mauritiustelecom

spice: with it, what tastes good tastes even better. It adds zest and piquancy. It creates experiences that enthrall the senses.

Smart Processes for Improved Customer Experience or SPICE: one of the key processes driving Mauritius Telecom, with the ultimate objective of delighting its customers from all walks of life at each encounter and opening alleys for new experiences. Today, what is good is blended with innovative ingredients to make it taste even better.

Annual Report 2009

OUR VISION

To be a Premier World Class Infocom Services Provider

OUR CORE VALUES

INNOVATION & CREATIVITY
QUALITY
PROFESSIONALISM
CUSTOMER SERVICE
COMPETITIVENESS

CONTENTS

EXCITING

Each one of us is unique
with our own background
and tastes.

We've got everything
to spice it all up!

*"I live with my mobile and my laptop.
On-line is my generation's way to share,
learn, communicate, rest..."*

FINANCIAL HIGHLIGHTS

for the year ended 31 December 2009

Key Results for 2009

Group Operating Revenue

Profit from Operations

Profit before Tax

- Operating revenue for the Group progressed by 6% during the year to reach Rs7.1 billion
- Group Profit from Operations was at Rs1.7 billion, a reduction of 10.8% compared to previous year
- Profit before Tax decreased by 14.2% over last year, to reach Rs2.1 billion
- Income tax expense increased by 21.6% following the introduction of a solidarity levy on telephony service providers as per Finance Act 2009
- Group Capital Expenditure attained Rs1.5 billion, that is 21% of operating revenue
- Earnings per share was at Rs7.74, that is a 23.7% decrease compared to 2008
- Return on net assets was 14.7% compared to 20.5% for last year
- Return on equity was of 17.7%, against a return of 25% for last year

FINANCIAL HIGHLIGHTS (CONT'D)

for the year ended 31 December 2009

Evolution Consolidated Revenues (Rs M)

Evolution in Group Profit from Operations (Rs M)

Evolution in Consolidated Shareholder's Equity (Rs M)

FINANCIAL HIGHLIGHTS (CONT'D)

for the year ended 31 December 2009

Financial Key Figures For The Group

	2009 (MILLION RS)	2008 (MILLION RS)
Statement of Comprehensive Income		
Operating Revenue	7,132	6,727
Profit before Tax	2,094	2,441
Profit after Tax	1,470	1,929
Earnings per Share (Rs)	7.74	10.15
Dividend per Share (Rs)	4.68	6.07
Statement of Financial Position		
Total Assets	13,768	13,703
Total Liabilities	5,467	5,985
Debt Interest Bearing	113	154
Shareholders Funds	8,301	7,718
Net Asset Value per Share (Rs)	43.69	40.62

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 2009.

C Colimalay
Company Secretary

25 May 2010

CORPORATE PROFILE

Mauritius Telecom (MT) is the leading telecommunications operator and service provider in Mauritius. Incorporated in 1988 as Mauritius Telecommunications Services (MTS), it acquired the assets of Overseas Telecommunications Services (OTS) in 1992 and became Mauritius Telecom. The Company has since enjoyed a phenomenal rate of development and it is now one of the top enterprises in the country, with revenue exceeding Rs 7.1 billion in 2009.

Mauritius Telecom's strategy for growth is centered on innovation, in line with its vision *"To be a Premier World-Class Infocom Services Provider"*, whilst the Commercial strategy is led by the vision "Together we can do more". Over the years, the Company has invested considerably in restructuring the organisation so that it functions as an integrated operator. In parallel, employees have shown increased dedication to providing customers with high standards of service.

The Government of Mauritius, the State Bank of Mauritius and the National Pensions Fund hold 59% of the shares in the Company. 1% of Mauritius Telecom shares were sold to eligible employees and pensioners in 2007 at a discounted rate under an Employee Share Participation Scheme. The remaining 40% are held by France Telecom, through its investment vehicle RIMCOM. Meanwhile, the Company has been preparing itself for a stock-exchange flotation, for which it has already met all listing criteria.

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 using fixed, mobile and Internet platforms. Mauritius Telecom also offers convergent services through My.T, its Multiplay–IPTV service. TV on mobile was introduced in May 2009.

Mauritius Telecom also has a regional presence through its investments in Orange Madagascar.

Mauritius Telecom is the country's only telecommunications Company that provides universal services and universal access. To meet these responsibilities, the Company is committed to developing its networks throughout the country and to providing effective services to all citizens and residents within the Republic of Mauritius.

By the end of December 2009, the Company had acquired over one million subscribers for its fixed line, mobile, Internet dial-up, broadband and My.T convergent services. This significant customer-base has enabled Mauritius Telecom to strengthen its position as market leader and preferred end-to-end solutions provider.

Since the rebranding of all mobile and Internet services to Orange in April 2008, there has been a quantum leap in providing customers with innovative services and experiences. Telecommunication services are becoming increasingly convergent and Mauritius Telecom makes every effort to align with new trends in customer requirements in an increasingly competitive market. Through the Orange brand, customers are already benefiting from the advantages afforded by one of the world's leading telecom operators and a strong international brand.

Mauritius Telecom is continually developing and upgrading its networks to provide high-performance voice, data, video and multimedia services. The Company is gradually migrating to the New Generation Network (NGN).

Today, the Company's real-time technology services and solutions, coupled with its experience and know-how, are providing businesses with a one-stop solution for IP-based services, virtual private networks, and high-speed Internet access and application services for improved decision-making anytime, anywhere. Access to broadband has been increased through lower tariffs for both business and residential customers, as part of Mauritius Telecom's commitment to aligning its strategy with that of the Government's vision of Broadband Mauritius.

The Company offers global connectivity via the SAT3/WASC/SAFE submarine optical fibre cable and satellite systems. As the provider of international bandwidth services, Mauritius Telecom continuously upgrades available bandwidths 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 on-line games.

Mauritius Telecom is 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 with the rest of the world.

The Company has invested in the LION (Lower Indian Ocean Network) cable that entered service in the second half of 2009. LION connects Mauritius to Reunion and Madagascar and provides the country with a second cable landing point, after the SAFE landing station at Bay Jacotet, thereby allowing additional redundancy and route diversity. This investment, together with those in the EASSy and the EIG (Europe–India Gateway) submarine optical fibre cable systems, will further increase the reliability, resiliency and bandwidth capacity of our international connectivity.

Mauritius Telecom fully engages in its Corporate Social Responsibility (CSR) role, which plays 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. Meanwhile, 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. In the year under review, it launched the Mauritius Telecom Foundation.

Director's Profile

Appalsamy Thomas G.O.S.K.

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 is a Fellow of the Chartered Institute of Management of UK and of the Mauritian Institute of Management.

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 was the Human Resources Manager at British American Tobacco in Mauritius before he embarked on an international career for nearly 5 years with the same Company (BAT). His last position within BAT was Merger Integration Director 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 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 International Labour Organisation conferences on two occasions and since 2007 he has been a regular speaker for the Commonwealth Telecommunications Organisation. He is also a member of the Board of Directors of the Mauritius Institute of Directors (MIoD).

On the occasion of the National Day, in March 2010, he was conferred with the distinction of Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK) for his outstanding contribution in the field of aviation and human resource development.

Michel Barré

Michel Barré is a qualified Engineer from Institut National des Telecommunications (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 during the last fifteen years as Vice-President Operations and Developpement 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 Senior Vice-President in charge of operations in East Africa, Indian Ocean and Pacific.

He has been Chairman of Orange Ouganda Limited since October 2008

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

BOARD OF DIRECTORS (CONT'D)

Dheerendra Kumar Dabee *(As from 25 June 2009)*

Dheerendra Kumar Dabee is the Solicitor-General (Attorney General's Office) and Senior Counsel. He previously held office of Parliamentary Counsel and, in that capacity, was involved in drafting of a number of laws.

