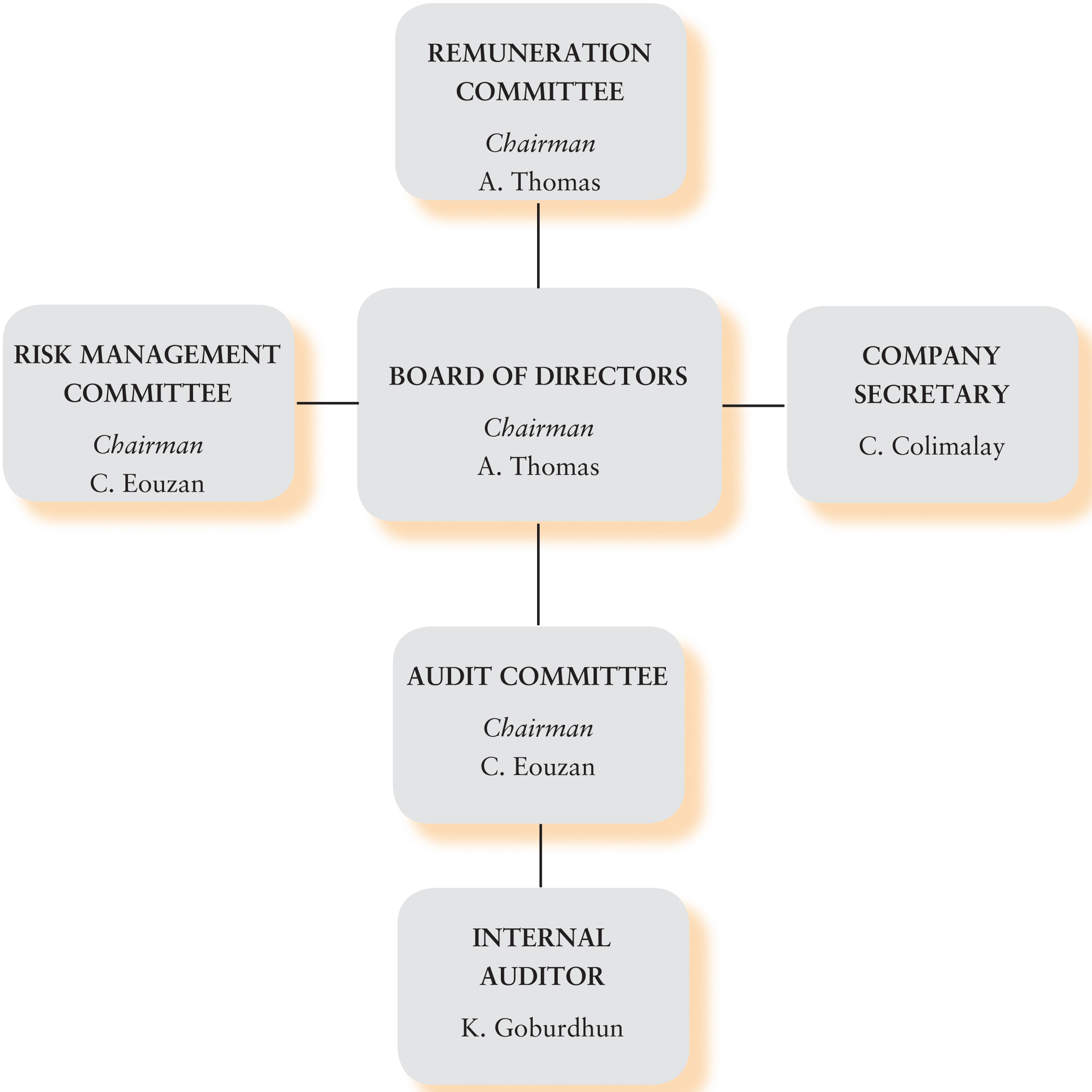
Emmanuel ANDRE

Executive Head Commercial (as from 01 September 2008)

Emmanuel André graduated from the Business School of Grenoble in 1994. After acquiring experience in Sales and Marketing at Schneider Electric, France, from 1994 to 1995 and in logistics at Hays Dx, France, from 1995 to 1999, he joined France Telecom in Paris as Chief Marketing Officer. He was appointed Marketing and Communication Director of mobile operator Orange-Réunion in 2003. He then occupied the position of Deputy Chief Executive Officer as from 2006. In September 2008 he joined Mauritius Telecom as Executive Head Commercial.

# corporate governance

## *Structure To Promote Good Corporate Governance*




## *Internal Control Mechanisms*

So as to promote adequacy and effectiveness of internal control within the Group, the following have been set up with a view to ensuring that the operations are adequately monitored and in line with established policies and processes:

- Board committees with specific focus as described hereunder
- Clear roles and responsibilities for each employee within the Organisational Structure with well-defined lines of reporting
- A full set of ISO certified written internal procedures covering all the major processes across the Group
- A formalized annual budgetary exercise driven by all departments leading to the annual budget which is put to the Board for approval

- Monthly monitoring of the Group's performance against budgets with explanations on variances

- An Internal Audit department with the Internal Auditor reporting to the Audit Committee.

## *Corporate Governance*

Mauritius Telecom aims at installing and sustaining the best practice at all levels of its operations through the maintenance of the highest standards of corporate governance and ethics throughout the Company. Such an approach is considered fundamental to the proper functioning of the Company and to the enhancement of shareholder value.

## *Board Of Directors*

The Chairman leads the Board of Directors. The Board comprises a total of nine Directors. Five Directors are nominated for appointment by the Government of Mauritius and four Directors are nominated for appointment by RIMCOM (investment vehicle for France Telecom). Board meetings are normally held every two months or earlier whenever required. In addition to meetings held in Mauritius, video conferences are held when necessary to consider critical matters.

The Board determines the orientation of the Company's activities, in terms of goals and strategies, and approves its strategic and operating plans. It also examines and approves major policy decisions as well as the Company's annual operating and investments budgets and any other capital expenses.

The Board is responsible to monitor the Company's internal control mechanism and its management information systems. To ensure a proper and effective implementation of those practices, a Risk Management Committee has been set-up in 2006, in addition to the existing Audit and Remuneration Committees.

## *Audit Committee*

The Audit Committee is a standing committee of the Board established to assist it in fulfilling its fiduciary responsibilities. It is made up of four Directors of the Board. The Audit Committee meets prior to each Board meeting and as and when required. The Audit Committee:

1) reviews the Company's financial statements and other financial documents to be submitted for Board approval;

2) reviews the financial reporting process with a view to ensuring compliance with accounting standards and relevant legislation;

3) reviews the Company's internal audit function and its relationship with external auditors; ensures that internal control procedures are in place and assesses their adequacy and effectiveness;

4) ensures that the Company complies with laws and regulations in force, conducts its affairs ethically and maintains effective control against employee conflict of interest and fraud;

5) makes recommendation to the Board on matters relating to financial affairs of the Company.

## *Risk Management Committee*

The Risk Management Committee is a standing committee of the Board, composed of four Board members. The Risk Management Committee:

1) reviews and approves risk policy on an annual basis;

2) establishes the systematic and continuous identification, evaluation, measurement and mitigation practices of the risks as they pertain to the group;

3) defines and approves clear risk management practices and prudential limits and its strategy covering risk management philosophy and responsibilities throughout the group;

4) reduces and mitigates identified risks to an acceptable level or considers transfer of same;

5) ensures that adequate controls and measures are in place and also their effectiveness to manage the most significant risk factors and to respond in a manner that is appropriate and proportional to the risks identified.

## *Remuneration Committee*

The Remuneration Committee (REMCO) reviews all aspects of the terms and conditions of service of Managerial and non-Managerial staff. Whilst recognising that remuneration packages are a major cost, but also a significant management instrument, it ensures, inter alia, that the remuneration packages provided to management and staff are competitive and that the remuneration system offers the opportunity of excellent reward for excellent performance. It is composed of four Board members. The following are part of the Terms of Reference of the Remuneration Committee:

1) To examine reward packages as a whole, with a view to ensuring overall competitiveness;

2) To maintain an effective system of job evaluation so as to ensure that the grade structure is maintained at Management level;

3) To deal with selection, appointment and appraisal of Senior Management including approval of service contracts and performance objectives.

## *Internal Audit*

The Internal Audit function ensures that Mauritius Telecom and its subsidiaries are efficiently run in compliance with internal control mechanisms. It is headed by the Internal Auditor. His duties include the development and implementation of a comprehensive audit programme for the evaluation of the management controls of the major activities of the Mauritius Telecom group. He investigates and examines the effectiveness in the utilisation of company resources and the compliance with established and new policies, procedures and processes. He reports on audit findings on a quarterly basis to the Audit Committee.

## *Company Secretary*

The Company Secretary ensures the proper coordination and conduct of the Board of Directors meetings, shareholders meetings and Board Committee meetings. He advises the Chairman and the Chief Executive Officer on the Company's corporate governance policies and practices, and on compliance with the Companies Act and other relevant legislation. He ensures that legal interests of the company are safeguarded.

## *Management Structure*


## *Strategic Executive Committee*

The Strategic Executive Committee is a normative team dealing with corporate and high-level strategies and ensuring their implementation. The Committee is chaired by the Chief Executive Officer and comprises the Deputy Chief Executive/Chief Operating Officer, the Executive Heads and the Chief Financial Officer. The Strategic Executive Committee meets on a weekly basis.

## *Senior Management Committee*

The Senior Management Committee contributes to the strategic thinking of the company and implements the Company strategies, policies and programmes. It is constituted of members of the Strategic Executive Committee and Senior Executives. The Senior Management Committee meets on a fortnightly basis.

## *Board And Board Committees Attendance For Financial Year 2008*

Table below shows the record of attendances at Board and Board Committee Meetings for Mauritius Telecom for Financial Year 2008

| | BOARD MEETING | REMUNERATION COMMITTEE | AUDIT COMMITTEE | RISK MANAGEMENT COMMITTEE |
|---|---|---|---|---|
| ***No. of Meetings held*** | 6 | 4 | 4 | 2 |
| ***Directors*** | | | | |
| A.Thomas (Chairman) | 6 | 4 | N/A | N/A |
| S.C. Seeballuck | 4 | - | N/A | N/A |
| A. Mansoor | 4 | N/A | 4 | 2 |
| G.H. Jeanne | 6 | N/A | N/A | N/A |
| G. Vaillant (up to 15 May 2008) | 2 | 1 (In attendance) | 2 | 1 |
| R. Dubois (up to 15 May 2008) | 2 (by alternate - Mr Barré | N/A | 1 (by alternate Mr Vaillant) 1 (by alternate Ms Leidi) | 1 (by alternate Mr Vaillant) |
| M. Rennard | 4 | 3 +1 (by alternate Mr Barré) | N/A | N/A |
| M. Monzani | 3 | 2 +1 (by alternate Mr Vaillant) +1 (by alternate Mr Barré) | N/A | N/A |
| M. Barré (as from 16 May 2008) | 4 | 1 (In attendance) | 2 | 1 |
| C. Eouzan (as from 16 May 2008) | 3 | N/A | 2 | 1 |

N/A: Not applicable – where the Director is not a member of the Committee.

The Directors are pleased to present the Annual Report and Audited Financial Statements of the Company and of the Group for the year ended 31 December 2008.

## Nature of business

The Group's main activity is the provision of telecommunications and related services. Mauritius Telecom (the Company) offers fixed telecommunication services and products together with related services.

All the subsidiaries of Mauritius Telecom are wholly owned and their main activity is as follows:

- Cellplus Mobile Communications Ltd provides mobile and ancillary telecommunication products and services;

- Telecom Plus Ltd offers internet and IT enabled services;

- Teleservices Ltd is engaged in the publication of directories and media planning services;

- Call Services Ltd offers call centre services which consists mainly of directory enquiry and CRM services.

## Results for the year

The Group and the Company's profit after tax, attributable to equity holders, for the financial year are Rs 1,928,784,204 (2007: Rs 2,098,800,670) and Rs 1,640,210,669 (2007: Rs 1,735,450,721) respectively. Earnings per share for the year is Rs 10.15 (2007: Rs 11.05 per share)

The audited financial statements of the Group and Company for the year ended 31 December 2008 are annexed.

## Board of Directors

The following persons held office as directors of the company during year 2008.

## Mauritius Telecom

Non-Executive Directors

| | |
|---|---|
| Messrs | A. Thomas - Chairman |
| | S.C. Seeballuck |
| | A. Mansoor |
| | G.H. Jeanne |
| | M. Rennard |
| | M. Monzani |
| | G . Vaillant (up to 15 May 2008) |
| | R. Dubois (up to 15 May 2008) |
| | C. Eouzan (as from 16 May 2008) |
| | M. Barré (as from 16 May 2008) |

## *Cellplus Mobile Communications Ltd*

Non-Executive Directors

Messrs S. D. Lallah - Chairman
R. Beeharry (up to 15 May 2008)
G. Vaillant (up to 15 May 2008)
J. F. Thomas (as from 20 May 2008)

## *Telecom Plus Ltd*

Non-Executive Directors

Messrs S.D. Lallah - Chairman
D. Utchanah
J.F. Thomas (as from 13 March 2008)
G. Vaillant (up to 15 May 2008)
C. Gunness (up to 28 November 2008)
M. Barré as (as from 6 November 2008)

## *Call Services Ltd*

Non-Executive Directors

Messrs S. D. Lallah - Chairman
J. F. Thomas (as from 13 March 2008)
T. Cowaloosur

## *Teleservices (Mauritius) Ltd*

Non-Executive Directors

Messrs S. D. Lallah - Chairman
T. Cowaloosur
J. F. Thomas (as from 20 May 2008)

## *Directors' remuneration*

Total remuneration and benefits paid to Board Directors by the Company and its related companies during the year are as follows:

| | 2008 | 2007 |
|---|---|---|
| Mauritius Telecom Ltd | Rs | Rs |
| Non-executive directors | | |
| - from the company | 4,443,261 | 2,846,200 |
| - from related companies | - | - |
| | 4,443,261 | 2,846,200 |

| | 2008 | 2007 |
|---|---|---|
| Cellplus Mobile Communications Ltd | Rs | Rs |
| Non-executive directors | | |
| - from the company | 84,000 | 144,000 |
| - from related companies | - | - |
| | 84,000 | 144,000 |
| Telecom Plus Ltd | | |
| Non-executive directors | | |
| - from the company | 144,000 | 144,000 |
| - from related companies | - | - |
| | 144,000 | 144,000 |
| Call Services Ltd | | |
| Executive and Non-executive directors | | |
| - from the company | Nil | Nil |
| - from related companies | Nil | Nil |
| Teleservices (Mauritius) Ltd | | |
| Executive and Non-executive directors | | |
| - from the company | Nil | Nil |
| - from related companies | Nil | Nil |

There was no service contract between the company and any of its directors during the year.

## *Statement of Director's responsibilities*

The responsibilities of the Directors in respect of the operations of the Group and the Company are as follows:

### Financial Statements

The Companies Act 2001 requires the directors to prepare financial statements comprising the Group's and the Company's balance sheet, the Income statements, the statements of changes equity and cash flow statements, together with the notes to the financial statements, in accordance with International Financial Reporting Standards, and that give a true and fair view of the results of their operations and financial position for the year then ended.
The Directors are responsible for the integrity of these annual financial statements and for the objectivity of any other information presented therein.

In preparing those financial statements, the directors confirm that they have:

- kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company;
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- safe-guarded the assets of the Group and the Company by maintaining appropriate systems and procedures;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

### Internal Control

The Directors have an overall responsibility for taking such steps, as are reasonably open to them, to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities. The Group's systems have been implemented to provide the Directors' with such reasonable assurance.
The systems should ensure that all transactions are authorized and recorded and any material irregularities are detected and rectified timely.

The Group has established an Internal Audit function which assists management in effectively discharging its responsibilities. Internal Audit is an independent function that reports directly to the Audit Committee. Business controls are reviewed on an on-going basis by Internal Audit.

### Risk Management

A Risk Management Committee has been established and through which Directors are made fully aware of the various risks issues affecting the Group's activities. The Directors are responsible for taking appropriate actions to mitigate these risks using such measures, policies, procedures and other controls that they consider appropriate.

### Governance

The Directors endeavour to apply principles of good governance at the level of the Group as well as within the Company.

## *Dividends*

Total dividends of Rs 1,153,300,001 were declared and paid during the year (2007: Rs 4,238,431,000), detailed as follows:

a. final dividends for year 2007: Rs 239,400,001

b. Interim dividends for year 2008: Rs 913,900,000

## *Donations*

The Group made donations of Rs 2,885,893 during the year (2007: Rs 4,863,999) broken down by entities as follows:

| | 2008 | 2007 |
|---|---|---|
| | Rs | Rs |
| Mauritius Telecom Ltd | 2,885,893 | 4,863,999 |
| | **2,885,893** | **4,863,999** |

There were no political donations during the year.

## *Auditors*

The fees payable to the auditors for audit and other services at end of 31 December 08 were:

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Audit services | 1,900,000 | 1,678,200 | 1,243,000 | 1,140,000 |
| Other services | | 284,500 | 0 | 162,500 |
| Total | **1,900,000** | **1,962,700** | **1,243,000** | **1,302,500** |

Appointment of auditors will be discussed at the next Annual Meeting.

## *Note of appreciation*

The Directors wish to thank the Chief Executive Officer and his team for their hard work and congratulate them for the results achieved.

Approved by the Board of Directors and signed on its behalf

Director

Director

# milestones

| | |
|---|---|
| 1876 | • Invention of the telephone by Alexander Graham Bell |
| 1883 | • Installation of first telephone in Mauritius and inauguration of first manual exchange |
| 1893 | • Telegraph submarine cable connects Mauritius to Zanzibar and Seychelles |
| 1901 | • Second submarine cable from Durban to Mauritius, Rodrigues and Seychelles |
| 1938 | • Establishment of a Department of Electricity and Telephone to control the use of telephones in Mauritius |
| 1939 | • Opening of first automatic telephone exchange |
| 1948 | • Inauguration of radio telegraphy and radio telephony with Reunion and Madagascar |
| 1956 | • Department of Electricity and Telephone is renamed Telecommunications Department |
| 1962 | • STROWGER automatic exchanges replace the manual exchanges in Port Louis and Rose-Hill |
| 1969 | • Introduction of Telex service |
| 1975 | • Mauritius joins space age with installation of a 10-metre diameter satellite antenna |
| 1977 | • First data transmission to London |
| 1978 | • Installation of E10A digital telephone exchange |
| 1985 | • Overseas Telecommunications Services Co. Ltd (OTS) takes over from Cable and Wireless Ltd |
| 1987 | • Installation of a second standard B earth station and a domestic satellite network with Rodrigues and Outer Islands, and of a packet-switched data exchange<br>• Introduction of International Direct Dialling (IDD) in Mauritius |
| 1988 | • Corporatisation of Department of Telecommunications into Mauritius Telecommunication Services Ltd (MTS)<br>• Installation of a digital E10B telephone exchange<br>• Introduction of 7-digit numbering<br>• Introduction of IDD in Rodrigues<br>• ISDN demonstration on E10B exchange |
| 1992 | • OCB Exchanges installed in Rose-Hill, Grand Bay and Flacq<br>• Inauguration of a revised Standard A Earth Station and opening of a direct route to North America<br>• Transfer of OTS assets and liabilities to MTS and change of name from MTS to Mauritius Telecom Ltd<br>• Opening of 1st Customer Service Centre in Rose-Hill |
| 1996 | • Commercial launch of Internet services by Telecom Plus Ltd<br>• Commercial launch of mobile GSM services by Cellplus Mobile Communications Ltd |

| | |
|---|---|
| 1999 | • Creation of Call Services Ltd, the first Call Centre in Mauritius |
| 2000 | • OTS shares in Mauritius Telecom are transferred to Government of Mauritius<br>• Strategic equity partnership with France Telecom signed in November |
| 2002 | • Inauguration of SAFE Fibre Optic Cable System<br>• Teleservices takes over the business of Directory Unit |
| 2003 | • Liberalisation of telecommunications sector on 1st January<br>• Installation of 1st Mauritius Telecom PoP (Point of Presence) in Telehouse 1, Paris<br>• Launch of 1st Teleshop in Curepipe<br>• Launch of CELL-OH!, 1st mobile system in Rodrigues |
| 2004 | • Introduction of new Mauritius Telecom access code, 020, for international calls<br>• Launch of Sezam, VoIP pre-paid card for international calls<br>• Launch of WiFi commercial offer by Telecom Plus<br>• Introduction of Calling Party Pays (CPP) Regime<br>• Launch of MTc@re, online access to Mauritius Telecom services<br>• Launch of GPRS by Cellplus |
| 2005 | • Launch of 3-Way Conference Service<br>• Installation of 3G Network of Cellplus<br>• Mauritius Telecom is certified ISO 9001:2000 |
| 2006 | • Launch of My.T, the Multiplay-IPTV services of Mauritius Telecom<br>• Launch of Cellplus Mobile Banking in partnership with SBM<br>• Launch of Cellplus Pushmail service<br>• Launch of SMS2TV by Cellplus during FIFA World Cup<br>• Launch of ADSL in Rodrigues |
| 2007 | • Allocation of 1% shares of Mauritius Telecom to employees at a reduced price<br>• Launch of first TeleCyber in Rodrigues by Telecom Plus<br>• EDGE island-wide coverage<br>• Launch of Blackberry® smartphones and wireless solutions by Cellplus, for the first time in Mauritius, in partnership with Research in Motion (RIM)<br>• Launch of Radiovision service by Cellplus in partnership with Radio Plus<br>• Launch of first MT Rodrigues Directory by Teleservices<br>• Installation of a 100% IP network, in partnership with Cisco, for a major customer<br>• Launch of Business Everywhere Solution<br>• Finalisation of Organisational Restructuring<br>• Launch of Application Service Provider (ASP) service<br>• Set-up of a very high bit rate (45 Mbps) IPLC connection for Orange Business Services in Mauritius<br>• Announcement of the launch of Mauritius Telecom NetPC<br>• Launch of first 3G roaming service with Orange France |

# milestones (cont'd)

| | |
|---|---|
| 2007 | • Installation of R4NGN (Release 4 Next Generation Networks) allowing access to IP services on mobile terminals<br>• Deployment of FTTC (Fibre-to-the Cabinet) sites<br>• Installation of first NGN (Next Generation Network) in Rodrigues |
| 2008 | • Roll out of NGN (New Generation Network)<br>• Introduction of refreshed logo of Mauritius Telecom<br>• Rebranding of mobile and internet services to Orange<br>• Participation of some MT present and former employees, holding shares in the Company, in the Annual General Meeting of Mauritius Telecom<br>• Implementation of "One Country, One Tariff" policy for inter-island calls between Mauritius and Rodrigues<br>• Launch of Mauritius Telecom NetPC<br>• Implementation of High Speed Mobile Packet Access (HSPA), a 3G+ technology<br>• Installation of the first high capacity (45Mbps) customer circuit on SAFE cable system towards India<br>• Installation of SMS gateway to provide push-pull SMS services<br>• Launch of ContinuityMauritius, a Business Continuity and Disaster Recovery company with Mauritius Telecom, Blanche Birger and ContinuitySA of South Africa, as shareholders<br>• Launch of Apple iPhone 3G |

## JANUARY

• Sponsorship of Commonwealth Judo Championships, held in Mauritius from 24 to 27 January

• Official launch of integrated Customer Care and Billing System (CCBS) project in Mauritius

• Initiation of works to introduce NGN (New Generation Network) equipment

• Start of installation of 24 new Fibre-to-the-Cabinet (FTTC) sites

## FEBRUARY

• Sponsorship of a Teledon organised by the Municipality of Curepipe for patients inoperable in Mauritius

• SEZAM promotional campaign, with a 20% discount during the Spring Festival

• Half-price mobile handset offer as part of Valentine promotion

## MARCH

• Co-sponsorship of National Day Celebrations Show

• ICTA approves a request for a SEZAM card promotion, giving 40% extra credit on cards or top-ups between 8 and 18 March

• ICTA approves 10% discount on inter-island tariff and mobile to fixed line calls

• Introduction of a new 2 Mbps wholesale ADSL offer

• Workshop on Competition Law organised to inform MT staff about the impact of the Competition Act 2007 on MT's business

• USD 5.5 million added to Mauritius Telecom's investment in the EASSy (Eastern Africa Submarine System) project, bringing MT's total participation to USD 8 million

## APRIL

• Press campaign to explain and publicise the refreshed Mauritius Telecom logo

• Opening of 2 "Shop in The Shop" in Jumbo Riche Terre and Jumbo Phoenix premises, respectively

• Official launch of the Orange brand in Mauritius:

- Prepaid Card Retailers' event at the Freeport of Mauritius, Mer Rouge, on 15 April

- Official launch event for VIPs at Freeport Mauritius, Mer Rouge, on 16 April

- Press Conference at Telecom Tower on 16 April to announce the launch of Orange brand on 17 April

- Celebration of Orange Day at Telecom Tower on 17 April

- Staff celebrations at Freeport Mauritius, Mer Rouge, on 18 April

# highlights 2008 (cont'd)


- Organisation of the Orange International Marathon of Mauritius and Fun Race 'Walk and Run for Fun' at the Plaza, Rose Hill, on Sunday 20 April

• Visit of Didier Lombard, Chairman and CEO of France Telecom to Mauritius (16 and 17 April):

- Courtesy calls on the Hon. Prime Minister, the Hon. Vice Prime Minister and Hon. Minister of Finance, and the Hon. Minister of IT and Telecommunications

- Speech at the Orange Launch VIP Event

- Working sessions with the Chairman of the Board of Directors and with the Strategic Executive Committee

- Meeting with MT Management Team


- Donation of Rs 2 million to the University of Mauritius for scholarships and ICT equipment

- Delivery of a talk at the University of Mauritius on "Les Télécommunications: Stratégie d'un Opérateur Intégré"

- Press lunch with journalists

- Visit to the Cyber Tower at Ebène and to Orange Business Services

- Dinner with leading businessmen

• Launch of the Orange brand in Rodrigues:

- MT team visits Rodrigues, led by the CEO and including the DCE, the Executive Head Commercial, the Senior Executive Marketing and the Executive Indirect Sales

- Delegation meets with MT staff at Mont Venus Staff function at Hotel Pointe Venus, with addresses by the CEO, the DCE and the Senior Executive HR, followed by dinner and a show

- Courtesy call on the Chief Commissioner of the Rodrigues Regional Assembly

- 125 retailers attend a Prepaid Cards Retailers' seminar, addressed by the CEO, with presentations from the Executive Head Commercial, the Senior Executive Marketing and the Executive Indirect Sales, followed by lunch and a show

• Joint Press conference with the Mauritius Broadcasting Corporation to present the Orange Sitara Song competition, organised by the MBC and sponsored by Orange

• Joint press conference with the Jeune Chambre Internationale (JCI) to launch the Most Outstanding Young Person Award 2008, sponsored by MT

• Launch of Orange Zone Océan Indien and Roaming Services jointly with Orange Réunion and Orange Madagascar.

• MT invests a further USD 10 million in the SAT3/WASC/SAFE Consortium, for the expansion of the SAFE submarine optical-fibre cable system capacity

• Introduction of new rates for interconnection for fixed and mobile access networks in Mauritius and the charging principles to be applied for the supply of interconnection services

• The ICTA approves MT's request for rebranding, new names and tariffs for MT's services portfolio

• Presentation of 3-year Network Masterplan of Mauritius Telecom

• Launching of Magic Number Service

• MITEL equipment in Rodrigues replaced with NGN equipment

• KENEX VSAT project for provision of banking services via satellite completed

• Introduction of e-voucher, an e-recharge solution for prepaid Orange SIM cards for values from Rs 20 to Rs 1,000

• Launch of Orange mobile phone packs: Youth, Classic, Fashion & Pro

## MAY

• Press Conference to present the Mauritius Telecom Annual Report 2007

• Publication in Business Magazine and in Week-End of interviews with the Chairman of the Board of Directors in the context of the publication of the Mauritius Telecom Annual Report 2007

• Sponsorship of Police Crime Prevention Unit's Exhibition Week

• Mauritius Telecom's Shareholders Meeting held on 16 May 2008 at the Octave Wiéhé Auditorium. The meeting was attended by some present and former MT employees holding shares in the company as well as other shareholders

• Celebration of the World Telecommunications and Information Society Day 2008:

- Inauguration of the MT-Orange shop at Flacq by Hon. Dharam Gokhool, Minister of Education and Human Resources

- Blood donation by 170 MT employees

- Organisation of a culinary competition and exhibition for MT employees with the theme "Salon du dessert"

• Joint Press Conference with the Mauritius Athletics Association (MAA) to present the Mauritius-Reunion Orange Athletics Championships 2008 and the Orange Inter-Club Relays Championships 2008, held on Saturday 10 and Sunday 11 May 2008 at the Maryse Justin Stadium, Réduit

# highlights 2008 (cont'd)

• Working session between the Namibian ICT Minister, Joal Kaapanda, two of his officials who attended the SADC Ministers of ICT and Postal Services Conference held in Mauritius, and Mauritius Telecom

• Sponsorship of a Teledon organised by the Municipal Council of Port Louis for victims of the China earthquake

• Signing of Construction & Maintenance Agreement and pledge to invest € 8 million in the LION (Lower Indian Ocean Network) optical-fibre submarine cable project

• Mothers' Day Promotion: Discount on purchase of selected fixed-line and mobile handsets

• Soft Commercial launch of e-voucher service

• Tariff reductions

- MT implements a One Country, One Tariff policy for inter-island calls:

(i) The charge for an inter-island call between MT fixed-line phones in Mauritius and Rodrigues altered to match the charge for a local call between two MT fixed-line phones in Mauritius (i.e. a reduction from Rs 3 to Rs 0.85 for the first minute during peak time)

(ii) Calls from a MT fixed-line phone in Mauritius to a mobile in Rodrigues, or from a MT fixed-line phone in Rodrigues to a mobile in Mauritius, charged the same as a local call from a MT fixed-line phone to a mobile in Mauritius (i.e. a reduction from Rs 3.90 to Rs 1.75 for the first minute)

- Reduction of Sezam tariffs by 3% for all destinations, except for Bangladesh, China, India and Sri Lanka, where the tariffs decreased by 5% to 40%

- Reduction in the tariff for international calls through code 020 by 30 cents per minute

• Upgrade of IPTV platform to accommodate additional customers

## JUNE

• Reduction of charges for calls from an Orange mobile to a fixed line for both local and inter-island calls between Mauritius and Rodrigues (a reduction of 20% for local calls within Mauritius and 50% for inter-island calls between Mauritius and Rodrigues). For post-paid calls the reduction varied from 21% to 45%

• ISO 9001:2000 Quality Re-certification of all MT Business Units and its subsidiary companies by SGS (Société Générale de Surveillance)

• Joint press conference with the Fédération Mauricienne de Cyclisme to present the MT National Cycling Championships 2008, held on 29 June 2008

• Sponsorship of Orange Night Drive, the first lit Golf Course in Mauritius, located at the Gymkhana Club, Vacoas

• Hosting of AMEA (Africa, Middle-East and Asia) Roaming Steering Committee for France Telecom-Orange and affiliates in the Indian Ocean Region

• Official launch of the Mauritius Telecom NetPC by Dr The Hon. Rama Sithanen, Vice Prime Minister and Minister of Finance and Economic Empowerment on 30 June

JULY

• Hosting of France Telecom Group's first Indian Ocean Synergy Seminar, with the participation of Botswana, Kenya, Madagascar, Reunion and Mauritius, amongst others

• Sponsorship of a horseracing day, featuring the Mauritius Telecom Barbé Cup

• One-day workshop for MT Management team on the Orange Group Leadership Model at Le Méridien Hotel

• Co-sponsorship of the participation of the Mauritian delegation, Club Maurice CJSOI 2008, in the 6th edition of the Commission Jeunesse et Sports de l'Océan Indien (CJSOI) games held in The Seychelles from 27 July to 2 August 2008. The sponsorship cheque of Rs 1 million was presented to the Hon. Minister of Youth and Sports during a ceremony in the presence of the Chairman and the CEO

• Sponsorship of the 5th Football Technical Centre at the MFA Football Ground, Trianon

• Mobile Phase 10 – Award of contract for upgrading the OMCR (Operations & Maintenance Centre) for the mobile 2G network along with the introduction of a new BSC, new BTS and additional transceivers

• Installation of 6 mobile sites for a hotel group headquarters and hotels around the island

AUGUST

• Participation in Infotech 2008, organised by the National Computer Board with the theme "Living the Digital World", at which the Mauritius Telecom NetPC won the Innovators Award

• Presentation at Infotech of VDSL2 + with HD (High Definition) content allowing speeds of up to 50 Mbps

• Commonwealth Telecommunications Organisation workshops on Network and Service Convergence and Negotiation of accounting rates for MT staff

• Installation of the first high capacity (45 Mbps) customer circuit on SAFE cable towards India


• Official launch of the Orange Caravanne Komiko at Caudan Waterfront

• Payment of final dividend of Rs 1.26 per share for 2007

• Award of contract for Core R4 Phase 2 Project, to enhance the resiliency of the core network

# highlights 2008 (cont'd)

• Sponsorship of the 16th Southern Africa Broadcasting Association (SABA) AGM, organised by the Mauritius Broadcasting Corporation

• IP Core Project phase 2 completed, upgrading the IP MPLS core network and start of phase 3 of the project

• High Speed Mobile Packet Access (HSPA) implemented, allowing downlink up to 7.2 Mbps and uplink of up to 1.8 Mbps

• Reduction in the minimum termination rate from USD 0.133/min to USD 0.0855/min (ICTA Telecommunication Directive 2 of 2008)

• Official launch of e-voucher and e-transfer services

• Official Launch of Youth Pack

• SMS gateway installed to provide push-pull SMS services

• E-voucher promo offering up to 90 free minutes of calls to Orange subscribers when topping up using e-vouchers from 22 August to 21 September

## SEPTEMBER

• Co-sponsorship of Tour de l'île Cycliste 2008

• Sponsorship of Linzy Bacbotte's concert 'Breathe Again Too' at SVICC, Pailles

• Sponsorship of University of Mauritius Talent Show

• Co-sponsorship of Miss & Mr Mauritius 2008 competitions

• Publication of the report of the Salary Commission

• Sponsorship of a Teledon organised by the Municipality of Port Louis and the Mauritius Sanatan Dharma Temples Federation for flood victims in Bihar, India

• Agreement signed with Telkom South Africa for Mauritius Telecom to invest USD 5 million in the Europe-India Gateway (EIG) of the submarine cable system project, linking India to the UK via the Middle East, North Africa and Europe

• ICTA issues draft guidelines for the implementation of the 8-digit numbering plan for mobile services

## OCTOBER

• The Government Gazette of 2 October 2008 publishes a new Regulation on the Universal Service Fund, under which public operators are required to make monthly instalments to the Fund

• ICTA directive issued on 23 October 2008 on the Promotional Policy Framework for Telecommunications Services, setting guidelines on the duration of promotions in a calendar year

• Contract awarded for upgrading the OMCR (Operations & Maintenance Centre) for the mobile 2G network along with implementation of a new BSC, new BTS and additional transceivers, in the framework of the Mobile Phase 10 project

• CLI Promo in Rodrigues offering a 3-month subscription to the CLI Service free of charge when purchasing a CLI phone

• Prepaid Cards Retailers' Seminar in Port-Louis, to strengthen relationship with retail partners

• Prepaid Cards Retailers' Seminar in Rodrigues

• A major contract awarded to Mauritius Telecom by Apollo Bramwell Hospital for a state-of-the-art network infrastructure and IP Telephony equipment (this installation is the first IP Technology deployment in a high-tech hospital in the Indian Ocean region)

## NOVEMBER

• ContinuityMauritius, launched by the Vice Prime Minister and Minister of Finance and Economic Empowerment. ContinuityMauritius is a Disaster Recovery and Business Continuity Management company with Mauritius Telecom, Blanche Birger and ContinuitySA as shareholders

• My.T customers offered 4 TV channels through IPTV on a test basis, a première for Mauritius

• Prepaid Cards Retailers' seminar held at Quatre Bornes

• Mauritius Telecom wins Cisco's "Best Unified Communication Partner in Emerging Africa" award for 2008, at the African Partner Summit 2008 held in Zanzibar, Tanzania

• Mauritius Telecom also wins Cisco's "Best Partner Sales for Emerging Africa" for the first quarter of 2008-2009

• A MT Team participates in the second edition of La Regatta, winning a trophy

## DECEMBER

• Launch of Apple iPhone 3G by the Hon. Ashraf Dulull, Minister of Information and Communication Technology

• My.T Promo from 5 December 2008 to 10 January 2009:1 month free rental and Rs 500 worth of credit on VoD when subscribing to any My.T package and benefit

• IP Core Phase 3 project completed

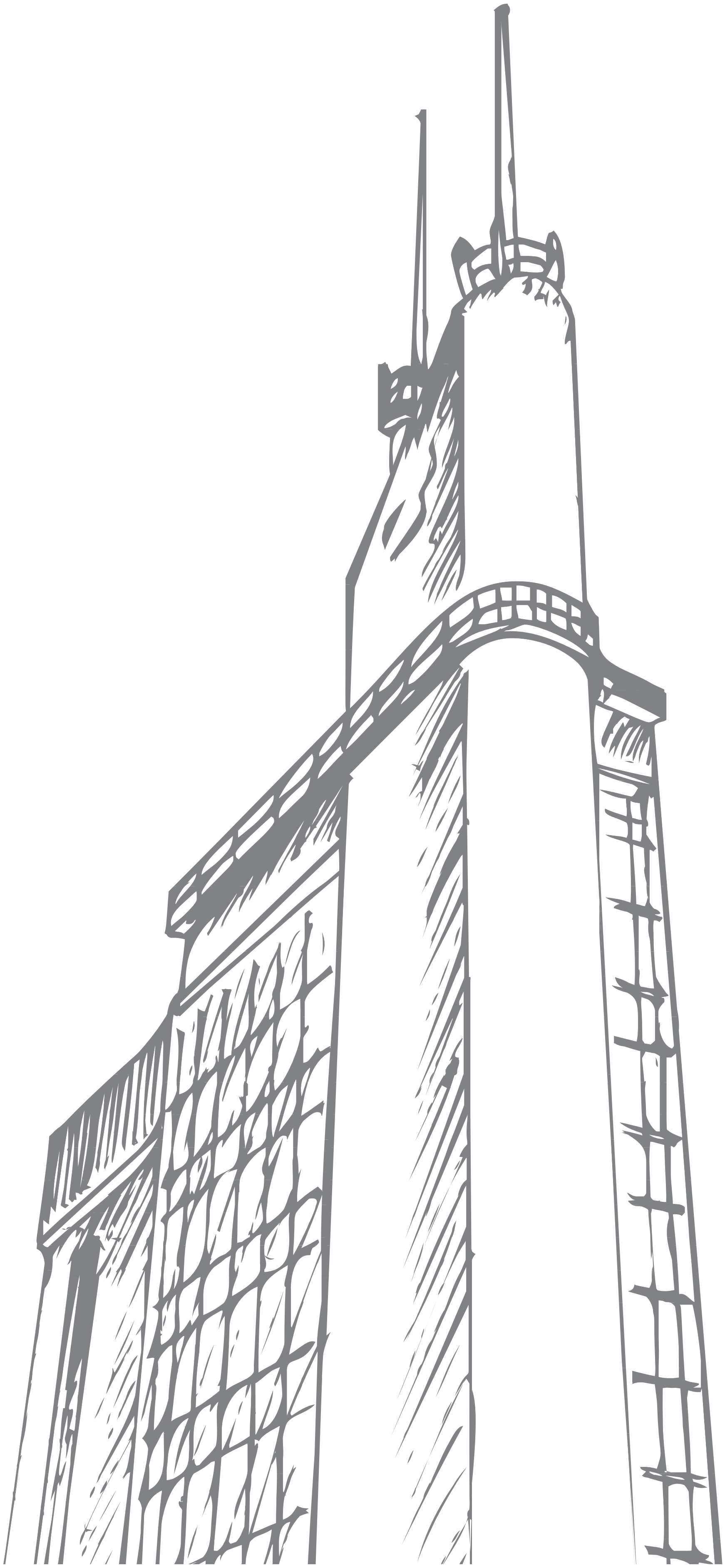
• Sezam Promo from 5 December 2008 to 5 January 2009

• Discount on Sezam tariffs to India bringing the tariff for one minute down from Rs 4.99 to Rs 3.99

• "Opération Sourire" as from 5 December 2008 offering up to a 40% discount on fixed-line handsets (corded and cordless phones and CLI)

• Sponsorship of the "Jeux de Rodrigues 2008", held from 4 to 8 December 2008

• Publication of "Errors and Omissions" report, finalising the report of the Salary Commission.