He has previously been Chairman of the Stock Exchange Commission, of MOBAA and of the Telecommunications Authority. He was closely involved in the discussions at Government level that preceded Mauritius Telecom entering into a strategic partnership alliance and advised Government on various aspects of the transaction documents.

He is currently a Board Director of Air Mauritius Ltd, SBM Ltd and SICOM Financial Services Ltd.

Mr D.K. Dabee is the main non-political legal adviser to Government, and, in that capacity, he advises Government Departments on their legal problems, including legislative matters, and represents them in litigation. He is the legal adviser to a number of public organizations.

He is a former Laureate (Economics side), a Graduate in Law and Political Science from Birmingham University (UK) and, since 1981, a Barrister-at-Law from the Middle Temple.

Christophe Eouzan

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

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).

During his directorship with Mauritius Telecom, Mr Jeanne was the Permanent Secretary of the Ministry of Information and Communication Technology.

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).

Michel Monzani

Michel Monzani, 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 French territory. 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 corporate development of the France Telecom group. From 2006 until August 2008, Michel Monzani has been Senior Vice-President in charge of Poland at France Telecom corporate level.

On September 1st 2008, Michel Monzani was appointed Senior Vice-President within FT Group Africa, Middle East & Asia Division, leading the Development and Partnership department and the Middle East & Asia geographic zone.

Michel Monzani has been a board member of several fixed-lines, mobile and Internet companies associated with France Telecom in various countries in Europe, Africa, Middle-East and Asia.

Michel Monzani is a graduate of HEC School of Management, Paris. He is a Chevalier de l'Ordre National du Mérite.

Marc Rennard

Marc Rennard is Executive Vice President International of France Telecom Orange in charge of Africa, Middle East & Asia, and in this capacity has been Chairman, and/or member of the Board of several international Fixed-line, Mobile and Internet subsidiaries (since 2006).

He was previously Vice President of International Operations at the International Division of France Telecom (04/06).

He was Chairman and Chief Executive Officer of UNI2, telecommunications operator, a France Telecom subsidiary in Spain (03/04).

Marc RENNARD was Deputy Managing Director of TDF (96/02), Chairman of TDF VIDEO SERVICE (96/02), Chairman of TDF Câble (92/96 and 01/03), Commercial Director of TDF (92/96).

He was Managing Director of « Société des Montagnes de l'Arc », « Groupe Caisse des Dépôts» (89/92), Managing Director (86/89), Agency Director (84/85) and Consultant (82/83) of CEREP COMMUNICATION, surveys manager at ISEOR (79/81).

Marc RENNARD is a graduate of EM Lyon, and holds a post graduate diploma in Management Science.

Suresh Chundre Seeballuck G.O.S.K.

Suresh Seeballuck is a graduate in Economics from the University of Delhi. He also holds a diploma in Public Administration from the University of Mauritius and a Diploma in Development Administration & Management from Jawarhalall Nehru University in India. Besides, he also obtained a 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, the Ministry of Trade and Shipping, the Ministry of Works, the Ministry of Agriculture, Fisheries and National Resources and the Prime Minister's Office. He is also a Director of Air Mauritius and of the State Investment Corporation.

COMPANY SECRETARY

Conrad Colimalay

Conrad Colimalay is qualified as a Barrister-at-Law. He holds a Master's degree in Business Law (UK) and a Maîtrise en Droit (France). He officiates as Company Secretary of Mauritius Telecom and of MT subsidiary companies, and is in charge of Legal and Corporate Affairs in MT Group.

CHAIRMAN'S MESSAGE

A resilient performance in tough conditions thanks to the commitment and motivation of all our employees

2009 has been a difficult year for the world economy, during which macro-economic pressures and market dynamics have presented our business with significant challenges. The global economic crisis has impacted on the Mauritian economy, but not as severely as elsewhere in the world.

In spite of the downturn in the Mauritian economy resulting in tough trading conditions, as well as an extremely competitive telecommunications market, Mauritius Telecom has performed well and remains the leading telecommunications service provider on the local market. The results demonstrate a resilient performance in tough conditions thanks to the commitment and motivation of all our employees.

For an organisation to be able to cope successfully with these difficulties and achieve a reasonable growth rate, it requires the motivation and commitment of every single employee, whatever his or her grade or position. In a synergistic manner, all employees have helped Mauritius Telecom to face the unprecedented challenges and the Company has continued to invest in network upgrade and to make innovative proposals to customers to meet new trends and demands.

Financial Review

Despite the prolonged effect of the economic downturn, Mauritius Telecom Group's gross profit grew by 4%. Net profit, however, decreased from Rs1.9 billion in 2008 to Rs1.4 billion in 2009, a drop of 23.8%. Earnings per share stood at Rs7.74 compared to Rs10.15 in the previous year.

The fall in net profit is due to the Company's social responsibility requirements. Mauritius Telecom and some other operators in the telecommunications sector performed better than those involved in sectors such as textiles and tourism. For social reasons, the Finance Act 2009 introduced a solidarity levy of 1.5% on the profits of mobile telephony providers and 5% on turnover, which inevitably had an impact on the level of our profits.

Moreover, the Finance Act 2009 introduced a levy of 2% on profits for Corporate Social Responsibility (CSR) activities, further impacting on earnings. This measure led to the setting up of the Mauritius Telecom Foundation to manage the CSR activities of the Company and its subsidiary companies.

Without the above-mentioned fiscal measures, Group profit would have been Rs1.88 billion and earnings per share Rs9.90.

During the year under review, Mauritius Telecom considerably reduced some of its tariffs. In the first quarter of the year, IPLC tariffs were cut by an average of 25% and there were also substantial reductions in ADSL Home and Business tariffs by 46% and 16% respectively. This too reduced revenue and profits from this business stream. However, the 25% drop in IPLC tariffs helped the ITES sector grow by 16%.

A decline in tourist arrivals in 2009, as a result of the global economic crisis, also impacted on our results. International roaming revenue fell by about 13% (Rs62 million).

Group capital and reserves for the year stood at Rs8.3 billion, representing an increase of about Rs583 million over 2008. Meanwhile, the Company continued to invest heavily in its infrastructure, with the capital investment figure reaching Rs1.5 billion.

The entry of an asymmetric Universal Service Fund had a severe impact on Mauritius Telecom's international voice business. This, coupled with the undercutting of the regulated termination price for incoming international calls, brought our market share down from 40% in 2008 to 21% in 2009.

Company Strategy

A crisis is also an opportunity to test your ability and capacity to live up to expectations. This is what Mauritius Telecom proudly managed to achieve, thanks to the consistency, innovativeness and effectiveness of the strategies drawn up by the Board. In this respect, 2009 has been a transformational year that saw the Company build solid foundations with the focus on investment, people development and service delivery.

With the convergence of the telecom, Internet and media sectors gaining momentum and the rapidly evolving environment in which we work, we will continue to face strong competition. To help counter this, the Group introduced projects like SPICE (Smart Processes for Improved Customer Experience), GLM (Group Leadership Model) and PMS (Performance Management System).

These projects represent the Group's firm commitment to value creation for both its employees and customers.

Resilient Network

During the year under review, with the support of the Chief Executive Officer and his management team, the Board maintained Mauritius Telecom's pursuit of new opportunities to reinforce the connectivity of Mauritius to the world.

Consequently, after the SAFE cable, the second submarine optical-fibre cable project, the Lower Indian Ocean Network (LION) was landed in Mauritius at Le Goulet, with the landing station at Terre Rouge. The first phase of the LION cable, with an investment of €8 million from Mauritius Telecom, was completed in the second half of 2009 and now links Madagascar, Reunion and Mauritius.

The second phase of the LION Project was initiated in February 2010 and will see the cable extended to Mombassa in Kenya with landings in the Comoros Archipelago (Mayotte) and the Seychelles. LION is already connected to SAFE and will be connected to other major cable systems such as the Eastern Africa Cable System (EASSy) and The East African Marine System (TEAMS). The cost of the second phase of the LION project is estimated at €77 million.

I am glad to note that Mauritius Telecom has already invested $8 million in the EASSy and $5 million in the Europe–India Gateway (EIG) submarine optical-fibre cable projects, which are scheduled to enter service as from the second half of 2010.

All these investments aim at providing Mauritius with multiple resilient gateways to the world to eliminate any isolation from the global network.

We are committed to sustaining the development of the information and telecommunications sector, one of the drivers being the ITES sector consisting mainly of business process outsourcing enterprises and call centres. The international bandwidth capacity the sector requires is growing at an unprecedented pace. In 2005, the capacity used was 50 megabits per second (Mbps). The capacity used increased to 220 Mbps in 2009 and the need is expected to reach more than 400 Mbps in two years time.

In terms of our regional strategy, after the stake in Orange Madagascar, we are presently focusing on investment opportunities in Uganda, Tanzania, Mozambique and Malawi. There are indications that the projects are within our reach.

Customer-centric perspectives

We believe that the future lies in convergence and our focus will remain on broadband and mobile connectivity.

In Mauritius, we are witnessing unprecedented mobile telephony growth, as well as fast-growing demand for mobility-based devices and applications. Demand for an iPhone Store in Mauritius reflects a desire for sophistication in the mobile sector. Figures show that more and more users are demanding broader network cover, increasing data speeds and more mobile broadband services. Demand for the latest, up-market mobile devices is on the rise and Mauritius Telecom will ensure that network performance is able to keep pace with demand.

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 volume. Thus, in March last year, all Orange's Internet offers were revamped with a substantial drop in tariffs of up to 46% and an increase in broadband connectivity.

Corporate Governance / Corporate Social Responsibility

Mauritius Telecom remains committed to implementing and maintaining best practices throughout its operations, by ensuring that the highest standards of corporate governance and ethics operate throughout the Company. As a socially responsible Company, Mauritius Telecom ensures that its Corporate Social Responsibilities (CSR) are fully discharged.

Indeed, CSR plays 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. It also continues to support many worthwhile educational, sporting, environmental and community projects.

Stock Exchange Listing

Mauritius Telecom is fully prepared 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 consideration and we expect to obtain the go-ahead from the divesting shareholders once they can fairly assess the market conditions for the sale of shares.

Board Change

During the current year, Mr Dheerendra Kumar Dabee, Solicitor-General and Senior Counsel, joined the Board of Directors. Mr Dabee has a rich professional background and has previously been chairman of the Stock Exchange Commission, MOBAA and the Telecommunications Authority. The Board of Directors looks forward to benefiting from his broad experience and knowledge.

Conclusion

I firmly believe that there are better times ahead. What is clear to me is that organisations that choose to invest in their futures and remain optimistic in these difficult times will be the ones best placed to thrive and succeed. Mauritius Telecom will not be an exception and I look forward to leading the Board through future challenges, to helping management succeed and to making our customers happy.

Finally I would like to extend my thanks and appreciation to my fellow Board members, our strategic partner, France Telecom, for its valuable support, the Chief Executive Officer, his management team and all the employees for their hard work and cooperation.

Last, but not least, a big thank you to our growing number of customers for their confidence in Mauritius Telecom.

Appalsamy Thomas, GOSK
Chairman of the Board of Directors

June 2010

CHIEF EXECUTIVE OFFICER'S MESSAGE

We are geared towards delivering an exceptional experience to customers at each point of interaction

The year 2009 turned out to be a very challenging year. In an environment still influenced by the economic downturn, Group operating revenue amounted to Rs7.1 billion, representing an increase of Rs404 million over 2008. The Group achieved a Gross Profit of Rs5.46 billion and a Net Profit of Rs1.4 billion. The investment for the year was to the level of Rs1.5 billion.

As in previous years, mobile was the most important revenue segment, earning operating revenue of Rs3 billion, representing growth of 6.7% over 2008. Revenue in the Internet segment increased from Rs517 million to Rs558 million, a growth rate of 8%. Though gross profit increased by 4.1%, net profit after tax fell by 23.8% compared with the previous year. In the absence of the levy and taxes introduced in Finance Act 2009, the Net Profit would have been Rs1.88 billion.

Given the competitive pressures, the impact of the economic crisis and the additional fiscal constraints we had to face, we have achieved remarkable results. In fact, the Group's four subsidiary companies performed quite decently, with all of them experiencing a growth rate of more than 5%.

Cellplus Mobile Communications

The Company saw revenue grow by 6.7%. 2009 was quite an eventful year for Cellplus with the customer base reaching 630,000 and with the customers for all mobile operators combined crossing the million threshold. During the year it acquired an ISP licence, which allows the Company to make very attractive Internet offers with WAP connectivity, starting with a prepaid package of Rs50 per month. The Company also introduced innovative services like TV on Mobile and Internet Everywhere. The increasing number of customers purchasing smartphones with 3G access and the high demand for mobile access to social networks opened up new revenue-boosting avenues. To meet rising demand, the GSM and 3G networks were upgraded. Some 11 new GSM base stations were added to enhance coverage and capacity and some 50 3G base stations were deployed across the island to improve Voice and High Speed Mobile Packet Access (HSPA). In addition, the Company successfully implemented the One Network project for Mauritius and Rodrigues.

Telecom Plus

This subsidiary Company grew by 8% as compared to last year, with Internet revenue reaching Rs558.3 million. The Company continued to invest in bandwidth capacity, which was substantially increased from 457 Mbps to 756 Mbps during the year. Following the roll-out of a new broadband strategy, the revamp of offers and the introduction of a basic ADSL offer of 256 kbps priced at Rs499, the broadband subscriber base increased considerably to reach 70,000. The enrichment of the My.T offer with new contents and the introduction of a basic TV bouquet channel and post-pay VOD contributed to increasing the My.T customer base to 40,000. With the expertise acquired in the branding of the orange.mu portal, the Company won contracts for the development and maintenance of Orange–Botswana and Orange–Kenya portals, and for the upgrade of the Pan-African portal.

Call services

In 2009, Call Services celebrated its 10th year of existence with the highest growth rate among the subsidiaries, achieving 10.3%. Total revenue stood at Rs104.8 million, compared to Rs 95 million in 2008. Net profit, meanwhile, increased from Rs30.3 million in 2008 to Rs36.2 million. This pioneer in the local call-centre sector has gone a long way since it started its operations in 1999 and saw the number of calls handled increase by 9% compared to the previous year.

Teleservices

The Company registered growth of 5.3% during the year. Turnover was Rs134 million with EBITDA of Rs22.4 million. Apart from the production of MT phonebooks, the Company is also dedicated to providing web-based directory and media-planning services. The latter has developed into one of the Company's key revenue streams.

Orange World

2009 was the first full year following the Company's introduction of the Orange brand in Mauritius and the rebranding of its Internet and mobile services. During this period, many initiatives were deployed around the Orange brand. Apart from new offers for Internet subscribers and mobile users, major events like Orange Expo and Orange Tour offered the public the opportunity to discover and adopt the brand. During the year, the Company also unveiled the new Orange vision, *Together we can do more*, a strong message to translate our strong commitment to customers. The Orange brand has had a considerable impact and continues to strengthen its position in the local market.

Customer-centric approaches

2009 marked an important milestone in our commitment to meeting customer expectations. The year has revolved around the new breed of innovative services brought in for our customers, the revamp in our processes and infrastructures to offer customers a novel and sustained experience, and the investment in projects to ensure reliable high speed connectivity with the world. All these express the fact that we are geared towards delivering an exceptional experience to customers at each point of interaction.