## *Mass Market*

The Mass Market department is the commercial unit of the Company that addresses residential telecommunication needs and thus serves the myriad needs of the consumer market.

For 2008 the department has again been the flag bearer of Mauritius Telecom in terms of revenue with 50.5% contribution to the company operating revenue. Furthermore, the department finished the year with a fixed customer base of around 334,000 and a mobile customer base of around 600,000. The customer base for broadband services has known a growth of 65% over the year.

Numerous initiatives were undertaken to improve customer journey in our outlets and among our business intermediaries. Some examples are listed below:

1. In line with the rebranding of our mobile and internet offers to Orange, the Flacq Teleshop was transformed into a state-of-the-art NExT (New Experience of Telecommunication) shop to enhance customer experience. The remaining Teleshops were uplifted to provide further facilities to customers.

2. Six workshops were conducted throughout the island and in Rodrigues to ensure that accredited prepaid cards resellers share common understanding and goals with Mauritius Telecom.

   These workshops have also enabled MT to gather valuable feedback from its key resellers. A grand event was organized at Mer Rouge for our 1,000 top resellers to celebrate the introduction of Orange brand in Mauritius. A similar event was organised in Rodrigues.

3. Year 2008 also witnessed a diversification of our retail strategy. The concept of 'Shop in the Shop' was introduced as from 17 April 2008 in Jumbo Phoenix and Riche Terre Commercial Centres. This was done in a bid to give greater access to our products and services. Around 1,400 new Orange signposts were installed at resellers' outlets all around the country.

Some other salient initiatives for 2008 are:

- The Introduction of Next Generation Networks (NGN) in Rodrigues in March 2008 to improve the quality of service.

- The concept of "Challenge Vendeurs" was introduced for the direct sales channel. We also introduced "Team Talk" a daily morning briefing for our staff.

- The Apple iPhone 3G was launched at Rose Hill Orange shop on 19 December 2008 showing Mauritius Telecom's commitment to bring the latest technology to its customers.

The tone was set in 2008 to enhance and sustain the professionalisation of our Commercial activities.

## *Business Market*

Business Market Division recorded in 2008 a remarkable revenue growth of 17% as compared to previous year, despite the highly competitive market with an increasing number of operators. With a well balanced diversified portfolio of customers, ranging from large corporate and governmental bodies to SMEs (Small and Medium Enterprises) and SOHOs (Small Offices and Home Offices), Business Market Division stood out as an unparalleled innovative solution provider for convergent, fixed, mobile, data and internet services.

With the assistance of the Marketing team this division introduced on the business market products such as Apple iPhone 3G, Push-Pull SMS services, bundle internet and data intranet solutions and extended its penetration for IP telephony solution for enterprises.

With the continuous support of our renowned international equipment suppliers like France Telecom-Orange, Cisco, Nortel, Nokia, Blackberry, Apple, Microsoft and IBM, our services and products differentiator came from the state-of-the-art technology and features, which no doubt positioned Mauritius Telecom as a strong player in this competitive segment.

We secured large projects in the hospitality, tourism, manufacturing, financial, textile and government sectors with convergent solutions that have provided competitive edge and value creation for those businesses in their operations.

Mauritius Telecom's innovative approach has been acknowledged by Cisco with its 'Best Unified Communication Partner 2008' award during its last Emerging Africa Partner Summit held in Zanzibar. Our technical and customer relationship expertise has also been rewarded with the 'Best Commercial Manager Award 2008' and the 'Best Partner Enablement Tool User Award 2008'.

In 2008, we translated into reality several ambitious, state-of-the-art projects. The facilities provided to Bramwell Apollo Hospital at Réduit is a salient one, with the concept of connected hospital based on convergent and unified communication solution for added convenience and safety of the medical team and patients.

Our professionalism, know-how and responsiveness in both sales and after sales are perceived as vital elements of our commitment towards our valued business customers.

## *Wholesale Market*

The telecommunication sector has gone through drastic changes during the last few years with the emergence of new licensed operators, whose requirements are different from our traditional customers.

Mauritius Telecom has therefore set up a Wholesale Services Division to specifically serve this new customer segment. Mauritius Telecom currently provides them with a range of services on a one stop shop basis ranging from global service ordering and fault management to unique billing, without the hassle of having to deal with a multitude of foreign operators.

On the other hand, the ITES sector comprising Business Process Outsourcing (BPO) and Call Centres, has now become an important contributor to our GDP. Mauritius Telecom has played a major role in the development of this sector through such initial strategic measures as the installation of a Point of Presence in Paris.

Mauritius Telecom has continued its investments in submarine cable capacity in 2008, which is considered as the lifeblood of ICT development for the country, in view of accelerating the advent of Broadband Mauritius.

We are now members of the consortium of the EASSy Cable system and have stakes in the Europe-India Gateway (EIG) and LION cable systems.

The LION cable is an initiative of the Orange Group, committed to developing the connectivity of the lower islands of the Indian Ocean regions. The initial phase will link Madagascar, Reunion and Mauritius.

All these new investments will reinforce our vision of "Maurice Ile Durable" by providing Mauritius with multiple resilient gateways to the world to eliminate any isolation from a global economy.

## Cellplus Mobile Communications

The main objective in rebranding to Orange, in April 2008, was to group all Cellplus products and services under one powerful brand and to refresh the image and positioning of the company.

There is much to show that the rebranding has been a success. By end December 2008, our customer base had grown to over 600,000, an increase of 8% over the previous year. Revenue also increased by 12% to reach Rs 2.8 billion.

While focusing on efforts to provide services that satisfy all our customers, Orange has also been developing new businesses, offering innovative and user-friendly payment services namely e-voucher and e-transfer.

Innovation is key to the efforts of Orange to achieve continuous growth in the mobile market. In that context, we launched the Orange Pack, a bundled offer consisting of a mobile phone, free calls, ringtones or wallpapers, free text messages and giveaways, as well as Youth, Classic, Fashion and Pro packs to cater to all market segments. Orange also introduced the universally acclaimed Apple iPhone 3G in Mauritius in December 2008.

Moreover, Orange is planning to introduce a convenient and friendly Mobile USB kit in 2009 to revamp its wireless internet service.

On the corporate responsibility front, Orange has promoted several sporting and cultural events. Its sponsorship of the Orange Sitara song competition, organised by the MBC, contributed to nurturing new talent. Indeed, the competition attracted some 700 participants.

Orange's family fun race, Walk and Run for Fun, was also a huge success. Orange also sponsored the 2nd edition of La Regatta, to help revive a traditional sport.

### Mobile Networks

Orange is committed to offering state-of –the-art mobile services to its valued customers by continuously developing its network infrastructure. Thus, the GSM and 3G Network has been upgraded with some 27 additional base stations to enhance coverage and capacity in order to improve still further service quality. New mobile technologies such as High Speed Mobile Packet Access (HSPA), a 3G+ technology, allowing downlink of up to 7.2 Mbps and uplink of up to 1.8 Mbps, have been deployed.

Furthermore, Orange has invested in dedicated indoor solutions in some 6 hotels to enhance mobile and data services.To house the numerous applications of Orange, Virtual Servers have been installed. In addition high capacity Storage Networks have been deployed for hosting services. New high capacity routers have also been installed to enhance the capacity and efficiency of the mobile Core Network.

To satisfy the increasing demand of corporates for cost-effective, reliable and real time communication to their customers, Orange has also implemented an SMS Gateway that provides a push-pull SMS text messaging service.

## Telecom Plus Ltd

### Internet

Telecom Plus, the leading provider of internet and value-added services in Mauritius, has been a fully-owned subsidiary of Mauritius Telecom since 2006. For the year under review, revenue grew to Rs. 520 million, a 9% increase over the previous year.

In its continuing effort to offer a world-class service to its customers, Telecom Plus has significantly increased its international bandwidth capacity for internet services from 180 Mbps in 2007 to over 400 Mbps in 2008. This has contributed to providing higher internet access speeds to both residential and business customers. The ADSL broadband customer base grew by 20% over the year.

With the launch of new ADSL offers (Orange ADSL 256k and 512k PRO) to cater for the SOHO (small office/home office) and SME markets, the number of customers in this segment has grown by more than 1,200 over the year.

Broadband services were introduced in Rodrigues in November 2006. During the year under review, the number of ADSL customers there rose by 60%.

***Content Business Development***

As both a Content and an Application Service Provider (ASP), Telecom Plus has been developing new revenue streams in the TV, mobile and internet sectors.

The company's main focus was on the implementation and delivery of a range of additional content (such as films, music, ringtones and logos) to a wide variety of terminals, including mobile, TV and PC, addressing all market segments.

***Rebranding website to Orange***

In line with the rebranding of mobile and internet services to Orange, Telecom Plus has revamped its Servihoo portal to a new orange.mu portal with a new look and feel to its design. The new website includes a new set of Orange-branded content services, which are constantly being enhanced and developed further. The Orange portal, www.orange.mu, had about 30,000 daily visitors during the year.

***Video-on-demand (VoD) Service on My.T***

During the year, more than 400 programmes have been made available through the VoD service. New contracts have been signed with well-known film distributors, such as DARO, FIP, Family Films and Gaumont, to strengthen our range.

***TV Bouquet Service on My.T***

To meet the aim of enhancing the My.T service with TV channels, Telecom Plus has established contacts with providers for more than 50 channels since February 2008. This has enabled the introduction of 15 live international TV channels on My.T in April 2009. More channels will be introduced progressively.

***Web portal and mobile contents***

As part of the rebranding, Telecom Plus has provided rich media content through WAP portals, including ringtones, wallpapers, logos, games and video clips. As an Application Service Provider, Telecom Plus is continuing website development and hosting for local and foreign companies. Thus, FT-Orange entrusted the development of portals for Mali and Kenya to Telecom Plus. These projects have been implemented successfully during the year, with the possibility of a future project for Uganda.

***Value-added Services***

In addition to the Audiotex service, Telecom Plus manages premium SMS services, such as SMS Voter, SMS Gateway and SMS to TV.

Several SMS Voter and SMS to TV services have been launched with such service providers as private radio stations and the MBC. These various services have generated substantial revenue during the year. Negotiations are currently in progress with the National Computer Board to have information related to Government services accessible via SMS.

***Projected new content services***

Telecom Plus is developing new content services such as Pay-TV channels, TV-on-demand, Mobile TV and interactive music channels and advertisements. Similarly, as an Application Service Provider, Telecom Plus will also be setting up systems for e-commerce and online gaming.

## *Call Services Ltd*

Call Services Ltd was established in 1999 to provide call centre services to the local market. A wholly owned subsidiary of Mauritius Telecom, Call Services Ltd was the pioneer in this sector introducing a comprehensive portfolio of services ranging from handling of reception desk through complaints desk to appointment setting, telemarketing and telesurvey campaigns.

***Financial and operational achievement***

Call Services Ltd has ended the year 2008 with a total revenue of Rs 95 million compared to Rs 74.2 million in 2007. Net profit increased to Rs 30.3 million against Rs 20.3 million in 2007, representing an increase of 49%.

There was an increase of 6% on the average number of calls handled by Call Services in 2008 as compared to 2007. As at end of 2008, there were 170 working positions at Call Services Ltd as compared to 125 in 2007.

***150 and 152 service – Information Hub***

Call Services Ltd offers the telephone directory service known as '150 service' and the '152 service', business directory and tourist info service.

***Customer Relationship Management (CRM) services***

Call Services Ltd handles the helpdesk of the fixed line, mobile and internet services of Mauritius Telecom Group. Major public utilities like CEB and CWA have also entrusted Call Services Ltd with the handling of their helpdesk and hotline desk in view of the expertise that the company has accumulated in this field.

Helpdesk handling is also proposed to other local companies in the banking, insurance and other financial institutions, mass media, betting and property development companies, amongst others.

Call Services Ltd also offers other CRM solutions such as telesurveys, appointment setting and data management. Mauritius Telecom group is one of our major customers relying on us for the conduct of its various telephone surveys, continuous appointment setting campaigns, data capture and data maintenance.

During the recent years, Call Services has accumulated considerable experience in the conduct of telephone surveys explaining the regular and repeated contracts from customers from different sectors of the economy for which we have operated these campaigns.

***Interactive Voice Response (IVR)***

IVR also known as the audiotex services is also offered by Call Services Ltd. One of the major services consists of the Cyclone Information desk.

### *Growth strategy*

In order to improve the level of quality of service offered to our valuable customers, Call Services Ltd puts much effort in continuously training its teleagents through coaching, on-the-job training, in-house training as well as external training.

Call Services Ltd is also working towards increasing its offerings to more local companies mainly in the field of telesurveys and helpdesking.

## *Teleservices Ltd*

### *Directory Publisher*

Teleservices Ltd, a wholly owned subsidiary of Mauritius Telecom, is the largest directory publishing company in Mauritius. Its core business consists of the production of the MT Phonebooks (Residential and Business Listings) and the MT Yellow Pages (Classified Business Listings). Over and above, it publishes the MT Business Directory, a specialized tool targeting the business community, where concise information regarding websites and email addresses can be found.

In recent years, the Company has made major improvements in the quality of its print directories by enhancing the look and feel of its publications, adding to the satisfaction of its users. Over 250,000 copies of these phonebooks are published and distributed free of charge every year, to virtually every home and business. Revenue achieved for the year under review was Rs 127 million, representing an increase of 37% over the previous year. The results confirm the fact that more and more businesses are acknowledging and using this affordable medium of advertising.

### *Web Based Directory*

The web based directory of Teleservices, www.teleservices.mu, provides a comprehensive directory information service for the public; it provides a platform to facilitate the interaction between buyers and sellers both nationally and internationally.

Teleservices, conscious of the importance of online directory services, has developed advertising spaces based on an analysis of internet users' behaviour and advertisers' needs. The online directory is very well referenced among search engines. Teleservices continues to enhance the online directory by taking full advantage of new technologies and pre-empting future trends; the company is gearing up for further development with the implementation of new services.

### *Media Planning Services*

Teleservices became a registered advertising agency in 2006. Media planning activity involves not only bookings of advertising space on different advertising supports and media but also research for the most cost-effective impact. Teleservices negotiates best deals for its valued customers.

Media planning services have brought an important contribution to the revenue of Teleservices over the past 2 years. Compared to the previous year, revenue generated by this activity grew by 50%.

## *Networks*

Mauritius Telecom has a widespread and modern network which is constantly being extended to offer innovative and high quality services to residential and business customers. One of the Company's strengths is its network quality, which it ensures through constant investment in maintenance and upgrades, carried out by highly skilled staff. Our aim is to provide fully flexible services to meet market expectations.

A Network Master Plan has been prepared to detail the vision of the Networks evolution over the next 3 years.

The following major projects have been implemented during 2008:

***Internet and Broadband***

Mauritius Telecom is playing a pivotal role in the deployment of high-speed broadband services. The network is being modernised to increase customer bandwidth options by investing in a wide range of technologies, such as Fibre-to-the-Cabinet (FFTC), Asymmetric Digital Subscriber Line (ADSL), and Symmetric High Speed Data Subscriber Line (SHDSL).

At the beginning of 2008, the Company started to install additional FTTC sites to extend broadband services to customers who cannot be served by existing telecom exchanges. This is in line with Mauritius Telecom's commitment to play a leading role in the advent of Broadband Mauritius, a major step towards the transformation of Mauritius into a Cyber Island.

During the year, additional ADSL capacity was installed in MT exchanges for the provision of broadband services and this allowed for the connection of 18,000 new broadband subscribers, increasing the broadband customer base to more than 47,000.

Mauritius Telecom also introduced the NetPC in line with its commitment to help bridge the digital divide and contribute towards the advent of Broadband Mauritius as part of its Corporate Social Responsibility policies. The NetPC, is a thin–client, low-cost, hassle-free computing device. It is linked to a central server which provides high-speed internet connection, generous storage equivalent to hard-disk space, software upgrades, guaranteed data privacy and anti-virus security.

***Convergence - Next Generation Network***

As part of its plans to innovate continuously and to remain abreast of technological developments, Mauritius Telecom has embarked on a project to deploy the NGN (Next Generation Network), which will make convergent solutions available.

In this respect, new projects to migrate 70,000 lines in Mauritius and 3,000 lines in Rodrigues to NGN (Next Generation Network) were implemented. This has helped to optimise our network infrastructure, to eventually enable access to voice, data and internet services via the newly deployed Multi Service Access Nodes (MSAN).

Moreover, MT intends to decommission its Wireless Local Loop (WLL) network progressively by 2009.

Furthermore, Mauritius Telecom has upgraded its core network with the deployment of new switches as well as upgrade of existing ones. In addition, the resiliency of the Core Network has been improved with the new switches implemented in ring topology.

Mauritius Telecom has also upgraded its transmission Network with upgrade in its SDH Network and replacement of PDH radios in the North with SDH and fibre.

To cater for other services being requested by our customers, Mauritius Telecom has deployed VSAT for the provision of banking services via satellite.

***International Connectivity***

In order to meet market requirements in terms of quantity and quality, Mauritius Telecom has continued to invest in international bandwidth capacity and consequently embarked on several regional cable projects in 2008.

***The Eastern Africa Submarine Cable System (EASSy)***

Mauritius Telecom invested a further USD 5.5 million in the EASSy Project, bringing its total participation to USD 8 million.

EASSy is an initiative to connect eastern African countries via a high-bandwidth fibre-optic cable system to the rest of the world. EASSy is expected to be ready for service during the third quarter of 2010.