Customer journey

During the year under review, the Company introduced SPICE (Smart Processes for Improved Customer Service). The reason behind this was that we came to the conclusion that there were some important gaps in the way service delivery was being carried out in various parts of the Company. The idea was to analyse all issues more from a customer point of view and ensure a hassle-free customer journey. The implementation of the first phase of the project has already met with a remarkable decrease in the number of complaints received. From the same perspective, Mauritius Telecom launched its integrated Customer Care and Billing System (CCBS). The CCBS will enable the Mauritius Telecom Group to move from a situation of subsidiaries having different information systems to that of a single convergent platform. The CCBS will also help to promote e-services and customer self-care.

The Group also focused on new projects to promote high-speed Internet usage and offer users an enhanced customer experience. The Company, therefore, has partnered with the National Computer Board to prepare the launch of Google Cache servers in Mauritius for February 2010. This second cache servers project in Africa, after Kenya, will be hosted by Mauritius Telecom. The servers have the potential of speeding up access to locally stored data while allowing us to save on bandwidth.

Network

After the SAFE submarine optical-fibre cable, Mauritius Telecom invested in the Lower Indian Ocean Network (LION) cable which landed in Mauritius in September and was put into service in November 2009.

Other submarine optical-fibre cable ventures, such as the second phase of the LION cable, the Eastern Africa Submarine System (EASSy) and the Europe–India Gateway (EIG), in which Mauritius Telecom has also invested, will enter service as from 2010. The Group has invested €8 million in LION, US$8 million in EASSy and US$5 million in EIG. These projects will enhance our connectivity with Eastern Africa, Europe, India and the rest of the world. It will also help to increase the reliability of our international connectivity.

The initial investments of Mauritius Telecom in the SAFE submarine fiber-optic cable proved to have been fundamental to the development of key business sectors in the country like IT-enabled services (principally BPOs and call centres). We regard continuous investment as essential to staying abreast with what is new in the digital world.

In 2009, we invested some Rs1.5 billion in the local network infrastructure. While the Company continued to deploy the NGN network to support convergent services, it also progressed with the installation of FTTC sites to extend broadband services to customers located distant from telecom exchanges. With the extension of FTTC sites, the Wireless Local Loop (WLL) was decommissioned and the service migrated to copper-line plant.

Tariff reductions

In 2009, in line with our efforts to increase broadband penetration, allow the ITES sector to develop further and make our services affordable to a larger portion of the population, the Company proposed further tariff reductions. IPLC tariffs were reduced by 25% and there was also a general reduction in retail ADSL tariffs ranging from 14% to 46%. The reduction in charges allowed companies in the ITES sector to make cost savings and the broadband customer base to increase by nearly 50%.

Employee engagement

There are a set of conditions which are essential for an employee to give the level of performance expected to meet Company goals. In 2009, we focused on accompanying our employees through special programmes like the Group Leadership Model (GLM), to engage all employees in working towards corporate objectives, notably contributing to introducing a new mindset among front-liners. Thanks to our strategic partner, some employees have had the opportunity to develop their expertise and gain hands-on experience at FT–Orange's Technocentres.

In order to motivate and reward high performers, the Company prepared for the introduction of the Performance Management System (PMS) for January 2010 and, in line with the Appanna Report on pay & grading structures and conditions of employment, an annual salary progression system was introduced in place of fixed annual increments. This reflects our commitment towards a performance-driven organisation, where we can ensure the best service delivery to our customers. Another key project prepared in 2009 for implementation in 2010 was PeopleConnect. The purpose of the project is to break down administrative barriers to allow each employee to easily access his or her personal information on benefits and leave status.

Business continuity

Continuity Mauritius, the Company set up last year to provide business continuity management services to Mauritius Telecom and other Mauritian businesses, crossed new development stages during 2009. During the year, Mauritius Telecom embarked on a process to secure its operations by the adoption of a strategic approach towards business continuity and security.

Consequently, a fully-fledged Business Impact Assessment (BIA) exercise was undertaken within the Company to identify all the critical operational areas and the work area recovery requirements following a major crisis. This was followed by the elaboration of Company Global Security and Crisis Management policies. The ultimate objective of the whole exercise is to ensure uninterrupted service delivery to customers.

Corporate social responsibility

For several years now, the Company has been actively involved in corporate social responsibility activities, but in 2009 this social commitment was given a new dimension. The Finance Act 2009 legislation regarding Company CSR contributions gave us the opportunity to provide a framework for the management of the MT Group's corporate social responsibility funds and projects. It is for this purpose that the Mauritius Telecom Foundation was established on 24 December 2009.

The Foundation will give the Company the opportunity to better target the needy and channel funds to national projects with broader impact. The initial projects funded by the Foundation included the National Social Housing Programme (Rs10 million), the Eradication of Absolute Poverty Programme (Rs7 million) and the "Fondation pour la Formation au Football" (Rs1.5 million).

Another important CSR initiative which was launched in 2009 was the project relating to the recycling of used mobile phones and batteries. This followed the realisation that most used batteries and mobile phones end up in the environment, with all the risks to health that that implies.

The Company also made a key contribution to Government's CCTV project in Flic-en-Flac by providing high-capacity fibre links to the monitoring site at Flic-en-Flac and the central monitoring site at Line Barracks.

The way ahead

The Company is more than ever committed to be a leading customer-centric organisation. In 2010, with the support of our strategic partner, we will reinforce our efforts towards enhancing all the pillars which drive us towards this objective while drawing up our strategic plan for 2011–13.

SPICE and CCBS will remain high on our agenda, while we will also be implementing new projects. The Call Centre Management System (CCMS) is one of the key projects on which we will focus. The CCMS will allow MT to manage all customer interaction with the Company effectively, whether by telephone, e-mail, fax, IVR, SMS or personal contact and offer a better customer experience.

To further reinforce international connectivity resilience, the EASSy project will enter service in the course of 2010, paving the way for other cable projects in which the Company has invested like EIG and the second phase of LION. This will also allow us to enhance the user Internet experience and help us achieve our objective of 93,000 broadband subscribers.

In terms of CSR projects, the Company will maintain its contribution to social projects through the Mauritius Telecom Foundation. Following on from the recycling of used battery and mobile phone programmes, MT will introduce another project for other electronic waste, such as used computers.

Conclusion

I am confident that, under the guidance of the Board of Directors, with the support of our shareholders, the trust of our customers and the dedication of our management team and employees, Mauritius Telecom will continue on its successful track.

Sarat Dutt Lallah
Chief Executive Officer

June 2010

DEPUTY CHIEF EXECUTIVE/ CHIEF OPERATING OFFICER'S MESSAGE

We are taking targeted initiatives to make the customer journey simpler and more convenient

Mauritius Telecom has achieved several milestones during 2009 thanks to our continued investments in latest mobile and fixed-network infrastructure, as well as in the submarine cables which have enhanced our international connectivity.

Revamped offers

In the first quarter of the year, our Internet offerings were revamped following a drop in IPLC tariffs, coupled with a substantial increase in capacity, thus giving the opportunity to a larger number of Mauritian households to have access to broadband Internet. The three broadband offers cater for a range of customer-income levels, including a basic 256k offer at Rs499 and other offers for high consumers.

About three years after launching our IPTV service, My.T, we enriched the offers. Originally, subscribers could mainly enjoy Internet, international telephony and IPTV services, including Video on Demand. Since last year, a new offer, a basic TV bouquet, has been made available to customers, with 15 International Channels, appealing to different age brackets and areas of interest. This gave a new impulse to the subscriber base, so that it had reached 40,000 by the end of the year.

New services

With Mauritian Internet users adopting mobility trends, we introduced some innovative services to the market. Mobile Internet now allows users to have Internet access for as little as Rs50. TV on mobile enables subscribers to access Orange TV channels on their mobile, thus giving them the opportunity to watch TV anytime. As for Internet Everywhere, the service enables the subscriber to enjoy Internet access while on the move. Both Internet Everywhere and Mobile Internet attracted considerable interest within a short period of time. As TV on mobile is new to the market here, it is expected to take a little more time to develop.

Meanwhile, new handsets branded "ego", supporting our various service features, were introduced exclusively for local Orange customers. For example, it allows customers to access Orange TV by pressing the TV button on the handset.