EASSy is planned to run from Mtunzini in South Africa to Port Sudan in Sudan, with landing points in seven other eastern African countries. In South Africa, EASSy will connect with SAFE. It will have several other connections with major submarine cables in Djibouti and Port Sudan.

Sixteen investors, including Mauritius Telecom, have formed a consortium to run this project.

EASSy will significantly increase our international bandwidth connectivity and reduce the hazards associated with dependency on only one cable system.

***Expansion of the Safe Submarine Cable System Capacity***

Mauritius Telecom signed a contract investing USD 10 million for the expansion of the SAFE submarine optical-fibre cable system capacity. The increased bandwidth capacity made available to Mauritius Telecom will enhance our international connectivity. A further highlight was the installation of the first customer high-capacity (45 Mbps) circuit on the SAFE cable towards India during the year.

***LION Submarine Cable System***

Mauritius Telecom signed a Construction & Maintenance Agreement and pledged to invest the sum of € 8 million in the LION (Lower Indian Ocean Network) optical-fibre submarine cable project. LION provides connection to Mauritius, Reunion and Madagascar. A cable landing station will be built in Terre Rouge, thus enhancing the reliability of our international connectivity. The cable system will become operational in the second half of 2009.

***Europe-India Gateway Submarine Cable System***

Mauritius Telecom signed an agreement with Telkom South Africa, investing USD 5 million in the Europe-India Gateway (EIG) submarine cable system project. This system will link India to the UK via the Middle East, North Africa and Europe. The system is expected to be ready for service during the third quarter of 2010.

***Customer Care and Billing System***

Mauritius Telecom started to set up its integrated Customer Care and Billing System (CCBS) at the beginning of 2008. The CCBS will enable the Mauritius Telecom group to move from a situation where its various companies have different information systems to one single convergent platform. It will also enable Mauritius Telecom to build highly innovative, convergent, real-time and hybrid solutions for its customers. The CCBS will also help to promote e-services and customer self-care.

## *Human Resources: Winning with our people*

***Organisational Development***

The Company has pursued its efforts to build a lean and agile organisation capable of efficiently meeting the challenges of an integrated operator.

The success of the organisation in delivering the best customer experience rests largely on the dedication and engagement of each and every team player. The Company has embarked on an ambitious program to engage all employees towards the achievement of corporate objectives.

To this end, a Group Leadership Model (GLM) developed by Company's strategic partner, FT-Orange, has been adopted by the Strategic Executive Committee (SEC) and is being deployed across the Company.

The GLM essentially enables a common, inclusive approach to tackling the numerous challenges in bringing organisational culture change: the ultimate objective of this management tool is to grow leaders and to ensure that every team member lives the values of the organisation everyday.

The GLM rests on engaging people on all of the following six dimensions:-

1. Customer and market focus

2. Driving Transformation

3. Talent Management

4. Progress

5. Direction

6. Working across the organisation

***Orange Branding***

The branding of mobile and internet services into Orange has been a milestone for all employees. 'Living Orange Inside' has been achieved through Brand Induction workshops attended by all employees and facilitated by a team of 20 Brand Ambassadors who had been trained by specialists from Orange.

***Review of Pay and Grading Structure and Conditions of Employment***

A Salary Commissioner was appointed to review the Pay and Grading Structures and Conditions of Employment of non-managerial employees on Establishment and on short term contracts. This exercise is carried out every 4 years.

The Commissioner submitted his recommendations in August 2008. These were approved by the Remuneration Committee of the Board of Directors. After consultation with all parties concerned, the Salary Commissioner submitted his report on Errors and Omissions together with a few additional recommendations on 11 December 2008. They were also approved by the Remuneration Committee.

85.7% of concerned employees have opted for the revised Pay and Grading Structures and conditions of employment; the remaining 14.3% of employees have opted to remain on their Terms and Conditions obtaining at 30 June 2008.

***Human Capital Development***

One of the strengths of MT is its pool of experienced, skilled and talented people.

The Company has continued to invest in training and development programs at its in-house Training Academy, at other local institutions and abroad.

A number of key employees have attended focused training in respective highly specialised technical fields as well as in management and leadership development. Others have participated in Talent Sharing Program whereby they have had hand on experience in FT-Orange operations including at the prestigious Technocentres.

The Commonwealth Telecommunication Organisation (CTO) has fully funded three workshops attended by about 100 key personnel under its Bilateral Assistance Programme for Development and Training.

An average of 25 hours of training per employee has been delivered in the year.

***Employee Welfare and Social Relations***

The Company has organised several social and recreational activities for employees and their families so as to strengthen the family spirit.

The Safety and Health of employees has remained high on the company's agenda.

Regular meetings with social partners have enormously contributed to maintain sound working relationships.

## *Corporate Social Responsibility*

As the leader in the telecommunications sector, Mauritius Telecom is fully committed to upholding its responsibilities towards its shareholders, customers, employees and Mauritian society in general.

The Company, therefore, ensures that all its activities are underpinned by the highest standards of corporate governance and ethics and that all Board and management committees, as well as the control mechanisms put in place to foster good corporate governance, function effectively.

During year 2008, Mauritius Telecom has supported several worthwhile projects at local level, with the welfare of the society it serves in mind. While sponsorship of social, artistic, cultural, educational and sporting events has been prominent, the Company has also been active in the health and sustainable development sectors.

The Company spent over Rs 11 million in the year under review on sponsorship and its main activities included:

***Arts & Culture***

• Sponsorship of the Orange Sitara Song competition, as well as shows featuring famous international artists.

• Support to enable books by Mauritian authors to be published.

• Sponsorship of national events, including the National Day Celebrations Show, Divali Nite, the Eid Festival Show and the International Kreol Festival.

***Social initiatives***

• Launching of NetPC to enable low-income households to have access to a low cost, hassle free computing device and access to broadband internet at affordable prices.

• Deployment of NetPCs in Youth, Women and Community centres across the country with the support of several ministries, the National Computer Board and Microsoft.

• Partnering the organisers of various Teledons. These fundraising activities included support to patients needing to go abroad for operations, and to victims of both the China earthquake and the floods in the Indian state of Bihar.

• Contribution to the Bihar Solidarity Fund set up by Government for victims of the Bihar floods. The Company contributed an amount matching the substantial voluntary financial contributions made by employees.

• Sponsorship of the Ecoaustral TECOMA Award to elect the "Entrepreneur de l'Année".

• Sponsorship of the Most Outstanding Young Person Award 2008, organised by the Junior International Chamber.

***Sports***

• Organisation of the International Marathon of Mauritius and the fun race, Walk and Run for Fun, which attracted almost eight thousand participants.

• Participation in the 2nd edition of La Regatta, at which the Mauritius Telecom team won a trophy.

• Co-sponsorship of the participation of the Mauritian team, Club Maurice, in the CJSOI (Commission de la Jeunesse et des Sports de l'Océan Indien) Games in The Seychelles.

• Sponsorship of several other sporting events, including the Commonwealth Judo Championships, the National Cycling Championships and sporting competitions in Rodrigues.

• Support to the setting up of a Football Training Centre in Trianon.

***Health***

• Sponsorship of the logo competition organised by the AIDS secretariat.

***Education***

• Partnership with the Government for the SchoolNet Project, providing broadband internet access to some 200 secondary schools.

• Sponsorship of magazines published by secondary schools.

***Sustainability Projects***

• Changing all light bulbs on Company premises to energy-saving ones.

• Landscaping Terre Rouge roundabout and a stretch of the edge of the Northern Highway to embellish the environment.

• Installation of three new mobile base stations in the form of palm trees.

• Mauritius Telecom has begun planning the installation of a mobile base station in Port Louis and of an air conditioning plant powered by solar energy.

## Regulatory Environment

Mauritius Telecom is operating in an increasingly competitive and dynamic commercial environment. The 2008 calendar year saw the most significant changes to the regulatory regime since the market has been liberalised. The main regulatory highlights in 2008 are:

i. Review of interconnection usage charges
ii. Setting up of the Competition Commission
iii. Promulgation of the Universal Service Fund Regulation 2008

***Interconnection Usage Charges***

In line with the Government's objective to reduce telecommunication charges for the benefit of consumers, the Information and Technologies Authority has reviewed the existing Interconnection Usage Charges payable between operators and has adopted a "No Access Deficit Compensation" costing regime in the Telecommunications Sector.

The main provisions of this directive are uniform interconnection usage charges for calls originating and terminating on the fixed network. It is expected that the new charges prescribed would bolster competition in the Sector with substantial reduction in tariffs for various types of calls.

The Authority has also revised the minimum termination rate on incoming international traffic from USD 0.133/min to USD 0.0855/min.

***Universal Service Fund***

The Ministry of Information Technology and Telecommunications has promulgated the Universal Service Fund (USF) Regulations 2008 on 2nd October 2008.

The USF Regulations 2008 provide for, inter alia, the payment by a public operator of an annual contribution to the Fund and the dates on which such contributions should be paid.

The monthly contribution payable by a public operator is as follows:

(a) 5% of gross revenue from international roaming service;
(b) Rs 1.50 on every minute of incoming international calls which the public operator terminates in Mauritius in that month or 2.5% of the annual revenue it generates from the provision of telecommunication services, whichever is lesser.

It is expected that the USF will assist the government to provide telecommunication services to the public at more affordable prices.

***Competition Commission***

Following the coming into force of the Competition Act 2007, the government has appointed the Competition Commissioner who will be responsible for the setting up of the Competition Commission.

The object of the Competition Commission is to safeguard and promote competition in Mauritius by creating a comprehensive competition regime and prohibiting the anti-competitive restrictive agreements.

The Commission will have the necessary powers to investigate and control other types of restrictive agreements, and of monopoly and merger situations. It will also promote the role of, and understanding of, competition in enhancing efficiency and adaptability in the economy.

## *Quality and Support*

***Optimisation of Space***

The campaign of Space Optimisation initiated in 2007 was pursued; MT released several leased premises which were being used as stores/archives and for repair workshop purposes. These activities were transferred to MT owned premises after a thorough rationalisation of space.

***Business Continuity***

MT has reviewed and put in place a Crisis Management Plan, which caters for Cyclones, Natural Disasters and Calamities. At the same time, it has continued with the updating of the Business Continuity Plan so as to safeguard its business during a major crisis.

***Security***

Due to the continuous threat of thefts on our copper cables, MT has pursued the patrol measures at the strategic locations so as to minimise the risks of outages due to thefts. Moreover, security measures at the commercial outlets and sensitive areas in the exchanges have been tightened.

Access Control systems and Intruder alarms have been put in place in our exchanges and commercial buildings. Certain critical sites have been provided with CCTV monitoring.

***Quality and Process Improvement***

MT has successfully completed the recertification audit for ISO 9001:2000. The ISO 9001:2000 certificate has been awarded to MT Group instead of a per subsidiary basis to Cellplus, Teleservices, Call Services and Telecom Plus as was the case previously.

***Launch of ContinuityMauritius***

Mauritius Telecom has a 50% shareholding in the above company, which will be offering Business Continuity and Disaster Recovery services. The launch of the Company was carried out in November 2008. The other partners of the Company are Blanche Birger and ContinuitySA of South Africa.

# *Financial Statements*

# independent auditor's report to the shareholders of Mauritius Telecom Ltd

This report is made solely to the company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## *Report on the Financial Statements*

We have audited the financial statements of Mauritius Telecom Ltd on pages 60 to 108 which comprise the balance sheets as at 31 December 2008 and the income statements, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

## *Directors' responsibilities for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# independent auditor's report to the shareholders of Mauritius Telecom Ltd

## *Opinion*

In our opinion, the financial statements on pages 60 to 108 give a true and fair view of the financial position of the group and of the company as at 31 December 2008, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004

## *Report on other legal requirements*

In accordance with the requirements of the Mauritius Companies Act 2001, we report that:

- we have no relationship with, or interests in, the company or any of its subsidiaries, other than in our capacity as auditors;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

Kemp Chatteris Deloitte

Chartered Accountants
20 May 2009

# balance sheets

at 31 December 2008

| | Note | THE GROUP 2008 Rs | THE GROUP 2007 (Restated) Rs | THE COMPANY 2008 Rs | THE COMPANY 2007 Rs |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 7,194,453,787 | 7,093,544,067 | 5,613,006,637 | 5,461,681,460 |
| Goodwill | 6 | 80,980,030 | 80,980,030 | - | - |
| Other intangible asset | 7 | 60,346,668 | 86,289,416 | 8,027,696 | 12,725,539 |
| Investments in subsidiaries | 8 | - | - | 241,270,830 | 241,270,830 |
| Investments in associates | 9 | 336,020,702 | 237,960,309 | 83,314,880 | 40,934,880 |
| Other investments | 10 | 169,715,609 | 22,204,359 | 169,715,609 | 22,204,359 |
| **Total non-current assets** | | 7,841,516,796 | 7,520,978,181 | 6,115,335,652 | 5,778,817,068 |
| **Current assets** | | | | | |
| Stocks | 11 | 153,520,890 | 92,725,488 | 146,728,993 | 75,943,086 |
| Trade receivables | 12 | 1,617,796,315 | 1,436,462,116 | 1,156,452,909 | 1,077,481,218 |
| Other receivables | 13 | 441,721,777 | 334,128,601 | 288,588,243 | 310,876,892 |
| Amount due from a subsidiary | 14 | - | - | 32,000,000 | 40,000,000 |
| Cash and cash equivalents | | 3,651,526,986 | 2,484,846,879 | 3,544,506,368 | 1,968,549,699 |
| **Total current assets** | | 5,864,565,968 | 4,348,163,084 | 5,168,276,513 | 3,472,850,895 |
| **Total assets** | | 13,706,082,764 | 11,869,141,265 | 11,283,612,165 | 9,251,667,963 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Stated capital | 15 | 190,000,001 | 190,000,001 | 190,000,001 | 190,000,001 |
| Reserves | 16 | 1,466,650 | 2,228,650 | 1,472,000 | 2,234,000 |
| Retained earnings | | 7,526,417,641 | 6,750,933,438 | 5,607,099,828 | 5,120,189,160 |
| Equity attributable to equity holders of the parent | | 7,717,884,292 | 6,943,162,089 | 5,798,571,829 | 5,312,423,161 |
| **Non-current liabilities** | | | | | |
| Loans | 17 | 115,335,365 | 191,752,302 | 115,335,365 | 191,752,302 |
| Trade payables | 18 | 397,106,536 | 386,153,361 | 397,106,534 | 386,153,361 |
| Deferred tax liabilities | 19 | 444,882,232 | 476,276,459 | 274,536,518 | 304,512,073 |
| Retirement benefit obligations | 20 | 787,444,000 | 709,799,000 | 776,464,000 | 699,940,000 |
| **Total non-current liabilities** | | 1,744,768,133 | 1,763,981,122 | 1,563,442,417 | 1,582,357,736 |
| **Current liabilities** | | | | | |
| Loans | 17 | 38,373,458 | 47,871,029 | 38,373,458 | 47,871,029 |
| Trade payables | 18 | 952,670,931 | 944,370,606 | 496,448,600 | 409,608,197 |
| Other payables and accrued expenses | 21 | 1,651,055,958 | 1,197,451,027 | 2,004,217,209 | 1,265,521,269 |
| Dividend | 23 | 913,900,000 | - | 913,900,000 | - |
| Current tax liabilities | | 425,833,764 | 725,007,930 | 212,956,169 | 395,383,907 |
| Provisions | 22 | 261,596,228 | 247,297,462 | 255,702,483 | 238,502,664 |
| **Total current liabilities** | | 4,243,430,339 | 3,161,998,054 | 3,921,597,919 | 2,356,887,066 |
| Total liabilities | | 5,988,198,472 | 4,925,979,176 | 5,485,040,336 | 3,939,244,802 |
| **Total equity and liabilities** | | 13,706,082,764 | 11,869,141,265 | 11,283,612,165 | 9,251,667,963 |

Approved by the Board of Directors and authorised for issue on 20 May 2009

DIRECTOR

DIRECTOR

# income statements

for the year ended 31 December 2008

| | | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| | | 2008 | 2007 | 2008 | 2007 |
| | | | (Restated) | | |
| | Note | Rs | Rs | Rs | Rs |
| Revenue | 24 | 6,653,301,534 | 6,270,119,135 | 4,352,283,742 | 4,270,889,860 |
| Cost of sales | | (1,418,290,083) | (1,222,309,851) | (1,272,290,347) | (983,927,500) |
| Gross profit | | 5,235,011,451 | 5,047,809,284 | 3,079,993,395 | 3,286,962,360 |
| Other operating income | | 136,703,693 | 142,590,079 | 81,739,064 | 65,474,469 |
| Operating expenses | | (3,368,100,840) | (3,413,796,087) | (2,734,206,382) | (2,894,327,932) |
| Profit from operations | 25 | 2,003,614,304 | 1,776,603,276 | 427,526,077 | 458,108,897 |
| Other income | 26 | 46,051,710 | 8,088,397 | 231,544,899 | 69,077,341 |
| Other gains and losses | 27 | 75,685,730 | (23,990,049) | 51,412,919 | (5,169,123) |
| | | 2,125,351,744 | 1,760,701,624 | 710,483,895 | 522,017,115 |
| Investment income | 28 | 218,291,282 | 474,024,718 | 1,251,857,724 | 1,335,880,112 |
| Finance costs | 29 | (8,793,814) | (12,560,365) | (96,146,538) | (83,148,983) |
| | | 2,334,849,212 | 2,222,165,977 | 1,866,195,081 | 1,774,748,244 |
| Share of profits of associates | 9 | 106,511,133 | 102,981,191 | - | - |
| Profit before tax | | 2,441,360,345 | 2,325,147,168 | 1,866,195,081 | 1,774,748,244 |
| Income tax expense | 19(i) | (512,576,141) | (226,346,498) | (225,984,412) | (39,297,523) |
| Profit for the year attributable to equity holders | | 1,928,784,204 | 2,098,800,670 | 1,640,210,669 | 1,735,450,721 |
| Earnings per share | 30 | 10.15 | 11.05 | 8.63 | 9.13 |

# statement of changes in equity

for the year ended 31 December 2008

| GROUP | Note | Stated capital Rs | Fair value Reserve Rs | Foreign currency translation reserve Rs | Retained earnings Rs | Attributable to equity holders of the parent Rs |
|---|---|---|---|---|---|---|
| Balance at 1 January 2007 | | | | | | |
| - As previously stated | | 190,000,001 | 1,346,000 | (141,317) | 8,913,947,106 | 9,105,151,790 |
| - Prior year adjustments | 31 | - | - | - | (24,567,498) | (24,567,498) |
| - As restated | | 190,000,001 | 1,346,000 | (141,317) | 8,889,379,608 | 9,080,584,292 |
| Change in fair value of available-for-sale investments | 10 | - | 888,000 | - | - | 888,000 |
| Exchange differences arising on translation of foreign operations | | - | - | 135,967 | - | 135,967 |
| Net income recognised directly in equity | | - | 888,000 | 135,967 | - | 1,023,967 |
| Profit for the year, as restated | | - | - | - | 2,098,800,670 | 2,098,800,670 |
| Dividends | 23 | | | | | |
| - Final dividend for 2006 | | - | - | - | (178,431,000) | (178,431,000) |
| - Interim dividend for 2007 | | - | - | - | (1,060,000,000) | (1,060,000,000) |
| - Special dividend | | - | - | - | (3,000,000,000) | (3,000,000,000) |
| Consolidation adjustments | | - | - | - | 1,184,160 | 1,184,160 |
| Balance at 31 December 2007 | | 190,000,001 | 2,234,000 | (5,350) | 6,750,933,438 | 6,943,162,089 |
| Change in fair value of available-for-sale investments | 10 | - | (762,000) | - | - | (762,000) |
| Net loss recognised in equity | | - | (762,000) | - | - | (762,000) |
| Profit for the year | | - | - | - | 1,928,784,204 | 1,928,784,204 |
| Dividends | 23 | - | - | - | (1,153,300,001) | (1,153,300,001) |
| Balance at 31 December 2008 | | 190,000,001 | 1,472,000 | (5,350) | 7,526,417,641 | 7,717,884,292 |