Broadband

Internet is growing fast throughout the world and our objective is to maintain Mauritius' number one ranking in terms of the rate of Internet penetration all over Africa and allow an even larger number of Mauritians to access the digital world.

Today, Internet usage is not limited only to our homes; the iPhone and other smart phones enable us to connect to the worldwide web from anywhere. Usage is expected to increase with the introduction on the market of new 3G mobile phones fitted with bigger size screens for comfortably net surfing. Netbooks will also contribute to increasing the number of Internet users, as will our infrastructural investment and people training. We are able to deliver the best fixed and mobile access.

All these factors will sustain the growth of the Internet so we must continuously ensure that the timeframe required to connect new subscribers to the Internet is reasonable.

Mobile

Concerning TV on mobile, its attractive pricing strategy has had a positive impact on both adoption and usage. In the case of the Mobile Internet, the pricing strategy with our offer as from Rs50 has generated considerable interest among the targeted market segment of young people who keep in touch with their social networks.

The youth segment stands out as one of our growth engines. To cater for their needs, we have extended the range of mobile phones on sale in our Orange shops, from entry models to smart phones such as the Blackberry and the new Apple iPhone 3GS.

Through dedicated offers, we have also managed to strengthen the emotional links with that segment of the market.

For Internet Everywhere, we have made the installation steps as simple as possible so that our customers, who plug into the Internet on their laptops through our 3G key, can experience the smoothest customer journey. Our 3G key offers enhanced coverage as it is compatible with the EDGE network.

Orange Experience

Mauritius Telecom has also been very active in associating the Orange brandname with a series of lively and entertaining activities, which have now become annual must-see events, such as the Orange Tour, Orange Expo, the second edition of the Orange International Marathon and the Barbé horseracing trophy.

One of the key activities organised was the Orange Expo at the Swami Vivekananda International Convention Centre, Pailles. The event gave people the opportunity to gain an insight into the world of Orange and to get to know the various Orange offers. The Orange Expo was conceived as a small town with roads, shops and the home. This allowed visitors to connect to the daily environment in which they normally use mobile and Internet services. The event, which was organised in partnership with companies and service providers in ICT-related fields, turned out to be one of the major technological events of the year. Orange Expo attracted more than 40,000 visitors for this very first edition, testifying to the dynamism of the Orange brand and its ability to innovate.

The Orange Tour was another major happening, combining the promotion of both local artists and Orange products and services. The event travelled to different parts of Mauritius to connect with the population on home ground. The shows were programmed on Sundays and, whilst they provided entertainment, were also an opportunity to find out about Orange offers.

Altogether these activities have enabled the Company to reach more than 100,000 people and inform them about what our brand offers.

The success of these local initiatives has been achieved thanks to the close partnership between MT and France Telecom, which has made available the latest technologies developed at its Technocentre. Mauritius Telecom has also reaped the benefits of France Telecom contracts with international TV channels for My.T and of its networking with music labels when launching its fun tones.

On the customer-service front, several initiatives have been undertaken to set higher benchmarks for the quality of service delivered.

Orange Shops

We have pursued the rebranding of our Orange shops so as to give them the look and feel of the Orange brand. A new Orange shop opened at the end of the year at the Trianon Shopping Park. At the same time, we have been laying increased emphasis on the warmth of welcome at our points of sale through on-going training and by recruiting additional sales agents.

Customer Experience

We are now better geared towards providing higher levels of customer service with the implementation of the SPICE (Smart Processes for Improved Customer Experience) project.

The SPICE programme is customer-centric and focuses on transversal processes right from the moment that a customer enters an Orange shop to the moment the service is delivered. On the never-ending journey to improved customer experience, we have set up the first phase of the CCBS (Customer Care & Billing System), which will manage all data relating to interactions between us and our customers.

The way forward

2009 has been a great year for us and we are ready and well poised to take up the challenges that will emerge in 2010. We will keep up the momentum in the growth of broadband Internet, sustain our leadership position on mobile telephony by introducing major innovations and complete the Triple Play offer by adding attractive premium TV channels. Meanwhile, the coming into operation of new submarine optical fibre cable projects will provide improved user broadband-service experience.

We pledge to deliver on strategies and to create new and exciting ways of transforming customer experience into something very positive at every point of contact with us.

Jean François Thomas
Deputy Chief Executive/Chief Operating Officer

June 2010

STIMULATING

Mustard

Cumin

Saffron

Turmeric

We all have our own lifestyle with needs that change over time.

We've got the perfect spice blend under one roof.

"I'm the mother, the wife, the manager, the social worker. Success in my multiple roles hinges on convenience and accessibility."

STRATEGIC EXECUTIVE COMMITTEE

for the year ended 31 December 2009

Chairman

Sarat Dutt Lallah

Sarat Dutt Lallah is the CEO of Mauritius Telecom since October 2005. He is the current Chairman of SATA (Southern Africa Telecommunications Association). 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

Jean-Francois 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 20 years of experience in communications business and occupied marketing, sales, business development positions. Before joining Mauritius Telecom as Deputy Chief Executive and Chief Operating Officer in February 2008, he served as Regional Director (05 September – 08 February) at France Telecom, Orange Alsace, Strasbourg. He previously held several senior management positions at France Telecom in France, Japan and Hong Kong.

Davendra Utchanah

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 international and national 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.

He 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

Cyprien Mateos is the Chief Financial Officer of Mauritius Telecom since February 2007. He has a Master's degree in Management and Finance, and holds an MBA from the Paris International. He has gained worldwide experience working for a number of major companies in various financial positions for the last 27 years, in Europe, Africa, Asia and America. He has also worked in companies from different sectors including ICT, Construction, Civil Engineering, Utilities, Tourism and Telecommunications.