# statement of changes in equity

for the year ended 31 December 2008

| | Note | Stated capital Rs | Fair value reserve Rs | Retained earnings Rs | Total Rs |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| Balance at 1 January 2007 | | 190,000,001 | 1,346,000 | 7,623,169,439 | 7,814,515,440 |
| Change in fair value of available-for-sale investments | 10 | - | 888,000 | - | 888,000 |
| Net income recognised directly in equity | | - | 888,000 | - | 888,000 |
| Profit for the year | | - | - | 1,735,450,721 | 1,735,450,721 |
| Dividends | 23 | | | | |
| - Final dividend for 2006 | | - | - | (178,431,000) | (178,431,000) |
| - Interim dividend for 2007 | | - | - | (1,060,000,000) | (1,060,000,000) |
| - Special dividend | | - | - | (3,000,000,000) | (3,000,000,000) |
| Balance at 31 December 2007 | | 190,000,001 | 2,234,000 | 5,120,189,160 | 5,312,423,161 |
| Change in fair value of available-for-sale investments | 10 | - | (762,000) | - | (762,000) |
| Net loss recognised directly in equity | | - | (762,000) | - | (762,000) |
| Profit for the year | | - | - | 1,640,210,669 | 1,640,210,669 |
| Dividends | 23 | - | - | (1,153,300,001) | (1,153,300,001) |
| Balance at 31 December 2008 | | 190,000,001 | 1,472,000 | 5,607,099,828 | 5,798,571,829 |

# cash flow statements

for the year ended 31 December 2008

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 (Restated) | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **Profit before taxation** | 2,441,360,345 | 2,325,147,168 | 1,866,195,081 | 1,774,748,244 |
| Adjustments for:- | | | | |
| Profit on disposal of property, plant and equipment | (6,364,345) | (10,203,001) | (6,762,175) | (9,894,746) |
| Profit on disposal of investment in associates | - | (8,542,402) | - | (102,686) |
| Profit on disposal of investment in a subsidiary | - | - | (56,678) | - |
| Interest expense | 8,793,814 | 12,560,365 | 96,146,538 | 83,148,983 |
| Interest income | (213,735,239) | (475,606,364) | (208,720,942) | (463,167,733) |
| Dividend income | (4,556,043) | (2,589,373) | (1,043,136,782) | (876,883,398) |
| Retirement benefit obligations | 77,645,000 | 67,189,000 | 76,524,000 | 66,255,000 |
| Share of profits of associates | (106,511,133) | (102,981,191) | - | - |
| Depreciation and amortisation | 1,150,691,342 | 1,319,086,202 | 859,581,269 | 1,029,016,985 |
| Provision for impairment loss of other investments | - | 40,000,000 | - | 40,000,000 |
| Reversal of provision for impairment in a subsidiary | - | - | (51,000) | - |
| Reversal of provision for impairment of investment in associates | - | (26,245,080) | - | (26,245,080) |
| Unrealised exchange (gain)/loss | (31,405,803) | 22,221,399 | (20,654,820) | 7,991,492 |
| Movement in reserve | - | 1,173,460 | - | - |
| **Operating profit before working capital changes** | 3,315,917,938 | 3,161,210,183 | 1,619,064,491 | 1,624,867,061 |
| Increase in trade receivables | (181,334,199) | (33,406,299) | (78,971,691) | (18,331,992) |
| (Increase)/decrease in other receivables | (107,593,176) | 110,709,108 | 22,288,649 | 146,681,594 |
| Increase in stocks | (60,795,402) | (38,505,542) | (70,785,907) | (33,621,682) |
| (Decrease)/increase in trade payables | (27,647,261) | 815,463,140 | 86,840,403 | 124,183,541 |
| Increase in other payables and accrued expenses | 489,552,517 | (372,542,847) | 738,696,192 | 174,778,681 |
| Increase in provisions | 14,298,766 | 68,602,262 | 17,199,819 | 78,022,712 |
| **Cash generated from operations** | 3,442,399,183 | 3,711,530,005 | 2,334,331,956 | 2,096,579,915 |
| Interest paid | (8,793,814) | (12,560,365) | (96,146,538) | (83,148,983) |
| Taxation paid | (843,144,059) | (544,183,482) | (434,554,997) | (312,506,246) |
| **Net cash flows from operating activities** | 2,590,461,310 | 3,154,786,158 | 1,803,630,421 | 1,700,924,686 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Investment in an associate | (42,380,000) | - | (42,380,000) | - |
| Purchase of property, plant and equipment | (1,220,351,206) | (1,076,185,614) | (1,033,268,272) | (622,717,022) |
| Purchase of other intangible assets | (6,575,683) | (26,316,241) | (5,234,313) | (2,010,958) |
| Proceeds from sale of property, plant and equipment | 7,632,920 | 14,073,726 | 39,125,932 | 13,724,247 |
| Proceeds from maturity of held-to-maturity investments | - | 281,618,311 | - | 281,618,311 |
| Proceeds from sale of investments in a subsidiary | - | - | 148,971 | - |
| Proceeds from sale of investments in associate | - | 26,347,766 | - | 26,347,766 |
| Purchase of held-to-maturity investments | (145,702,500) | (277,447,292) | (145,702,500) | (277,447,292) |
| Interest received | 211,164,488 | 471,435,345 | 208,720,942 | 458,996,714 |
| Dividend received | 55,386,783 | 39,383,392 | 1,043,136,782 | 876,883,398 |
| **Net cash (used in)/generated from investing activities** | (1,140,825,198) | (547,090,607) | 64,547,542 | 755,395,164 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Repayment of loans | (47,871,029) | (49,115,649) | (47,871,029) | (49,115,649) |
| Loan repaid by a subsidiary | - | - | 8,000,000 | - |
| Increase in trade payables after one year | 10,953,175 | 9,528,840 | 10,953,173 | 9,528,840 |
| Dividend paid | (239,400,001) | (4,238,431,000) | (239,400,001) | (4,238,431,000) |
| **Net cash used in financing activities** | (276,317,855) | (4,278,017,809) | (268,317,857) | (4,278,017,809) |
| **Net increase/(decrease) in cash and cash equivalents** | 1,173,318,257 | (1,670,322,258) | 1,599,860,106 | (1,821,697,959) |
| **Cash and cash equivalents at beginning of the year** | 2,484,846,879 | 4,198,492,905 | 1,968,549,699 | 3,819,005,530 |
| **Effect of exchange rate changes on the balance of cash held in foreign currencies** | (6,638,150) | (43,323,768) | (23,903,436) | (28,757,872) |
| **Cash and cash equivalents at end of the year** | 3,651,526,986 | 2,484,846,879 | 3,544,506,368 | 1,968,549,699 |

## 1. General information

Mauritius Telecom Ltd is a public company incorporated in Mauritius. Its registered office and principal place of business is Telecom Tower, Edith Cavell Street, Port Louis. It is engaged in the provision of telecommunication services and the principal activities of its subsidiaries are described in note 8.

## 2. Adoption of new and revised international financial reporting standards (ifrs)

In the current year, the group and the company have adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

| | |
|---|---|
| IAS 1 | Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income (effective 1 January 2009) |
| IAS 1 | Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective 1 January 2009) |
| IAS 1 | Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 16 | Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 19 | Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 20 | Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 23 | Borrowing costs - Comprehensive revision to prohibit immediate expensing (effective 1 January 2009) |
| IAS 23 | Borrowing costs - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 27 | Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009) |
| IAS 27 | Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first time adoption (effective 1 January 2009) |
| IAS 27 | Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 28 | Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009) |

## 2. *Adoption of new and revised international financial reporting standards (ifrs) (cont'd)*

| | |
|---|---|
| IAS 28 | Investments in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 29 | Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 31 | Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009) |
| IAS 31 | Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 32 | Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation (effective 1 January 2009) |
| IAS 36 | Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 38 | Intangible Assets - amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 39 | Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 39 | Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items (effective 1 July 2009) |
| IAS 39 | Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments (effective 1 July 2009) |
| IAS 40 | Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IAS 41 | Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 January 2009) |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption (effective 1 January 2009) |
| IFRS 2 | Share-Based Payment - Amendment relating to vesting conditions and cancellations (effective 1 January 2009) |
| IFRS 3 | Business Combinations - Comprehensive revision on applying the acquisition method (effective 1 July 2009) |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective 1 July 2009) |
| IFRS 7 | Financial Instruments - Disclosures - Amendments enhancing disclosures about fair value and liquidity risk (effective 1 January 2009) |
| IFRS 8 | Operating Segments ( effective 1 January 2009) |
| IFRIC 13 | Customer Loyalty Programme (effective 1 July 2008) |
| IFRIC 15 | Agreements for the Construction of Real Estate (effective 1 January 2009) |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008) |

## 3. *Significant accounting policies*

The financial statements have been prepared in accordance with International Financial Reporting Standards.

*Basis of preparation*

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

*(a) Basis of consolidation*

The consolidated financial statements include the results of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of their acquisition or up to the effective date of their disposal. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

*(b) Investments in subsidiaries*

In the company's financial statements, investments in subsidiaries are accounted for at cost less any impairment loss.

*(c) Investments in associates*

Associates are those companies which are not subsidiaries nor interest in a joint venture, over which the group exercises significant influence and in which it holds a long-term equity interest.

Investments in associates are accounted for at cost in the company's financial statements and under the equity method of accounting in the consolidated financial statements. The group's share of the associates' profit or loss for the year is recognised in the income statement and the group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associates.

## 3. *Significant accounting policies (cont'd)*

### (c) *Investments in associates (cont'd)*

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment on an annual basis as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

### (d) *Business combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

### (e) *Revenue recognition*

Revenue relates to telephone services, data communication services, sale of equipment, phonecards and other corollary services.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is shown net of Value Added Tax.

*Sales of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group and the company have transferred to the buyer the significant risks and rewards of ownership of the goods;

## 3. Significant accounting policies (cont'd)

### (e) Revenue recognition (cont'd)

- the group and the company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

International telephone revenues are derived from outgoing calls made from Mauritius and from payments by foreign network operators for calls and other traffic that originate outside Mauritius but which use the company's network.

The company pays a proportion of the international traffic revenue it collects from its customers to transit and terminate on foreign operators' network operators. These revenues and costs are stated gross in the financial statements.

*Dividend and interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

*Rental income*

Rental income is recognised on an accruals basis.

- the group and the company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 3. *Significant accounting policies (cont'd)*

### (e) *Revenue recognition (cont'd)*

International telephone revenues are derived from outgoing calls made from Mauritius and from payments by foreign network operators for calls and other traffic that originate outside Mauritius but which use the company's network.

The company pays a proportion of the international traffic revenue it collects from its customers to transit and terminate on foreign operators' network operators. These revenues and costs are stated gross in the financial statements.

*Dividend and interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

*Rental income*

Rental income is recognised on an accruals basis.

### (f) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method as follows:-

| | |
|---|---|
| Plant and equipment | - 2 to 20 years |
| Buildings | - 5 to 20 years |
| Furniture, fittings and equipment | - 5 to 10 years |
| Motor vehicles | - 3 to 5 years |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

## 3. *Significant accounting policies (cont'd)*

### *(f) Property, plant and equipment (cont'd)*

Plant and equipment in progress are capitalised based on the percentage of completion method and are stated at cost. No depreciation is provided until such time as the relevant assets are completed and available for use.

No depreciation is provided on freehold land.

### *(g) Intangible assets*

- Goodwill

  Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill

  is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

  Goodwill is allocated to cash-generating units for the purpose of impairment testing. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

- Computer software

  Computer software that is not considered to form an integral part of any hardware equipment is recorded as intangible assets. The software is capitalised at cost and amortised over its estimated useful life of 5 years.

### *(h) Impairment of tangible and intangible assets excluding goodwill*

At each balance sheet date, the group and the company review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

## 3. *Significant accounting policies (cont'd)*

### *(h) Impairment of tangible and intangible assets excluding goodwill (cont'd)*

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group and the company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

### *(i) Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the invoice value of materials on a first-in, first-out (FIFO) basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The cost of stock comprise all costs of purchase and other costs incurred in bringing the stocks to their present location and condition.

## 3. Significant accounting policies (cont'd)

### (j) Foreign currencies transactions

The individual financial statements of each entity of the group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Mauritian rupees, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated into the entity's functional currency at the rates of exchange prevailing on the balance sheet date.

Exchange differences arising on the settlement and the retranslation of monetary items are recognised in the income statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are expressed in Mauritian rupees using exchange rates prevailing on the balance sheet date. Their results for the period are translated into Mauritian rupees at average exchange rates for the period. The exchange differences arising from translation of the foreign operations are taken to the group's translation reserve.

### (k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### (i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's and the company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### (ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

## 3. *Significant accounting policies (cont'd)*

### *(k) Taxation (cont'd)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group and the company expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group and the company intend to settle its current tax assets and liabilities on a net basis.

## 3. Significant accounting policies (cont'd)

### (k) Taxation (cont'd)

(iii) *Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss.

### (l) Cash and cash equivalents

Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### (m) Retirement benefit obligations

The group operates a number of defined benefit plans, the assets of which are held with State Insurance Company of Mauritius Ltd and Anglo Mauritius Assurance Society Ltd.

The costs of providing benefits are actuarially determined using the projected unit credit method.

The present value of funded obligations is recognised in the balance sheet as a non-current liability after adjusting for the fair value of plan assets, any unrecognised actuarial gains and losses and any unrecognised past service cost. The assessment of these obligations is carried out annually by a firm of consulting actuaries.

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

## 3. Significant accounting policies (cont'd)

### (m) *Retirement benefit obligations (cont'd)*

Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

### (n) *Financial assets*

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### (i) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

#### (ii) *Held-to-maturity investments*

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the group and the company have the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

## 3. *Significant accounting policies (cont'd)*

### *(n) Financial assets (cont'd)*

#### *(iii) AFS financial assets*

Unlisted shares and listed redeemable notes held by the group and the company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the group's and the company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

#### *(iv) Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *(v) Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

# 3. Significant accounting policies (cont'd)

## (n) Financial assets (cont'd)

### (v) Impairment of financial assets (cont'd)

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's and the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. *Significant accounting policies (cont'd)*

### *(n) Financial assets (cont'd)*

#### *(v) Impairment of financial assets (cont'd)*

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

#### *(vi) Derecognition of financial assets*

The group and the company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group and the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group and the company recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the group and the company retain substantially all the risks and rewards of ownership of a transferred financial asset, the group and the company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### *(o) Financial liabilities and equity instruments issued by the group and the company*

#### *(i) Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *(ii) Equity instruments*

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

#### *(iii) Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

#### *(iv) Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

## 3. Significant accounting policies (cont'd)

### (o) Financial liabilities and equity instruments issued by the group and the company (cont'd)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the group and the company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

*(v) Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 3. *Significant accounting policies (cont'd)*

### *(o) Financial liabilities and equity instruments issued by the group and the company (cont'd)*

#### *(vi) Derecognition of financial liabilities*

The group and the company derecognises financial liabilities when, and only when, the group's and the company's obligations are discharged, cancelled or they expire.

### *(p) Provisions*

Provisions are recognised when the group and the company has a present obligation as a result of a past event, and it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

*Restructuring*

A restructuring provision is recognised when the group and the company have developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are these amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

### *(q) Leases*

*The company as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

*The company as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

## 3. Significant accounting policies

*(r) Borrowing costs*

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

*(s) Comparative figures*

Comparative figures have been regrouped or restated, where necessary, to conform to the current year's presentation.

## 4. Accounting judgements and key sources of estimation uncertainty

In the process of applying the group's and the company's accounting policies, which are described in note 3, the directors and management are required to exercise judgement and also to use estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Actual results may differ as a result of changes in these estimates.

Estimations and assumptions that have a significant effect on the amounts recognised in the financial statements include:

*(i) Estimated useful lives and residual values of property, plant and equipment*

Determining the carrying amounts of property, plant and equipment requires the estimation of the useful lives and residual values of these assets. Estimates of useful lives and residual values carry a degree of uncertainty due to technological change and obsolescence. The directors have used current information relating to expected use of assets and have benchmarked itself with its counterparts within the same industry in order to determine the useful lives and residual values of property, plant and equipment.

*(ii) Revenue recognition - Use of estimates*

Revenue and expenses recognised in the Income Statements include estimates for the fair value of services rendered during the reporting period but not yet billed. Although these estimates are based on management's best knowledge of current events and actions, management believe that they are not expected to be significantly different from actual results.

*(iii) Impairment of financial assets*

The guidance provided by IAS 39 has been followed in determining whether an investment needs to be impaired.

## 4. Accounting judgements and key sources of estimation uncertainty (cont'd)

This determination requires significant judgement. In making this judgement, the directors evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

*(iv) Defined benefit pension plan*

The group and the company operate a number of defined benefit pension plans for its employees. The value of the defined benefit pension fund is based on reports submitted by an independent actuarial firm. The amount shown in the balance sheet in respect of retirement benefit obligations is subject to estimates in respect of periodic costs which costs would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plans.

*(v) Segment information*

The Board has given its approval on 13 December 2007 for the working committee to proceed with the preparation of the company for listing of its shares. The time for the listing process has not been determined yet.

## 5. *Property, Plant And Equipment*

(a) THE GROUP

| | Freehold land, plant and equipment Rs | Plant and equipment in progress Rs | Buildings on leasehold land Rs | Furniture, fittings and equipment Rs | Motor vehicles Rs | Total Rs |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1 January 2007 | 15,169,225,517 | 222,809,093 | 551,062,807 | 1,313,752,079 | 226,601,140 | 17,483,450,636 |
| Additions | 657,187,889 | 409,293,981 | 673,937 | 4,115,107 | 4,914,700 | 1,076,185,614 |
| Disposals | - | - | - | - | (68,115,109) | (68,115,109) |
| Transfer | 214,243,500 | (214,243,500) | - | - | - | - |
| At 31 December 2007 | 16,040,656,906 | 417,859,574 | 551,736,744 | 1,317,867,186 | 163,400,731 | 18,491,521,141 |
| Additions | 561,476,185 | 621,504,334 | 2,752,532 | 34,573,310 | 44,845 | 1,220,351,206 |
| Disposals | - | - | - | (470,560) | (30,777,930) | (31,248,490) |
| Transfer | 83,474,251 | (84,606,052) | - | 1,131,801 | - | - |
| At 31 December 2008 | 16,685,607,342 | 954,757,856 | 554,489,276 | 1,353,101,737 | 132,667,646 | 19,680,623,857 |
| DEPRECIATION | | | | | | |
| At 1 January 2007 | 9,193,196,745 | - | 256,092,104 | 635,282,938 | 172,733,679 | 10,257,305,466 |
| Charge for the year | 982,440,828 | - | 35,078,261 | 166,146,513 | 21,250,390 | 1,204,915,992 |
| Disposals | - | - | - | - | (64,244,384) | (64,244,384) |
| At 31December 2007 | 10,175,637,573 | - | 291,170,365 | 801,429,451 | 129,739,685 | 11,397,977,074 |
| Charge for the year | 1,027,293,299 | - | 53,057,059 | 26,760,367 | 11,062,186 | 1,118,172,911 |
| Disposals | - | - | - | (470,560) | (29,509,355) | (29,979,915) |
| At 31 December 2008 | 11,202,930,872 | - | 344,227,424 | 827,719,258 | 111,292,516 | 12,486,170,070 |
| NET BOOK VALUE | | | | | | |
| At 31 December 2008 | 5,482,676,470 | 954,757,856 | 210,261,852 | 525,382,479 | 21,375,130 | 7,194,453,787 |
| At 31 December 2007 | 5,865,019,333 | 417,859,574 | 260,566,379 | 516,437,735 | 33,661,046 | 7,093,544,067 |

# 5. Property, Plant And Equipment

(b) THE COMPANY

| | Freehold land, plant and equipment Rs | Plant and equipment in progress Rs | Buildings on leasehold land Rs | Furniture, fittings and equipment Rs | Motor vehicles Rs | Total Rs |
|---|---|---|---|---|---|---|
| COST | | | | | | |
| At 1 January 2007 | 12,451,741,095 | 222,809,093 | 547,894,176 | 1,231,583,155 | 211,268,117 | 14,665,295,636 |
| Additions | 207,019,045 | 409,293,981 | 406,987 | 1,082,309 | 4,914,700 | 622,717,022 |
| Disposals | (38,103,907) | - | - | - | (66,348,848) | (104,452,755) |
| Transfer | 214,243,500 | (214,243,500) | - | - | - | - |
| At 31 December 2007 | 12,834,899,733 | 417,859,574 | 548,301,163 | 1,232,665,464 | 149,833,969 | 15,183,559,903 |
| Additions | 399,648,616 | 621,504,334 | 1,876,690 | 10,193,787 | 44,845 | 1,033,268,272 |
| Disposals | (98,818,576) | - | - | (470,560) | (28,490,785) | (127,779,921) |
| Transfer | 83,624,039 | (84,606,052) | - | 982,013 | - | - |
| At 31 December 2008 | 13,219,353,812 | 954,757,856 | 550,177,853 | 1,243,370,704 | 121,388,029 | 16,089,048,254 |
| DEPRECIATION | | | | | | |
| At 1 January 2007 | 8,085,848,851 | - | 255,307,874 | 372,828,762 | 159,771,282 | 8,873,756,769 |
| Charge for the year | 718,974,537 | - | 34,970,784 | 159,413,434 | 19,454,507 | 932,813,262 |
| Disposals | (22,172,241) | - | - | - | (62,519,347) | (84,691,588) |
| At 31 December 2007 | 8,782,651,147 | - | 290,278,658 | 532,242,196 | 116,706,442 | 9,721,878,443 |
| Charge for the year | 765,361,948 | - | 52,774,496 | 19,474,633 | 12,038,036 | 849,649,113 |
| Disposals | (66,524,593) | - | | (470,560) | (28,490,786) | (95,485,939) |
| At 31 December 2008 | 9,481,488,502 | - | 343,053,154 | 551,246,269 | 100,253,692 | 10,476,041,617 |
| NET BOOK VALUE | | | | | | |
| At 31 December 2008 | 3,737,865,310 | 954,757,856 | 207,124,699 | 692,124,435 | 21,134,337 | 5,613,006,637 |
| At 31 December 2007 | 4,052,248,586 | 417,859,574 | 258,022,505 | 700,423,268 | 33,127,527 | 5,461,681,460 |

During the year the group and the company carried out a review of the useful lives of their plant and equipment. The review led to the recognition of an additional depreciation charge of Rs14,252,910 (2007: Rs19,010,708) for the group and the company which have been included in depreciation charge for the year.

## 6. Goodwill

The goodwill arose on the acquisition of an additional 30% in Telecom Plus in 2006. The goodwill has been allocated to the subsidiary's internet service business which is the cash generating unit (CGU) for impairment testing purposes.

The group tests goodwill annually for impairment if there are indications that goodwill might be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the directors covering a one year period. Cash flows beyond the one year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate of the respective sector in which the CGU operates.

The discount rates used are pre-tax and reflect specific risks of the CGU.

Key assumptions used for value-in-use calculations:

| | |
|---|---|
| Growth rate | 5% |
| Discount rate | 10% |

## 7. Other Intangible Asset

| | THE GROUP | THE COMPANY |
|---|---|---|
| | Computer software | |
| | Rs | Rs |
| COST | | |
| At 1 January 2007 | 614,856,019 | 527,815,770 |
| Additions | 26,316,241 | 2,010,958 |
| At 31 December 2007 | 641,172,260 | 529,826,728 |
| Additions | 6,575,683 | 5,234,313 |
| At 31 December 2008 | 647,747,943 | 535,061,041 |
| AMORTISATION | | |
| At 1 January 2007 | 440,712,634 | 420,897,466 |
| Charge for the year | 114,170,210 | 96,203,723 |
| At 31 December 2007 | 554,882,844 | 517,101,189 |
| Charge for the year | 32,518,431 | 9,932,156 |
| At 31 December 2008 | 587,401,275 | 527,033,345 |
| NET BOOK VALUE | | |
| At 31 December 2008 | 60,346,668 | 8,027,696 |
| At 31 December 2007 | 86,289,416 | 12,725,539 |

## 8. Investments In Subsidiaries

| | THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| | Rs | Rs |
| At cost, unquoted | | |
| At beginning of year | 242,821,830 | 242,821,830 |
| Written off | (51,000) | - |
| At end of year | 242,770,830 | 242,821,830 |
| Provision for impairment loss | (1,500,000) | (1,551,000) |
| | 241,270,830 | 241,270,830 |

The subsidiaries of Mauritius Telecom Ltd are as follows:

| Name of company | Country of incorporation | Class of shares | Proportion of ownership interest 2008 | Proportion of ownership interest 2007 | Principal activity |
|---|---|---|---|---|---|
| Teleservices (Mauritius) Ltd | Mauritius | Ordinary | 100% | 100% | Directory publication |
| Cellplus Mobile Communications Ltd | Mauritius | Ordinary | 100% | 100% | Mobile phone operator |
| Call Services Ltd | Mauritius | Ordinary | 100% | 100% | Call centre services |
| Telecom Plus Ltd | Mauritius | Ordinary | 100% | 100% | Internet service provider |
| MB Mobile Ltd | Mauritius | Ordinary | 100% | 100% | Voluntary winding up |

Pursuant to directors' resolution dated 13 December 2007, procedures for winding up MB Mobile Ltd have been initiated.

## 9. Investments In Associates

Available-for-sale investments

THE GROUP

| | 2008 | 2007 |
|---|---|---|
| | Rs | Rs |
| Costs of investment in associates | 88,726,172 | 46,346,172 |
| Provision for impairment loss | (5,411,292) | (5,411,292) |
| Share of post-acquisition profits, net of dividend received | 252,705,822 | 197,025,429 |
| | 336,020,702 | 237,960,309 |

THE COMPANY

| | 2008 | 2007 |
|---|---|---|
| | Rs | Rs |
| Costs of investment in associates | 88,726,172 | 46,346,172 |
| Provision for impairment loss | (5,411,292) | (5,411,292) |
| | 88,314,880 | 40,934,880 |

## Investments In Associates (Cont'd)

The associates of Mauritius Telecom Ltd are as follows:

| Name of company | Country of incorporation | Class of shares | Proportion of ownership interest 2008 | Proportion of ownership interest 2007 | Principal activity |
|---|---|---|---|---|---|
| HDM Interactive Ltd | Mauritius | Ordinary | 30.00% | 30.00% | Internet Kiosks |
| Telsea Investment Ltd | Mauritius | Ordinary | 24.50% | 24.50% | Investment holding |
| Continuity (Mtius) Ltd | Mauritius | Ordinary | 50.00% | - | Business Continuity Services |

Summarised financial information in respect of the Group's associates is set out below:

| | 2008 Rs | 2007 Rs |
|---|---|---|
| Total assets | 4,690,308,901 | 3,110,154,251 |
| Total liabilities | 3,411,304,737 | 2,022,083,759 |
| Net assets | 1,279,004,164 | 1,088,070,492 |
| Group's share of associates' net assets | 336,020,702 | 237,960,309 |
| Revenue | 4,510,485,313 | 4,365,625,763 |
| Profit for the year | 434,739,317 | 559,089,867 |
| Group's share of associates' profit for the year | 106,511,133 | 102,981,191 |

## 10. Other Investments

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 Rs | 2007 Rs |
| (a) Available-for-sale investments | | |
| At cost (1) | | |
| At beginning and end of year | 57,970,359 | 57,970,359 |
| Impairment | | |
| At beginning of year | 40,000,000 | - |
| Charge | - | 40,000,000 |
| At end of year | 40,000,000 | 40,000,000 |
| Carrying amount | 17,970,359 | 17,970,359 |

## 10. Other Investments (Cont'd)

The unquoted shares are stated at cost since market values cannot be obtained.

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| | Rs | Rs |
| At fair value (2) | | |
| At beginning of year | 4,234,000 | 3,346,000 |
| Change in fair value | (762,000) | 888,000 |
| At end of year | 3,472,000 | 4,234,000 |

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| | Rs | Rs |
| (b) Held-to-maturity | | |
| At amortised cost | | |
| At beginning of year | - | - |
| Additions | 145,702,500 | 277,447,292 |
| Interest income | 2,570,750 | 4,171,019 |
| Disposals | - | (281,618,311) |
| At end of year | 148,273,250 | - |
| Total | 169,715,609 | 22,204,359 |

(1) The available for sale investments carried at cost relate to investment in shares in unquoted companies.

(2) The available for sale investments carried at fair value relate to investment in SBM Universal Fund. Fair value is determined by reference to Stock Exchange quoted selling prices at the close of business on the balance sheet date.

(3) Held-to-maturity investment relates to investment in Treasury Bills for the year.

## 11. Stocks

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Trading stocks, at net realisable Value | 153,520,890 | 92,725,488 | 146,728,993 | 75,943,086 |

## 12. Trade Receivables

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 (Restated) | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Trade receivables | 2,292,313,957 | 2,033,065,329 | 1,741,401,349 | 1,601,767,160 |
| Provision for doubtful debts | (674,517,642) | (596,603,213) | (584,948,440) | (524,285,942) |
| | 1,617,796,315 | 1,436,462,116 | 1,156,452,909 | 1,077,481,218 |

Included in the group's trade receivables are debtors with a carrying amount of Rs77.9m (2007: Rs77.9m), which are past due at the reporting date and not fully provided for as there has been no significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances.

All other past due debts have been impaired as per approved policy. More information on credit risk management is provided in note 32.5.

Movement in provision for doubtful debts

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Balance at beginning of the year | 596,603,213 | 560,834,042 | 524,285,942 | 468,850,406 |
| Impairment losses recognised on receivables | 101,150,289 | 72,938,722 | 83,898,358 | 72,605,087 |
| Amounts written off | (23,235,860) | (17,169,551) | (23,235,860) | (17,169,551) |
| Amounts reversed | - | (20,000,000) | - | - |
| Balance at end of the year | 674,517,642 | 596,603,213 | 584,948,440 | 524,285,942 |

In determining the recoverability of trade receivables, the group and the company consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for doubtful debts.

Included in the provision for doubtful debts are individually impaired trade receivables amounting to Rs 10.2m (2007: Rs 23.1m) which relates to customers with high probability of default on payments due. The group does not hold any collateral over these balances.

Ageing of impaired trade receivables

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Under 180 days | 67,746,240 | 44,975,541 | 58,242,790 | 40,171,228 |
| 180 to 360 days | 63,295,144 | 47,592,253 | 56,100,062 | 42,528,017 |
| > 360 days | 543,476,258 | 504,035,419 | 470,605,588 | 441,586,697 |
| Total | 674,517,642 | 596,603,213 | 584,948,440 | 524,285,942 |

## 13. Other Receivables

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Outside parties | 390,279,097 | 333,029,059 | 251,834,991 | 263,817,406 |
| Subsidiaries | - | - | 35,628,571 | 45,959,944 |
| Associates | 1,124,681 | 1,099,542 | 1,124,681 | 1,099,542 |
| Related party | 50,317,999 | - | - | - |
| | 441,721,777 | 334,128,601 | 288,588,243 | 310,876,892 |

The amounts due from subsidiaries and associates have no fixed terms of repayment. Amounts due from subsidiaries bear interest at rates which varied between 10.5%and 12.75% per annum (2007: between 12 % and 12.75% % per annum).

## 14. Amount Due From A Subsidiary

The loan are unsecured and bears interest at rates which varied between 10.25% and 12.75% per annum (2007: between 12% and 12.75% per annum).

## 15. Stated Capital

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| | Rs | Rs |
| ISSUED AND FULLY PAID UP | | |
| 190,000,001 Ordinary shares of Rs1 each | 190,000,001 | 190,000,001 |

The constitution of the company was amended at an Extraordinary meeting held on 22 November 2000 whereby it was resolved to increase the authorised and issued share capital of the company by the creation and issue of one special share of one rupee. The special share was issued to the Government of the Republic of Mauritius and has special rights as stated in the amended constitution.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

## 16. Reserves

Reserves of the group consist of fair value reserve and foreign currency translation reserve. Fair value reserve arises on the revaluation of available-for sale financial assets (refer to Note 10) carried at fair value. Upon sale of the financial assets, the portion of the reserve that relates to the financial assets will be effectively realised and recognised in the income statement.

The fair value reserve relates to investment in SBM Universal fund.

The movement during the year are provided in the table below:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| At beginning of year | 2,228,650 | 1,204,683 | 2,234,000 | 1,346,000 |
| Movement for the year | (762,000) | 1,023,967 | (762,000) | 888,000 |
| At end of year | 1,466,650 | 2,228,650 | 1,472,000 | 2,234,000 |

## 17. Loans

Loans are repayable by instalments with fixed rates of interest ranging between 3.52% and 4.39% per annum (2007: 3.52% and 4.39% per annum) as follows:-

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| | Rs | Rs |
| Within one year | 38,373,458 | 47,871,029 |
| Between two and five years | 115,335,365 | 191,484,117 |
| After five years | - | 268,185 |
| | 115,335,365 | 191,752,302 |
| | 153,708,823 | 239,623,331 |

The above loans are denominated in British Pounds Sterling and are repayable in half yearly instalments. The loans are guaranteed by the Government of Mauritius.

## 18. Trade Payables

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 (Restated) | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Amounts falling due within one year | | | | |
| Outside parties | 809,234,778 | 894,716,761 | 185,360,108 | 199,586,928 |
| Subsidiary | - | - | 195,093,027 | 160,367,424 |
| Related parties | 143,436,153 | 49,653,845 | 115,995,465 | 49,653,845 |
| | 952,670,931 | 944,370,606 | 496,448,600 | 409,608,197 |
| Amounts falling due after one year | | | | |
| Outside parties | 397,106,536 | 386,153,361 | 397,106,534 | 386,153,361 |

The average credit period from suppliers on purchases of goods and services is 30 days from invoice date.

No interest is charged on the trade payables to outside parties as the group has set up processes that ensure all payables are paid within the credit timeframe.

Amount due to the subsidiary is unsecured and has no fixed terms of repayment and bears interest at rates which varied between 10.25% and 12.75% per annum (2007: between 12% and 12.75% per annum).

## 19. Income Taxes

(i) Income tax

The company is subject to income tax at the statutory rate of 15% (2007: 22.5%/15%) on the profit for the year as adjusted for tax purposes.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 (Restated) | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Current tax liabilities | 440,129,947 | 487,522,698 | 197,091,405 | 261,731,633 |
| Under/(over)provision of tax in previous years | 103,840,421 | (4,300,887) | 58,868,562 | - |
| | 543,970,368 | 483,221,811 | 255,959,967 | 261,731,633 |
| Deferred tax income | (31,394,227) | (256,875,313) | (29,975,555) | (222,434,110) |
| Tax expense | 512,576,141 | 226,346,498 | 225,984,412 | 39,297,523 |

(ii) Tax reconciliation

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 (Restated) | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Profit before tax | 2,441,360,345 | 2,325,147,168 | 1,866,195,081 | 1,774,748,244 |
| Tax at the rate of 15% (2007: 22.5%/15%) | 366,204,052 | 437,998,215 | 279,929,262 | 332,765,296 |
| Tax effect of: | | | | |
| - Non allowable expenses | 3,121,603 | 29,063,735 | 321,310 | 10,903,513 |
| - Expenses eligible for 200% deduction | (2,633,169) | (3,125,911) | (2,633,169) | (3,125,911) |
| - Exempt income | (16,660,076) | (28,579,220) | (156,470,517) | (171,593,284) |
| - Under provision of deferred tax in prior years | 61,888,696 | 76,982,891 | 45,968,964 | 22,603,946 |
| - Under/(over)provision of current tax in prior year | 103,840,421 | (4,300,887) | 58,868,562 | - |
| - Overprovision of tax in current year | - | (4,340,952) | - | - |
| - Tax rate differential | - | (52,773,325) | - | - |
| - Utilisation of tax losses of a subsidiary | (3,185,386) | (3,525,048) | - | - |
| - Change in income tax rate from 22.50% to 15% on deferred tax balance (effective 1 July 2008) | - | (221,053,000) | - | (152,256,037) |
| | 146,372,089 | (211,651,717) | (53,944,850) | (293,467,773) |
| | 512,576,141 | 226,346,498 | 225,984,412 | 39,297,523 |

## 19. Income Taxes (Cont'd)

(iii) Deferred tax liabilities

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008<br>Rs | 2007<br>Rs | 2008<br>Rs | 2007<br>Rs |
| At beginning of year | | | | |
| - As previously stated | 476,276,459 | 846,287,610 | 304,512,073 | 686,885,712 |
| - Prior year adjustment | - | (113,135,838) | - | (159,939,529) |
| As restated | 476,276,459 | 733,151,772 | 304,512,073 | 526,946,183 |
| Deferred tax income | (31,394,227) | (256,875,313) | (29,975,555) | (222,434,110) |
| At end of year | 444,882,232 | 476,276,459 | 274,536,518 | 304,512,073 |

Deferred tax (assets)/liabilities arise from the following:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008<br>Rs | 2007<br>Rs | 2008<br>Rs | 2007<br>Rs |
| Temporary differences | | | | |
| Property, plant and equipment | 704,759,122 | 717,143,002 | 522,137,195 | 536,043,655 |
| Other temporary differences | (259,876,890) | (240,866,543) | (247,600,677) | (231,531,582) |
| | 444,882,232 | 476,276,459 | 274,536,518 | 304,512,073 |

## 20. Retirement Benefit Obligations

Amounts recognised in balance sheets at end of year:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008<br>Rs | 2007<br>Rs | 2008<br>Rs | 2007<br>Rs |
| Present value of funded obligations | 2,555,361,000 | 2,307,678,000 | 2,526,465,000 | 2,284,481,000 |
| Fair value of plan assets | (1,269,798,000) | (1,378,375,000) | (1,249,701,000) | (1,359,152,000) |
| | 1,285,563,000 | 929,303,000 | 1,276,764,000 | 925,329,000 |
| Unrecognised actuarial loss | (498,119,000) | (219,504,000) | (500,300,000) | (225,389,000) |
| Liabilities recognised in balance sheets at end of year | 787,444,000 | 709,799,000 | 776,464,000 | 699,940,000 |