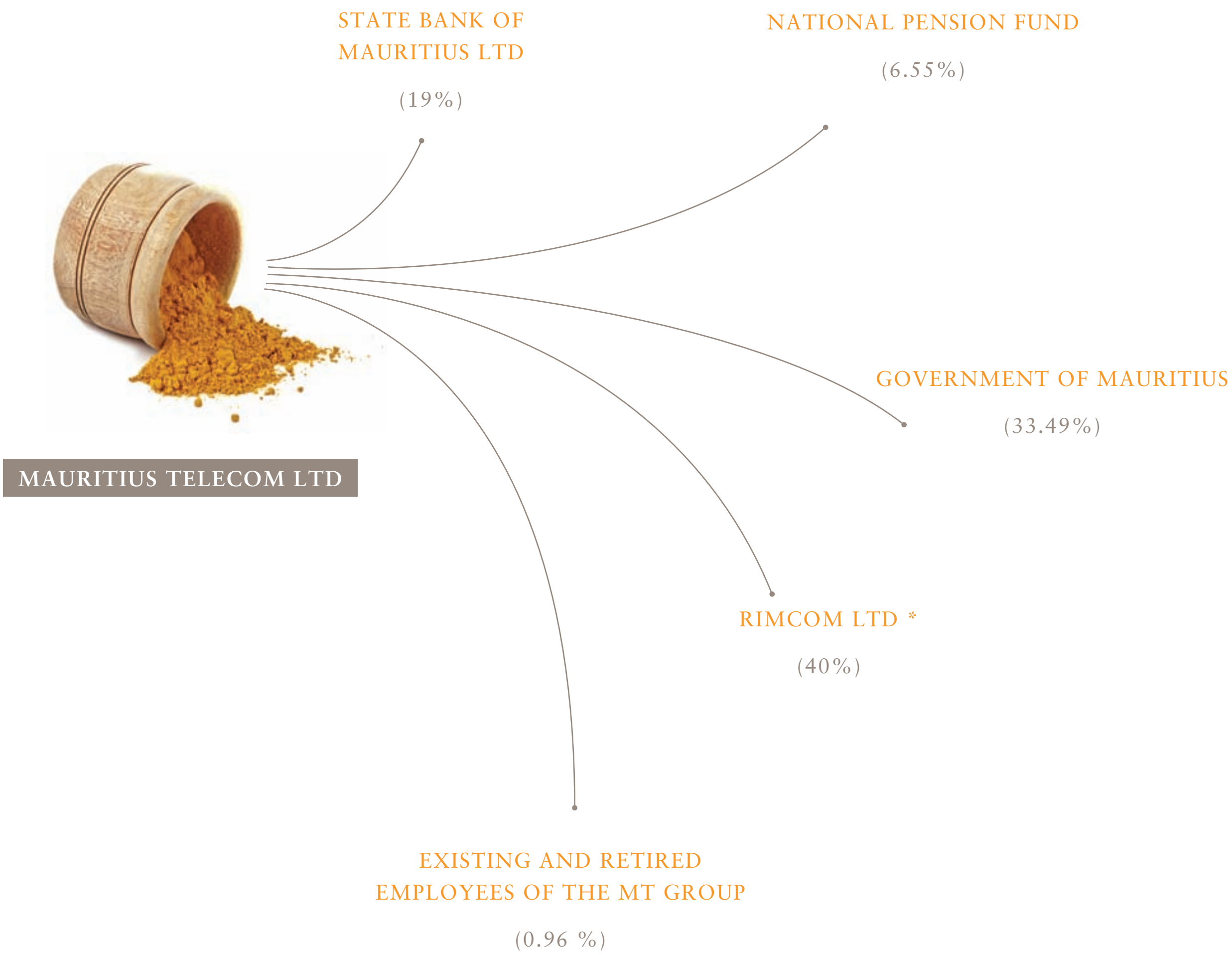
Emmanuel André

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

The Board of Mauritius Telecom considers that the Company has complied in all material respects with the principles of the Code of Corporate Governance. The present report sets out how the principles of the Code that have been applied within the Company.

Holding Structure



* *Rimcom is an investment vehicle wholly owned by France Telecom*

Substantial shareholders

Details of shareholders holding more than 5% of the Company's shares are given on the left. In addition, since June 2007, 2,161 employees and past employees together hold 0.96% of the Company shares, further to a share participation scheme.

Dividends

Having regard inter alia to net results, general financial performance, capital requirements and investment needs, the Company distributes regular yearly dividends, the level of which are expected to remain sustainable in the medium and long term in normal circumstances.

Board of Directors

The detailed composition of the Board of Directors can be found on pages 11–14 and a profile of each director is also included.

The profiles also include details of other directorships of each Board member, where applicable.

No director holds shares in MT or any subsidiary of MT.

The Chairman heads the Board of Directors, which has nine members. The Government of Mauritius nominates five directors for appointment and Rimcom four directors.

All directors are non-executive

The current composition of the Board is pursuant to a Shareholder' Agreement between the Government of Mauritius and Rimcom Ltd. The directors have therefore not been further categorised as independent or non-independent.

Directors nominated for appointment are elected each year at the Annual Meeting of Shareholders.

Board meetings are normally held every two months or earlier whenever required. In addition to meetings held in Mauritius, videoconferences are held when necessary to discuss important 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 for the monitoring of the Company's internal control mechanisms and its management information systems. To ensure their proper and effective implementation, a Risk Management Committee was set up in 2006, in addition to the existing Audit and Remuneration Committees.

Senior Management

The profiles of members of Senior Management can be found on pages 28 and 29.

Company Secretary

The Company Secretary ensures the proper co-ordination and conduct of Board, Shareholder 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.

Related Party transactions

Related party transactions are disclosed in note 33 of the Financial Statements.

Memorandum and Articles of Association

The Memorandum and Articles of Association of Mauritius Telecom is in conformity with the Companies Act 2001 and is a public document.

The Company has wide objectives which include the provision of telecommunication services and products of all kinds.

The liability of members is limited.

There are no pre-emptive rights attached to shares.

All ordinary shares rank equally for purposes of rights to dividends and other distributions.

The Government of Mauritius holds a Special Share which entitles it to voting rights which are stated in Clause 2.1A of the Articles of Association.

All shareholders are entitled to receive notice of, to attend and to vote at General Meetings of the Company.

Shareholder Agreement

A Shareholder Agreement was signed in November 2000 between the Government of Mauritius and Rimcom Ltd (the Strategic Partner). The Shareholder Agreement provides that the Government of Mauritius shall nominate for appointment five out of nine directors while the Strategic Partner shall nominate four directors.

Management Agreement

Neither the Company nor any subsidiary have any management agreement with a third party who is a director, or a Company owned or controlled by a director.

Share Option Plans

The Company has no share option plans.

Remuneration of Directors

Remuneration of directors is not disclosed individually.

An aggregate of directors' fees is to be found in the Directors' Annual Report and in note 26 of the Financial Statements.

Remuneration Policy

The remuneration of directors is considered by the Remuneration Committee of the Board. A resolution to that effect is passed by shareholders at the Company's Annual Meeting of Shareholders. Remuneration consists of a fixed fee as well as a variable fee, which is determined by the attendance of a director at Board and Board Committee meetings.

Board Committees

The following Board Committees have been set up:

REMUNERATION COMMITTEE

The Remuneration Committee is currently composed of the following Board members:

- A Thomas, GOSK (Chairman)
- S C Seeballuck, GOSK
- M Rennard
- M Barré
- D K Dabee

The Remuneration Committee 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, the Remuneration Committee 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.

The Remuneration Committee also reviews the remuneration of directors.

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.

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, maintains effective control over employee conflict of interest and fraud, and adheres to applicable standards of Corporate Governance

5) Makes recommendations to the Board on matters relating to the financial affairs of the Company.

The Company has not set up a separate Corporate Governance Committee. The duties of the Corporate Governance Committee are discharged by the Audit Committee.

AUDIT COMMITTEE

The Audit Committee is currently composed of the following Board members:

- C Eouzan (Chairman)
- A Mansoor
- M Barré

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

RISK MANAGEMENT COMMITTEE

The Risk Committee is currently composed of the following Board members:

- C Eouzan (Chairman)
- A Mansoor
- M Barré

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 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 their transfer

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

Internal Control Mechanisms

So as to promote the adequacy and effectiveness of internal controls 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 above
- Clear roles and responsibilities for each employee within the Organisation 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 formalised 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.

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, K Goburdhun, who reports directly to the Audit Committee.

His duties include the development and implementation of a comprehensive audit programme for the evaluation of management controls for the Mauritius Telecom Group's major activities. He investigates and examines the effectiveness of the use of Company resources and compliance with established and new policies, procedures and processes. He reports on audit findings on a regular basis to the Audit Committee.

Board and Board Committee attendance

The record of attendance at Board and Board Committee meetings can be found at the end of this section of the Report.

Risk Management

A description of key risks and how they are managed can de found in the Business Review section of the Annual Report.

Conflicts of Interest

Matters relating to conflict of interest, if any, are dealt with under Clause 14 of the Company's Articles of Association.

Ethics

The Company's conditions of service contain a specific section relating to the Code of Ethics and general obligations of employees. Members of specific professions who are employed by Mauritius Telecom (for example accountants and engineers) are also governed by the particular codes of ethics established by their respective professional bodies.

Corporate Social Responsibility (CSR)

CSR activities are detailed in the Business Review section of the Annual Report. Mauritius Telecom complies with the requirements relating to Corporate Social Responsibilities and set up, in December 2009, a special foundation, the Mauritius Telecom Foundation, which implements CSR projects on behalf of the Mauritius Telecom Group, in consultation with the Ministry of Finance's CSR Committee.

Mauritius Telecom has given particular attention to environmental issues and one of the priority projects initiated in 2009 was the disposal of old batteries for mobile telephones. This project is further detailed in the Annual Report.