Amounts recognised in income statements:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008<br>Rs | 2007<br>Rs | 2008<br>Rs | 2007<br>Rs |
| Current net service cost | 86,194,000 | 82,202,000 | 82,784,000 | 79,045,000 |
| Interest cost | 236,464,000 | 198,589,000 | 234,038,000 | 196,405,000 |
| Expected return on plan assets | (152,576,000) | (127,857,000) | (150,338,000) | (126,204,000) |
| Actuarial loss recognised | (121,000) | (45,000) | - | - |
| Total included in staff costs | 169,961,000 | 152,889,000 | 166,484,000 | 149,246,000 |
| Actual return on plan assets | (125,918,000) | 172,496,000 | (124,573,000) | 170,172,000 |

## 20. *Retirement Benefit Obligations (Cont'd)*

Key assumptions:

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| **Used to determine benefit obligation at end of year and pension cost for new financial year** | | |
| Discount rate for obligations | 10.50% | 10.50% |
| Rate of future compensation increases | 8.00% | 8.00% |
| Rate of pension increases | 6.00% | 6.00% |
| Long-term rate of return on plan assets | 11.00% | 11.00% |
| **Used to determine net periodic pension cost for financial year** | | |
| Discount rate for expense | 10.50% | 10.50% |
| Rate of future compensation increases | 8.00% | 8.00% |
| Rate of pension increases | 6.00% | 6.00% |
| Long-term rate of return on plan assets | 11.00% | 10.50% |

Change in defined benefit obligation during year:

| | 2008 Rs | 2007 Rs | 2008 Rs | 2007 Rs |
|---|---|---|---|---|
| Defined benefit obligation at beginning of year | 2,307,678,000 | 1,932,295,000 | 2,284,481,000 | 1,911,435,000 |
| Net service cost | 86,194,000 | 82,202,000 | 82,784,000 | 79,045,000 |
| Interest cost | 236,464,000 | 198,589,000 | 234,038,000 | 196,405,000 |
| Employee contributions | 4,668,000 | 3,848,000 | 4,668,000 | 3,848,000 |
| Benefits paid | (79,643,000) | (104,450,000) | (79,506,000) | (104,279,000) |
| Experience loss | - | 195,194,000 | - | 198,027,000 |
| Defined benefit obligation at end of year | 2,555,361,000 | 2,307,678,000 | 2,526,465,000 | 2,284,481,000 |

Change in plan assets during year:

| | | | | |
|---|---|---|---|---|
| Fair value of plan assets at beginning of year | 1,378,375,000 | 1,220,781,000 | 1,359,152,000 | 1,206,420,000 |
| Employer contributions | 92,316,000 | 85,700,000 | 89,960,000 | 82,991,000 |
| Employee contributions | 4,668,000 | 3,848,000 | 4,668,000 | 3,848,000 |
| Benefits paid | (79,643,000) | (104,450,000) | (79,506,000) | (104,279,000) |
| Expected return on plan assets | 152,576,000 | 127,857,000 | 150,338,000 | 126,204,000 |
| Actuarial gains on plan assets | (278,494,000) | 44,639,000 | (274,911,000) | 43,968,000 |
| Fair value of plan assets at end of year | 1,269,798,000 | 1,378,375,000 | 1,249,701,000 | 1,359,152,000 |

## 20. Retirement Benefit Obligations (Cont'd)

Mauritius Telecom Ltd's Pension Plan weighted average asset allocation by asset category is as follows:

| | Percentage of Plan Assets Invested in Asset Category at End of Financial Year | | | |
|---|---|---|---|---|
| | THE GROUP AND THE COMPANY | | | |
| Asset category | 2008 | 2007 | 2006 | 2005 |
| Equity Securities/Local equity | 20% | 35% | 35% | 28% |
| Overseas equity and Bond | 13% | - | - | - |
| Government securities and cash | 57% | - | - | - |
| Loan | 9% | - | - | - |
| Property | 1% | - | - | - |
| Debt Securities | - | 41% | 41% | 46% |
| Real Estate | - | 1% | 1% | 1% |
| Other | - | 23% | 23% | 25% |
| Total | 100% | 100% | 100% | 100% |

History of obligations, assets and experience adjustments

### THE GROUP

| | 2008 | 2007 | 2006 (Restated) | 2005 |
|---|---|---|---|---|
| | Rs | Rs | Rs | Rs |
| Fair value of plan assets | 1,269,798,000 | 1,378,375,000 | 1,220,781,000 | 1,036,801,000 |
| Present value of defined benefit obligation | (2,555,361,000) | (2,307,678,000) | (1,932,295,000) | (1,677,584,000) |
| Deficit | (1,285,563,000) | (929,303,000) | (711,514,000) | (640,783,000) |
| Asset experience gain during the year | 278,494,000 | 44,639,000 | 100,220,000 | 36,119,000 |
| Liability experience loss/(gain) during the year | - | 195,194,000 | (57,401,000) | 5,283,000 |

### THE COMPANY

| | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| | Rs | Rs | Rs | Rs |
| Fair value of plan assets | 1,249,701,000 | 1,359,152,000 | 1,206,420,000 | 1,027,039,000 |
| Present value of defined benefit obligation | (2,526,465,000) | (2,284,481,000) | (1,911,435,000) | (1,659,193,000) |
| Deficit | (1,276,764,000) | (925,329,000) | (705,015,000) | (632,154,000) |
| Asset experience gain during the year | 274,911,000 | 43,968,000 | 99,257,000 | 35,954,000 |
| Liability experience loss during the year | - | 198,027,000 | - | - |

## 20. Retirement Benefit Obligations (Cont'd)

Actual Return on Plan Assets

**THE GROUP**

| | 2008 Rs | 2007 Rs | 2006 Rs | 2005 Rs |
|---|---|---|---|---|
| Expected Return on Plan Assets | 152,576,000 | 127,857,000 | 99,406,000 | 81,938,000 |
| Actuarial Gains/(Loss) on Plan Assets | (278,494,000) | 44,639,000 | 100,196,000 | 36,119,000 |
| Actual Return on Plan Assets | (125,918,000) | 172,496,000 | 199,602,000 | 118,057,000 |

**THE COMPANY**

| | 2008 Rs | 2007 Rs | 2006 Rs | 2005 Rs |
|---|---|---|---|---|
| Expected Return on Plan Assets | 150,338,000 | 126,204,000 | 98,393,000 | 81,293,000 |
| Actuarial Gains/(Loss) on Plan Assets | (274,911,000) | 43,968,000 | 99,257,000 | 35,954,000 |
| Actual Return on Plan Assets | (124,573,000) | 170,172,000 | 197,650,000 | 117,247,000 |

Employer Contributions

The group and the company expect to contribute Rs99,701,000 and Rs97,157,000 to its pension plan respectively in 2009.

Retirement benefit obligations have been based on the report from Hewitt Associates dated January 2009.

## 21. Other Payables And Accrued Expenses

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 (Restated) | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Subsidiaries | - | - | 467,483,164 | 202,158,715 |
| Other payables and accrued expenses | 1,170,649,965 | 957,108,346 | 1,056,328,052 | 823,019,873 |
| Work in progress | 480,405,993 | 240,342,681 | 480,405,993 | 240,342,681 |
| | 1,651,055,958 | 1,197,451,027 | 2,004,217,209 | 1,265,521,269 |

The amounts due to subsidiaries is unsecured and have no fixed terms of repayment. Amounts due to subsidiaries bear interest at rates which varied between 10.25% and 12.75% per annum (2007: between 12% and 12.75% per annum).

## 22. Provisions

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Employee benefits | 218,990,047 | 204,651,281 | 213,056,302 | 195,856,483 |
| Dismantling costs | 6,651,950 | 6,691,950 | 6,691,950 | 6,691,950 |
| Restructuring costs | 35,954,231 | 35,954,231 | 35,954,231 | 35,954,231 |
| | 261,596,228 | 247,297,462 | 255,702,483 | 238,502,664 |

The table below shows the movement in provisions during the year:

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | Employee benefits | Dismantling costs | Restructuring costs | Employee benefits | Restructuring costs | Dismantling Costs |
| | Rs | Rs | Rs | Rs | Rs | Rs |
| Balance at beginning of year | 204,651,281 | 6,691,950 | 35,954,231 | 195,856,483 | 35,954,231 | 6,691,950 |
| Additional provisions recognised | 14,338,766 | - | - | 17,199,819 | - | - |
| Balance at end of year | 218,990,047 | 6,691,950 | 35,954,231 | 213,056,302 | 35,954,231 | 6,691,950 |

(i) The provision for employee benefits represents untaken leaves and amounts accrued under savings scheme. The provision is based on each employee's entitlement to the above mentioned benefits.

(ii) The provision for dismantling costs represents an estimate of the future outflow of economic benefits that will be required to remove plant and equipment. The estimate has been made on the basis of quotes obtained from external contractors.

(iii) The provision for restructuring costs includes both restructuring and employment contract termination costs based on the directors' best estimate of the future outflow of economic benefits that will be required to complete the re-organisation.

## 23. Dividends

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| | Rs | Rs |
| Final dividend of Rs0.9391 per share for 2006 | - | 178,431,000 |
| Final dividend of Rs 1.26 per share for 2007 | 239,400,001 | - |
| Interim dividend of Rs5.5789 (2006: Rs6.997) per share | - | 1,060,000,000 |
| Interim dividend of Rs 4.81 per share for 2008 | 913,900,000 | - |
| Special dividend of Rs15.789 per share | - | 3,000,000,000 |
| | 1,153,300,001 | 4,238,431,000 |

Final dividend of Rs1.26 per share amounting to Rs239,400,001 in respect of the previous year was declared by the directors on 30 April 2008 and paid in 2008.

Interim dividend of Rs4.81 per share amounting to Rs 913,900,000 in respect of the current year was declared by the directors on 11 December 2008 and accrued in the financial statements in year 2008.

## 24. Revenue

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Sale of goods | 1,770,180,368 | 1,631,253,127 | 162,897,422 | 208,599,873 |
| Rendering of services | 4,883,121,166 | 4,638,866,008 | 4,189,386,320 | 4,062,289,987 |
| | 6,653,301,534 | 6,270,119,135 | 4,352,283,742 | 4,270,889,860 |

As per General Notice No. 1813 of 2008, legal supplement, the company is required to contribute part of the revenues derived from international incoming minutes to a Universal Service Fund established under Section 21 of the Information and Communication Technologies Act 2001.

The volume of incoming international minutes terminated by Mauritius Telecom in 2008 was 77.1 million minutes.

## 25. Profit From Operations

Profit from operations is arrived at after charging/(crediting) the following items:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| - Depreciation of property, plant and equipment | 1,118,172,911 | 1,204,915,992 | 849,649,113 | 932,813,262 |
| - Staff costs | 1,233,917,522 | 1,214,873,562 | 1,057,213,867 | 1,096,404,831 |
| - Costs of stocks recognised as expense | 160,724,615 | 223,560,577 | 104,564,532 | 135,964,320 |
| - Amortisation of intangible assets | 32,518,431 | 114,170,210 | 9,932,156 | 96,203,723 |
| - Reversal of provision for slow moving stock | (1,435,255) | (3,701,029) | (1,435,255) | (3,701,029) |
| - Reversal of impairment in investment in associate | - | (26,245,080) | - | (26,245,080) |
| - Reversal of impairment in investment in a subsidiary | - | - | (53,000) | - |
| - Impairment loss on available-for -sale equity investments | - | 40,000,000 | - | 40,000,000 |
| - Impairment loss recognised on trade receivables | 101,150,289 | 72,938,722 | 83,898,358 | 72,605,087 |
| - Directors' emoluments (part time) | 4,671,261 | 2,990,200 | 4,443,261 | 2,846,200 |
| - Auditors' remuneration: | | | | |
| - Audit fees | 1,900,000 | 1,678,200 | 1,243,000 | 1,140,000 |
| - Fees for other services | - | 284,500 | - | 162,500 |
| - Donations | 2,885,893 | 4,863,999 | 2,885,893 | 4,863,999 |
| - Profit on disposal of property, plant and equipment | (6,364,345) | (10,203,001) | (6,818,853) | (9,894,746) |

## 26. Other Income

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Rental income | - | - | 12,284,046 | 17,642,912 |
| Management fees | - | - | 152,009,249 | 47,134,213 |
| Other income | 46,051,710 | 8,088,397 | 67,251,604 | 4,300,216 |
| | 46,051,710 | 8,088,397 | 231,544,899 | 69,077,341 |

## 27. Other Gains And Losses

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 Rs | 2007 Rs | 2008 Rs | 2007 Rs |
| Profit on disposal of property, plant and equipment | 6,364,345 | 10,203,001 | 6,762,175 | 9,894,746 |
| Profit on disposal of associate | - | 8,542,402 | - | 102,686 |
| Profit on disposal of a subsidiary | - | - | 56,678 | - |
| Net exchange gains/(losses) | 69,321,385 | (42,735,452) | 44,594,066 | (15,166,555) |
| | 75,685,730 | (23,990,049) | 51,412,919 | (5,169,123) |

Net exchange gains of Rs 44,594,066 for the company (2007: Loss of Rs 15,166,555) comprises Rs 102,170,532 of exchange gain and Rs 57,576,466 of exchange loss (2007: Rs 49,699,251 of exchange gain and Rs 64,865,806 of exchange loss).

Net exchange gains of Rs 69,321,385 for the group (2007: Rs 42,735,452) comprises Rs 220,472,340 of exchange gain and Rs 151,150,955 of exchange loss (2007: Rs 73,323,187of exchange gain and Rs 116,058,639 of exchange loss).

The exchange losses and gains are attributable mainly to the translation of monetary assets and liabilities denominated in foreign currencies into the functional currency at the rate of exchange prevailing at the balance sheet date.

## 28. Investment Income

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 Rs | 2007 Rs | 2008 Rs | 2007 Rs |
| Dividend income | 4,556,043 | 2,589,373 | 1,043,136,782 | 876,883,398 |
| Interest income | | | | |
| - Bank deposits | 207,606,230 | 461,185,603 | 192,180,998 | 440,749,125 |
| - Held-to-maturity investments | 2,570,751 | 6,952,708 | 2,570,751 | 6,952,708 |
| - Current accounts with subsidiaries | - | - | 11,108,039 | 8,534,419 |
| - Others | 3,558,258 | 3,297,034 | 2,861,154 | 2,760,462 |
| | 218,291,282 | 474,024,718 | 1,251,857,724 | 1,335,880,112 |

Investment income earned on financial assets, analysed by category of asset is as follows:

| | 2008 Rs | 2007 Rs | 2008 Rs | 2007 Rs |
|---|---|---|---|---|
| Available-for-sale financial assets | 4,556,043 | 2,589,373 | 1,054,244,821 | 885,417,817 |
| Loans and receivables (including cash and bank balances) | 211,164,488 | 464,482,637 | 195,042,152 | 443,509,587 |
| Held-to-maturity investments | 2,570,751 | 6,952,708 | 2,570,751 | 6,952,708 |
| | 218,291,282 | 474,024,718 | 1,251,857,724 | 1,335,880,112 |

## 29. Finance Costs

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 Rs | 2007 Rs | 2008 Rs | 2007 Rs |
| Interest expense | | | | |
| - Bank borrowings | 7,541,814 | 11,308,365 | 7,797,490 | 11,287,835 |
| - Current accounts with subsidiaries | - | - | 88,349,048 | 70,609,148 |
| - Others | 1,252,000 | 1,252,000 | - | 1,252,000 |
| | 8,793,814 | 12,560,365 | 96,146,538 | 83,148,983 |

## 30. Earnings Per Share

THE GROUP

The calculation of earnings per share is based on profit for the year after taxation of Rs 1,928,784,204 (2007: Rs 2,098,800,670) and on 190,000,001 shares in issue for the two years ended 31 December 2008.

THE COMPANY

The calculation of earnings per share is based on profit for the year after taxation of Rs 1,640,210,669 (2007: Rs 1,735,450,721) and on 190,000,001 shares in issue for the two years ended 31 December 2008.

## 31. Prior Year Adjustments

Change in accounting policy

During the year, a subsidiary changed its accounting policy with respect to revenue recognition relating to sales of publicity in directories.

In previous periods, revenue from publicity in directories was recognised at the time the contracts were signed and had become unconditional. As from 1 January 2008, revenue from sales of publicity in directories is recognised when the directories are actually published and available to the public. This change in accounting policy has been accounted for retrospectively. The effect of this change is an increase in profits after tax of the group of Rs 960,376 in 2007. Opening retained earnings of the group at 1 January 2007 have decreased by Rs 24,567,498.

Prior period error

Following a review of contracts with foreign operators performed by a subsidiary during the year, it has been noted that for 2007 the subsidiary did not provide for discount to foreign operators for roaming facilities. The impact of the above resulted in an overstatement of amount due from foreign operators of Rs 55,398,554 as at 31 December 2007. The overstatement has been corrected against the subsidiary's revenue and amount due from foreign operators for 2007. The effect of making the correction is a decrease in amount due from foreign operators of Rs 55,398,554 and profits after tax of Rs 45,011,325 in 2007.

## 32. Financial Instruments

32.1 *Capital risk management*

The group and the company manage its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings.

The capital structure will be reviewed regularly taking into consideration the cost of capital and risks associated with each class of capital. The objective is to reach a capital structure in line with those of its peers within the same industry and this could be achieved through payments of dividends, issue of new debt or/and redemption of existing debt,

# 32. Financial Instruments (Cont'd)

32.2 *Significant accounting policies*

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liability and equity instrument are disclosed in note 3 to the financial statements.

32.3 *Categories of financial instruments*

*Financial assets*

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008<br>Rs | 2007<br>Rs<br>(Restated) | 2008<br>Rs | 2007<br>Rs |
| Loans and receivables (including cash and cash equivalents) | 5,604,142,861 | 4,091,741,898 | 4,933,715,288 | 3,334,703,449 |
| Available for sale financial assets | 3,472,000 | 4,234,000 | 3,472,000 | 4,234,000 |
| Held to maturity financial asset | 148,273,251 | - | 148,273,251 | - |
| | 5,755,888,112 | 4,095,975,898 | 5,085,460,539 | 3,338,937,449 |
| *Financial liabilities* | | | | |
| Amortised cost | 4,261,802,238 | 3,014,895,787 | 4,221,133,327 | 2,539,408,822 |

There is no material difference between the values of financial liabilities at fair value and amounts payable at maturity.

32.4 *Financial risk management*

The company has set up a Treasury function which provides services to the company and its subsidiaries. It monitors and manages the financial risks relating to their operations, namely credit risk, interest rate risk, currency risk and liquidity risk.

32.5 *Credit risk management*

Financial instruments that could potentially subject the company to concentrations of credit risk consist primarily of cash, trade receivables and investments.

The group and the company consider that they have an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential, professional and business customers) operating in numerous industries and located in Mauritius and abroad. In addition, the maximum value of the credit risk on these financial assets is equal to their recognised net book value.

Credit risk on trade receivables is managed through appropriate credit control policies implemented as per approved policy, which is reviewed yearly by the risk committee. The credit control policy is implemented by a credit control team dedicated to credit management. In addition, the trade recovery process has been outsourced to a debt collection agency.

Total trade receivables (net of allowances) held by the group and the company at 31 December 2008 amounted to Rs 1,617,796,315 (2007: Rs 1,436,462,116) and Rs 1,156,452,909 (2007: Rs 1,077,481,218) respectively. An ageing of the trade receivables at end of 2008 and movement in provision for bad debts during 2008 is disclosed under note 12.

## *32. Financial Instruments (Cont'd)*

32.5 *Credit risk management (Cont'd)*

The average credit period on sales of goods and services is 30 days. No interest is charged on the trade receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 10% on the outstanding balance.

32.6 *Interest rate risk management*

Financial investments by the group and the company are mainly short term (less than 6 months) and are limited to fixed deposits. To eliminate interest rate risk that may arise on such investments, the group and the company opt for fixed interest rates.

The group and the company's loans and receivables including cash and cash equivalents are at fixed interest rates and therefore are not subject to interest rate risks during the validity period of the investment.

Cash and cash equivalents include fixed deposit accounts which carried interest at the rates in the table below.

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2008 | 2007 |
| Currency | % Interest Rate p.a. | % Interest Rate p.a. |
| MUR | 7.25 – 11.03 | 7.25 - 12.95 |
| USD | .50 – 8.25 | 4.25 - 5.10 |
| GBP | 2.2 – 4.95 | 4.70 - 6.05 |
| EUR | 1.40 – 6.05 | 3.25 - 4.03 |

Interest rate risk would arise on renewal of the short term fixed deposit at maturity date. Any variation in the future interest rate by 50 points will impact profit by Rs 16M (2007: Rs 20M).

The company has a long term GBP loan, contracted with a foreign bank, which carries a fixed interest rate of 3.52% to 4.39% per annum, and hence is not subject to interest rate risk on the loan.

32.7 *Currency risk management_*

The group and the company undertake certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Currency risks arise at transactional level (transactional risks) and when financial assets and liabilities are translated at exchange rate at balance sheet date.

The group and the company are risk averse in respect of foreign currency transactions and their approach to foreign currency risk management are not of a speculative nature.

Currency risks on transactions are managed through matching of inflows and outflows of foreign currencies. The group and company do not maintain hedge accounting for transactions in foreign currency as there is no formal hedging contracts or arrangements.

Translation risk at balance sheet date is managed through matching of foreign denominated assets and liabilities.

# 32. Financial Instruments (Cont'd)

## 32.7 Currency risk management (Cont'd)

The carrying amount of the financial assets and liabilities by currency profile at the reporting date are as follows:

### THE GROUP

**Currency profile**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Financial assets | Financial liabilities | Financial assets (Restated) | Financial liabilities (Restated) |
| Currency | Rs | Rs | Rs | Rs |
| EUR | 404,084,886 | 159,045,750 | 159,832,377 | 283,532,936 |
| GBP | 169,351,672 | 155,378,759 | 258,242,315 | 241,943,517 |
| MUR | 4,670,919,484 | 3,670,134,341 | 3,096,423,333 | 2,227,193,681 |
| USD | 325,863,278 | 208,027,314 | 493,145,924 | 167,584,968 |
| Others | 185,668,792 | 69,216,074 | 88,331,949 | 94,640,685 |
| | 5,755,888,112 | 4,261,802,238 | 4,095,975,898 | 3,014,895,787 |

### THE COMPANY

**Currency profile**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Financial assets | Financial liabilities | Financial assets | Financial liabilities |
| Currency | Rs | Rs | Rs | Rs |
| EUR | 168,322,634 | 38,140,316 | 114,267,879 | 42,929,853 |
| GBP | 168,947,286 | 155,378,759 | 258,150,510 | 241,943,517 |
| MUR | 4,372,160,259 | 3,766,155,985 | 2,805,946,124 | 2,125,791,918 |
| USD | 190,361,568 | 192,242,193 | 72,243,074 | 34,102,850 |
| Others | 185,668,792 | 69,216,074 | 88,329,862 | 94,640,684 |
| | 5,085,460,539 | 4,221,133,327 | 3,338,937,449 | 2,539,408,822 |

## 32. Financial Instruments (Cont'd)

32.7 *Currency risk management (cont'd)*

Foreign currency sensitivity

The group is mainly exposed to the USD and Euro.

The following table shows the group's sensitivity to a 10% increase or decrease in exchange rate of USD and Euro on financial assets and liabilities.

| | Euro Impact | | USD Impact | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Profit or loss/equity | 24,503,914 | 11,099,644 | 11,783,596 | 37,172,793 |

32.8 *Liquidity risk management*

The group and company liquidity management is overseen by the Treasury, the latter ensuring that necessary funds are available at all times to meet payment commitments when due without having recourse to additional external financing.

Any excess funds are invested on a short term which averages a 3 to 6 month period.

The following table details the group's expected maturity for its non-derivative financial assets and remaining contractual maturity of its non-derivative financial liabilities.

With respect to financial assets, figures have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. For financial liabilities, figures have been arrived at based on the undiscounted cash flow of financial liabilities based on the earliest date on which the group may be required to settle the liability.

## 32. Financial Instruments (Cont'd)

### 32.8 *Liquidity risk management (cont'd)*

**MATURITIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES GROUP**

| | ITEM | Weighted average effective Interest rate % | Less than 1 month Rs | 1-3 months Rs | 3 Months to 1 year Rs | 1-5 years Rs | 5+years Rs | Total Rs |
|---|---|---|---|---|---|---|---|---|
| 2008 | | | | | | | | |
| FINANCIAL ASSETS | Fixed Interest Rate Instruments | 7.50% | - | - | - | 41,610,797 | - | 41,610,797 |
| | Fixed Interest Rate Instruments | 8.58% | 3,109,540,469 | 289,647,420 | - | - | - | 3,399,187,889 |
| | Fixed Interest Rate Instruments | 10.00% | 6,287,968 | 230,936,205 | - | - | - | 237,224,173 |
| | Non Interest Bearing | 0.00% | 153,394,451 | 622,318,060 | 282,378,729 | 194,240,281 | - | 1,252,331,521 |
| | Variable Interest Rate Instruments | 6.13% | 408,625,599 | - | - | 416,908,133 | - | 825,533,732 |
| | | | 3,677,848,487 | 1,142,901,685 | 282,378,729 | 652,759,211 | - | 5,755,888,112 |
| FINANCIAL LIABILITIES | Fixed Interest Rate Instruments | 4.18% | 2,024,048 | 275,265 | 38,373,458 | 115,335,365 | - | 156,008,136 |
| | Variable Interest Rate Instruments | 0.00% | - | 2,248,728 | 9,914,479 | 97,669,340 | - | 109,832,547 |
| | Non Interest Bearing | 0.00% | 130,132,777 | 1,860,652,750 | 608,020,654 | 7,621,568 | 1,389,533,806 | 3,995,961,555 |
| | | | 132,156,825 | 1,863,176,743 | 656,308,591 | 220,626,273 | 1,389,533,806 | 4,261,802,238 |
| 2007 | | | | | | | | |
| FINANCIAL ASSETS | Fixed Interest Rate Instruments | 10.00% | - | 641,715,822 | - | - | - | 641,715,822 |
| | Non Interest Bearing | 0.00% | - | 870,413,114 | 297,954,578 | - | - | 1,168,367,692 |
| | Variable Interest Rate Instruments | 12.50% | - | - | - | 26,824,892 | - | 26,824,892 |
| | Non Interest Bearing | 0.00% | 1,030,394 | 22,958,167 | 13,696,517 | 217,074,155 | - | 254,759,233 |
| | Fixed Interest Rate Instruments | 9.17% | 971,135,313 | 876,470,496 | 156,702,450 | - | - | 2,004,308,259 |
| | | | 972,165,707 | 2,411,557,599 | 468,353,545 | 243,899,047 | - | 4,095,975,898 |
| FINANCIAL LIABILITIES | Fixed Interest Rate Instruments | 4.18% | - | - | 47,871,029 | 12,301,601 | 268,185 | 60,440,815 |
| | Variable Interest Rate Instruments | 12.50% | - | - | - | 3,837,436 | 908,518 | 4,745,954 |
| | Non Interest Bearing | 0.00% | 246,849,530 | 1,783,999,642 | 371,914,216 | 83,661,284 | 463,284,346 | 2,949,709,018 |
| | | | 246,849,530 | 1,783,999,642 | 419,785,245 | 99,800,321 | 464,461,049 | 3,014,895,787 |

The group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

## 33. Related Party Transactions

During the year ended 31 December 2008, the company and group traded with related parties.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | | Rs | Rs | Rs |
| (i) Sales of services | | | | |
| - Subsidiaries | - | - | 954,725,101 | 836,652,345 |
| - Corporate groups having significant influence in the company | 63,022,283 | 93,275,343 | 63,022,283 | 93,275,343 |
| (ii) Purchases of services | | | | |
| - Subsidiaries | - | - | 885,591,819 | 826,019,280 |
| - Corporate groups having significant influence in the company | 123,886,417 | 134,354,460 | 123,886,417 | 134,354,460 |
| (iii) Dividend income | | | | |
| - Subsidiaries | - | - | 987,750,000 | 837,500,000 |
| - Associates | - | - | 50,830,740 | 36,794,021 |
| (iv) Management fees | | | | |
| - Subsidiaries | - | - | 152,009,249 | 47,134,213 |
| (v) Interest expense | | | | |
| - Subsidiaries | - | - | 88,087,941 | 70,609,148 |
| (vi) Interest income | | | | |
| - Subsidiaries | - | - | 11,108,039 | 8,534,419 |
| (vii) Disposal of plant and equipment to a subsidiary | - | - | 37,138,080 | 15,931,666 |
| (viii) Emoluments | | | | |
| - Key management personnel | | | | |
| - Short term benefits | 48,534,753 | 54,047,100 | 48,534,753 | 54,047,100 |
| (ix) Outstanding balances receivable from related parties | | | | |
| - Subsidiaries | - | - | 35,628,571 | 45,959,944 |
| - Associates | 1,124,681 | 1,099,542 | 1,124,681 | 1,099,542 |
| (x) Outstanding balances payable to related parties | | | | |
| - Subsidiaries | - | - | 662,576,191 | 362,526,139 |
| - Corporate groups having significant influence in the company | 60,684,135 | 49,653,845 | 60,864,135 | 49,653,845 |

## 34. Commitments For Expenditure

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Commitments for the acquisition of property, plant and equipment | 410,804,460 | 423,616,520 | 320,492,345 | 417,830,000 |

## 35. *Operating Lease Arrangements*

The group and the company as lessees

*Leasing arrangements*

Operating leases relate to leases of land and of motor vehicles for a term of five years and space segment for terms exceeding five years.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | Rs | Rs | Rs | Rs |
| Within one year | 89,322,939 | 98,837,721 | 87,864,939 | 83,637,721 |
| Between two and five years | 269,067,542 | 220,251,961 | 263,475,542 | 220,251,961 |
| After five years | 50,561,766 | 41,390,752 | 36,287,766 | 41,390,752 |
| | 408,952,247 | 360,480,434 | 387,628,247 | 345,280,434 |

# glossary of terms

3G (THIRD GENERATION WIRELESS) - A mobile system, which includes capabilities and features such as enhanced multimedia, broad bandwidth, high speed, e-mail, web browsing and video conferencing

ADSL (ASYMMETRIC DIGITAL SUBSCRIBER LINE) - Technology that transforms a normal copper line into a high-speed digital line thus enabling access to telephony services and the Internet at the same time. An ADSL line has a higher downstream speed (into the end user) than upstream speed (away from the end user)

ASP (APPLICATION SERVICE PROVIDER) - An ASP is a company that offers individuals or enterprises access over the Internet to applications and related services that would otherwise have to be located in their own personal or enterprise computers

ATM (ASYNCHRONOUS TRANSFER MODE) - The internationally agreed basis for broadband ISDN. A technology that enables all types of information (data, voice and video in any combination) to be transported by a single network infrastructure

BANDWIDTH - The physical characteristic of a telecommunications system that indicates the speed at which information can be transferred

BASE STATION - An earth-based transmitting/receiving station for cellular phones, paging services and other wireless transmission systems

BLACKBERRY - A smartphone that is widely used in the enterprise for its wireless email handling capability

BPO - Business Process Outsourcing

BROADBAND - In general, broadband refers to telecommunication in which a wide band of frequencies are available to transmit information. Generally referred to speeds greater than 64 Kbps

BSC - Base Station Controller

BTS - Base Transceiver Station

BWA - Broadband Wireless Access

CCBS - Customer Care and Billing System

CCITT (CONSULTATIVE COMMITTEE FOR INTERNATIONAL TELEGRAPHY AND TELEPHONY) - The old name for the body responsible for ratifying standards in the global telecommunications industry. Now called ITU-T

CCTV - Closed Circuit Television

CLI - Caller Line Identification

CRM- Customer Relationship Management

CTO - Commonwealth Telecommunication Organisation

DCS - Digital Communication System

DSL (DIGITAL SUBSCRIBER LINE) - A technology for bringing high-bandwidth information to homes and small businesses over ordinary copper telephone

DSLAM (DIGITAL SUBSCRIBER LINE ACCESS MULTIPLEXER) - A network device, usually at an exchange that receives signals from multiple customer Digital Subscriber Line connections and puts the signals on a high-speed backbone line using multiplexing techniques

E-COMMERCE - The action of buying online or establishing an online store-front

EASSY (EASTERN AFRICA SUBMARINE SYSTEM) - It is an undersea fiber optic cable that will link the countries of East Africa and Madagascar between themselves and to the to the rest of the world

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization

EDGE - (Enhanced Data GSM Environment) is a faster version of the Global System for Mobile (GSM) wireless service designed to deliver data at rates up to 384 Kbps and enable the delivery of multimedia and other broadband applications to mobile phone and computer users

# glossary of terms (cont'd)

EIG - Europe-India Gateway (submarine cable system)

ETHERNET - A widely-installed local area network technology

E VOUCHER - A digital representation of codes

FEMTO Cells - Low-power wireless access points that operate in licensed spectrum to connect standard mobile devices to a mobile operator's network using residential DSL or cable broadband connections

FTTC (FIBER TO THE CABINET) - Refers to the installation and use of optical fiber cable directly to the cabinets near homes or any business environment as a replacement for copper cables

FRAME RELAY SERVICE - A packet switched data service providing for the interconnection of Local Area Networks (LANS) and access to host computers at higher speeds (up to 2 Mbit/s) than those provided by an X.25 service

GDP - Gross Domestic product

GLM - Group Leadership Model

GPRS (GENERAL PACKET RADIO SERVICE) - A packet based wireless service that allows connection to the Internet and access to multimedia services

GSM (GLOBAL STANDARD FOR MOBILE TELEPHONY) - A digital mobile telephone system, which uses a variation of time division multiple access. It operates at either the 900 MHz or 1800 MHz frequency band

HD - High Definition

HSPA - High Speed Mobile Packet Access

ICT - Information and Communications Technology

ICTA - Information and Communication Technologies Authority

ILD - International Long Distance

IN (INTELLIGENT NETWORK) - A network which allows services to be added or changed without having to redesign switching equipment.

INTRANET - Closed data network linking a number of sites using standard Internet protocols

IP (INTERNET PROTOCOL) - The method by which data is sent between computers on the Internet

iPhone - The iPhone is Apple's first Internet-enabled smartphone. It combines the features of a mobile phone, wireless Internet device, and iPod into one terminal.

ISP (INTERNET SERVICE PROVIDER) - A service provider who provides access to Internet services

IPTV (INTERNET PROTOCOL TELEVISION) - A method of distributing television content over IP that enables a more customized and interactive user experience. The viewer must have a broadband connection and a set-top box to send and receive requests

IPLC (INTERNATIONAL PRIVATE LEASED CIRCUIT) - Circuits leased from international facilities operators, which cross one or more international boundaries

IPVPN - Internet Protocol Virtual Private Network

ISDN (INTEGRATED SERVICES DIGITAL NETWORK) - A set of CCITT/ITU standards for digital transmission over ordinary telephone copper wire as well as over other media. There are two levels of service: the Basic Rate Interface (BRI), intended for the home and small enterprise (up to 128 Kbps), and the Primary Rate Interface (PRI), for larger users (up to 2.048 Mbps)

IT - Information Technology

ITES - Information Technology Enabled Services

ITU (INTERNATIONAL TELECOMMUNICATION UNION) - An intergovernmental organisation through which public and private organisations develop telecommunications. The ITU was founded in 1865 and became a United Nations agency in 1947. It is responsible for adopting international treaties, regulations and standards governing telecommunications

IUC - Interconnection Usage Charge

LAN (LOCAL AREA NETWORK) - A computer network limited to the immediate area, usually the same building or floor of a building

LEASED LINES - A fixed unswitched communication link between two points

LION - Lower Indian Ocean Network (submarine cable system connecting Indian Ocean islands)

MMS (MULTIMEDIA MESSAGING SERVICE) - An enhanced transmission service that enables graphics, video clips and sound files to be transmitted via cellphones

MPEG - MPEG standards are an evolving set of standards for video and audio compression and for multimedia delivery developed by the Moving Picture Experts Group

MPEG-4 - A much more ambitious MPEG standard than MPEG-1, MPEG-2 and MPEG-3 and addresses speech and video synthesis, computer visualization, and an artificial intelligence (AI) approach to reconstructing images

MPLS - Multiprotocol label Switching

MULTIMEDIA - The combination of various forms of media (texts, graphics, animation, audio, etc.) to communicate information.

MULTIPLAY - IPTV - A high speed service which brings to the home image, voice and internet on the fixed copper line

NetPC - The Net PC (also referred to as the Network PC) is an industry specification for a low-cost personal computer designed as a thin client with centrally managed network applications.

NGN (NEXT GENERATION NETWORK) - Enables multiple services such as voice, video and data to be integrated and efficiently carried over the network.

NODE B - The function within the UMTS network that provides the physical radio link between the User equipment and the network (an element of a 3G macro Radio Access Network)

OMCR - Operations & Maintenance Centre

PABX - Private Automatic Branch Exchange

PAT - Profit After Tax

RPR (RESILIENT PROTECTION RING) - Also known as IEEE 802.17, is a standard designed for the optimized transport of data traffic over fiber rings. It provides a packet based transmission and increases the efficiency of Ethernet and IP services

SAFE - South Africa Far East submarine cable system

SAN - Storage Area Network

SIM - Subscriber Identity Module (SIM card in mobile phones)

SOHO - Small Office Home Office

SME - Small and Medium Enterprise

SMS (SHORT MESSAGE SERVICE) - A service available on digital networks, typically enabling messages with up to 160 characters (224 characters if using a 5-bit mode) to be sent or received via the message centre of a network operator to a subscriber's mobile phone

# glossary of terms (cont'd)

SMS2TV - Intended for creating interactive events such as a TV chat service, enabling to display incoming SMS messages on a screen device such as a television set

UMTS (UNIVERSAL MOBILE TELECOMMUNICATIONS SERVICE) - A third-generation (3G) broadband, packet-based transmission of text, digitized voice, video, and multimedia at data rates up to 2 megabits per second (Mbps) that offers a consistent set of services to mobile computer and phone users no matter where they are located in the world

USF - Universal Service Fund

TD - Telecommunications Directive (ICTA)

VDSL - Very High Speed Digital Subscriber line

VOD (VIDEO ON DEMAND) - The ability to deliver a movie or other video programme to an individual Web browser or TV set whenever the user requests it

VOIP (VOICE OVER INTERNET PROTOCOL) - The generic name for the transport of voice traffic using Internet Protocol (IP) technology

VPN (VIRTUAL PRIVATE NETWORK) - A way to use a public telecommunication infrastructure, such as the Internet, to provide remote offices or individual users with secure access to their organisation's network

VSAT - Very Small Aperture Terminal (2-way satellite dish antenna smaller than 3 meters)

WIFI (WIRELESS FIDELITY) - The popular term for a high-frequency wireless local area network (WLAN). WiFi is specified in the 802.11b specification from the Institute of Electrical and Electronics Engineers (IEEE) and is part of a series of wireless specifications together with 802.11, 802.11a, and 802.11g

WLL - Wireless Local Loop

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