Health and Safety

Mauritius Telecom complies with the requirements of health and safety as per applicable laws and regulations. Company activities relating among others to improvement in awareness of health and safety measures are detailed under Human Resources in the Business Review section of the Annual Report.

Annual Shareholder Meetings

The Company is not currently listed. It has therefore not set advance timetables for reporting and meeting dates as are required under the Listing Rules.

A formal Annual Meeting of shareholders is held every year. Advance notice, as provided under the Companies Act, is issued to directors and all shareholders.

Donations

The aggregate amount of donations is shown in the Annual Report of Directors and in note 26 of the Financial Statements.

On behalf of the Board of Directors

C Colimalay
Company Secretary

25 May 2010

Board And Board Committee Attendance 2009

The table below gives the record of attendance at Mauritius Telecom Board and Board Committee Meetings in 2009

	Board Meeting	Remuneration Committee	Audit Committee	Risk Management Committee
No of Meetings held	8	4	4	1
Directors				
A Thomas I GOSK (Chairman)	8	4	N/A	N/A
S C Seeballuck I GOSK	4	-	N/A	N/A
A Mansoor	6	N/A	4	1
G H Jeanne	8	N/A	N/A	N/A
D K Dabee (as from 25 June 2009)	4	2	N/A	N/A
M Rennard	4	2 + 2 (by alternate M Barré)	N/A	N/A
M Monzani	2 + 1 (by alternate M Delebarre)	2 + 2 (by alternate M Barré)	N/A	N/A
M Barré	8	N/A	4	1
C Eouzan	4	N/A	4	1

DIRECTORS' ANNUAL REPORT

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 2009.

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 Rs1,470,310,825 (2008: Rs1,928,784,204) and Rs1,478,556,651 (2008: Rs1,640,210,669) respectively.

Earnings per share for the year is Rs7.74 (2008: Rs10.15 per share).

The audited financial statements of the Group and Company for the year ended 31 December 2009 are annexed.

Board of Directors

The following persons held office as directors of the Company during year 2009:

MAURITIUS TELECOM

Non-Executive Directors

- A Thomas, GOSK – Chairman
- S C Seeballuck, GOSK
- A Mansoor
- G H Jeanne
- D K Dabee (as from 25 June 2009)
- M Rennard
- M Monzani
- C Eouzan
- M Barré

CELLPLUS MOBILE COMMUNICATIONS LTD

Non-Executive Directors

- S D Lallah – Chairman
- J F Thomas

TELECOM PLUS LTD

Non-Executive Directors

- S D Lallah – Chairman
- D Utchanah
- J F Thomas
- M Barré
- V Dosieah (as from 18 May 2009)

CALL SERVICES LTD

Non-Executive Directors

- S D Lallah – Chairman
- J F Thomas
- T Cowaloosur

TELESERVICES (MAURITIUS) LTD

Non-Executive Directors

- S D Lallah – Chairman
- T Cowaloosur
- J F Thomas

Directors' remuneration

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

	2009 (RS)	2008 (RS)
Mauritius Telecom Ltd		
Non executive directors		
- *from the Company*	5,102,808	4,443,261
- *from related Companies*	-	-
	5,102,808	4,443,261
Cellplus Mobile Communications Ltd		
Non executive directors		
- *from the Company*	-	84,000
- *from related Companies*	-	-
	-	84,000
Telecom Plus Ltd		
Non executive directors		
- *from the Company*	-	144,000
- *from related Companies*	-	-
	-	144,000
Call Services Ltd		
Non executive directors		
- *from the Company*	Nil	Nil
- *from related Companies*	Nil	Nil
Teleservices (Mauritius) Ltd		
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 of 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 Code of Corporate Governance has been adhered to as detailed in the Corporate Governance Report.

Dividends

Total dividends of Rs 889,200,000 were declared and paid during the year (2008: Rs 1,153,300,001), detailed as follows:

a. final dividends for year 2008: Rs 152,000,000

b. Interim dividends for year 2009: Rs 737,200,000

Donations

The Group made donations of Rs 1,785,099 during the year (2008: Rs 2,885,893) broken down by entities as follows:

	2009 (RS)	2008 (RS)
Mauritius Telecom Ltd	1,263,064	2,885,893
Cellplus Mobile Communications Ltd	522,035	-
	1,785,099	2,885,893

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 09 were:

	GROUP		COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Audit services	2,090,000	1,900,000	1,370,000	1,243,000
Other services	112,500	-	-	-
Total	2,202,500	1,900,000	1,370,000	1,243,000

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.

A Thomas, GOSK
Director

25 May 2010

D K Dabee
Director

25 May 2010

MILESTONES

1876

- Telephone invented by Alexander Graham Bell

1883

- First telephone installed in Mauritius and first manual exchange inaugurated

1893

- Mauritius connected to Zanzibar and Seychelles by telegraph submarine cable

1901

- Durban connected to Mauritius, Rodrigues and Seychelles by second submarine cable

1938

- Department of Electricity and Telephone established to manage the use of the telephone in Mauritius

1939

- First automatic telephone exchange opened

1948

- Radio telegraphy and radio telephony introduced with Reunion and Madagascar

1956

- Department of Electricity and Telephone renamed Telecommunications Department

1962

- STROWGER automatic exchanges replaced manual exchanges in Port Louis and Rose Hill

1969

- Telex service introduced

1975

- Mauritius joined space age with installation of a 10-metre diameter satellite antenna

1977

- First data transmission to London

1978

- E10A digital telephone exchange installed

1985

- Overseas Telecommunications Service Co (OTS) took over from Cable and Wireless

1987

- Second Standard B Earth Station inaugurated
- Domestic satellite network and a packet-switched data exchange introduced with Rodrigues and the Outer Islands
- International Direct Dialling (IDD) introduced in Mauritius

1988

- Department of Telecommunications incorporated as Mauritius Telecommunication Services Ltd (MTS)
- Digital E10B telephone exchange installed
- 7-digit numbering introduced
- IDD introduced in Rodrigues
- ISDN demonstrated on E10B Exchange

1992

- OCB Exchanges installed in Rose Hill, Grand Bay and Flacq
- Revised Standard A Earth Station inaugurated and direct route to North America opened
- OTS assets and liabilities transferred to MTS and name changed from MTS to Mauritius Telecom
- First Customer Service Centre opened in Rose Hill

MILESTONES (CONT'D)

1996

- Internet Services launched commercially by Telecom Plus
- Mobile GSM services introduced commercially by Cellplus Mobile Communications

1999

- Call Services Ltd, the first call centre in Mauritius, set up

2000

- OTS shares in Mauritius Telecom transferred to Government of Mauritius
- Strategic equity partnership with France Telecom signed in November

2002

- SAFE fibre-optic cable system inaugurated
- Teleservices took over the business of the Directory Unit

2003

- Telecommunications sector liberalised on 1 January
- First MT PoP (Point of Presence) installed in Telehouse 1, Paris
- First Teleshop launched in Curepipe
- First mobile system, CELL–OH, launched in Rodrigues

2004

- New Mauritius Telecom access code; 020, introduced for international calls
- Sezam, VoIP pre-paid card for international calls, launched
- Wi-Fi offered by Telecom Plus commercially
- Calling Party Pays (CPP) Regime introduced
- MTc@re, on-line access to MT services, introduced
- GPRS introduced by Cellplus

2005

- 3-way Conference Service introduced
- Cellplus' 3G Network launched
- Mauritius Telecom certified ISO 9001:2000

2006

- My.T, Mauritius Telecom's Multiplay–IPTV services, launched
- Cellplus Mobile Banking launched, in partnership with SBM
- Cellplus Pushmail service introduced
- SMS2TV launched by Cellplus during FIFA World Cup
- ADSL launched in Rodrigues

2007

- 1% of shares in Mauritius Telecom allocated to employees at a reduced price
- First Telecyber launched in Rodrigues by Telecom Plus
- EDGE island-wide coverage provided
- Blackberry® smartphones and wireless solutions introduced for the first time in Mauritius by Cellplus, in partnership with Research in Motion (RIM)
- Radiovision service launched by Cellplus in partnership with Radio Plus
- First MT Rodrigues Directory published by Teleservices
- 100% IP network, in partnership with Cisco, installed for a major customer
- Business Everywhere Solution launched
- Organisational Restructuring finalised
- Application Service Provider (ASP) service launched
- Very high bit-rate (45 Mbps) IPLC connection introduced for Orange Business Services in Mauritius
- First 3G roaming service introduced with Orange France
- R4NGN (Release 4 Next Generation Networks) introduced allowing access to IP services on mobile terminals
- FTTC (Fibre-to-the-Cabinet) sites deployed
- First NGN (New Generation Network) installed in Rodrigues

2008

- Mobile and Internet services rebranded as OrangeTM
- NetPC launched
- Co-sponsorship of 6th CJSOI games held in Seychelles
- Orange Sitara, singing competition in Hindi, organised in partnership with the Mauritius Broadcasting Corporation

2009

- SMS Gateway installed for Government on-line services
- 83 CCTV cameras installed in Flic-en-Flac using IP technology
- First NGN (Next Generation Network) introduced
- Integrated Rural Telephony (IRT) equipment replaced by new AirMux equipment
- Automatic Vehicle Location and Global Positioning System (AVL/GPS) launched for fleet management
- Phase 1 of "One Network" introduced between Mauritius and Rodrigues.
- All IN (intelligent network) and value-added services available in Mauritius introduced in Rodrigues, as well as EDGE data service
- Orange New Vision, "Together we can do more", launched
- WiLL (Wireless Local Loop) service decommissioned and customers transferred to line plant
- Post-pay Video on Demand (VOD) launched for My.T subscribers
- 8919 hotline launched for wholesale/ITES/business customers
- CCTV surveillance provided in MT Orange shops
- New MT helpdesk launched to centralise problem-solving
- 40 additional 3G+ Base Stations (Node B's) introduced under the 3G Network Expansion Phase 5 Project

JANUARY

- **Workshops held on Group Leadership Model (GLM) for Management cadres and supervisory level employees**
- New Orange post-pay and mobile phone package promotion
- Energy Saving Campaign launched on all MT sites

FEBRUARY

- Retail and wholesale ADSL tariff decrease approved by ICTA

MARCH

- Minister of Information & Communication Technology, Asraf Dulull, visited Call Services at Cassis
- MT participated in Unitech 2009 at the University of Mauritius and won the Best Stand and Most-Visited Stand awards

- Progress on MT's Broadband Development Strategy presented at a press conference:
  - Reduction in ADSL tariffs for businesses between 14 and 16%, for home users between 33 and 46%
  - Connection speed doubled
  - Bandwidth capacity increased fourfold
- iPhone offers extended to pre-pay customers

- **Workshop held on SPICE (Smart Processes for Improved Customer Experience), with support from Orange Reunion expert**
- MT Football Team won the Independence Cup, an inter-firm football competition
- MT Rodrigues organised the "Jeux de Rodrigues" for its staff
- Awareness Programme on Implementation of Performance Management System launched for MT employees

APRIL

- TopID project launched, with employees invited to come up with innovative and creative ideas

- **New My.T packages launched, with a bouquet of 15 international TV channels**

MAY

- MT hosted the 29th Southern Africa Telecommunications Association (SATA) Annual Conference at Le Meridien Hotel, Pointe aux Piments

- **CEO made SATA chairman for the year 2009/2010**
- World Telecommunication and Information Society Day celebrated on 17 May, with the theme "Protecting Children in Cyberspace"
- Cellplus Mobile Communications received ISP licence from ICTA
- Ego launched, a branded handset specially designed for MT
- Orange Mobile TV launched, the first convergent service with content from IPTV, with access to a bouquet of 15 international TV channels and Internet
- Campaign launched within MT against Swine Flu (AH1N1 pandemy)

JUNE

- **Orange Expo held from 4 to 7 June at the Swami Vivekananda Conference Centre with several business partners (Rawat Communications, Mauritius Broadcasting Corporation, Cash & Carry, J M Goupille and Harel Mallac), attracting more than 40,000 visitors**

- **Second edition of Orange International Marathon and the Fun Race (Orange Olympic Walk & Run for Fun), with event partners Ministry of Youth & Sports, Mauritius National Olympic Committee (MNOC), Mauritius Athletics Association (MAA), Mauritius Police Force and the Grand Mauritian Hotel, held on 21 June at Mon Choisy Public Beach, attracting more than 8,000 participants**
- Kick-off of Orange Tour 2009 at Mon Choisy Public Beach, on 21 June
- Mauritius Telecom Annual Report 2008 presented to the press
- Annual General Meeting of MT shareholders held at the Auditorium Octave Wiehé, Reduit
- Sensitisation campaign for vaccination against Hepatitis A and H1N1 Flu, First Aid courses and Fire Drill organised
- MT Orange Star nominated to participate in the World Orange Stars 2009 event at Warsaw in Poland
- 12,288 ADSL ports added island-wide for broadband services
- Caller Ring Back Tone (CRBT) Service launched

HIGHLIGHTS 2009 (CONT'D)

JULY

- Partnership agreement signed between Mauritius Telecom and Comores Telecom for support in the technical, commercial and marketing fields
- Sponsorship announced of the Centre Technique Régional de Football at Trianon
- Orange National Cycling Championships 2009 held on 26 July at Ebene
- New fun tones launched
- Turf Video launched on orange.mu

AUGUST

- Tariff reduction approved by ICTA for 020 calls and SEZAM
- International call tariffs to China, India and Sri Lanka using 020 code reduced by 71.4% as from 11 August
- SEZAM tariffs for Australia, Canada, China, India and Sri Lanka reduced by 37%

- **Orange Horse Racing Day, featuring the Classic Orange Barbé Cup Race**
- Internet Everywhere launched, enabling access to broadband Internet from laptops, using the High Speed Packet Access (HSPA)

- CEO participated in the Telecoms World Africa 2009 Conference in Cape Town, South Africa, from 31 August to 4 September, speaking on "The New Era of Convergence, the Way Forward"
- ContinuityMauritius housed its Disaster Recovery Centre at Candos Exchange
- Procedure Agreement signed by Management with MTEA

SEPTEMBER

- **LION cable brought to land in Mauritius at Le Goulet, Tombeau Bay, on 16 September, in presence of Minister of ICT, Asraf Dulull**

- New iPhone 3GS introduced
- Orange Academy launched with 30 staff from CSL at the Academy to eventually give assistance in Orange Shops

OCTOBER

- **CSR Project, "Je recycle les mobiles et les piles", funded through MT's CSR fund, with partners BEM Enterprises, Rotary Club of Port Louis Citadelle and Mission Verte, launched to the press**
- Mini-Omni Sports Day 2009 for staff, held at Le Pavillon, Quatre Bornes
- Badminton tournament organised for staff at the Navin Soonarane Gymnasium, Ebene

NOVEMBER

- Participated in Infotech 2009, the annual technology fair, showcasing Mobile Internet and "Les points magiques"
- Mobile Internet service launched, enabling both Orange pre-pay and post-pay customers to access Internet on their mobiles
- BPML handed over its network to MT
- Procedure Agreement signed by Management with TWU and TESA trade unions
- Launch of "Inside", fortnightly staff e-Newsletter
- Fire Drill and Safety & Health training held in Rodrigues
- Soccer Live Score update introduced on orange.mu

DECEMBER

- Triolet and Chemin Grenier MT Orange shops rebranded
- 195 2G sites operational at the end of December
- 14,000 additional ADSL ports installed under phase 5 of the ADSL Expansion Project
- Awareness Campaign on Hazards and Types of Personal Protective Equipment

- **Sponsored Sportsman of the Year Award Night, organised by the Mauritius Sports Council**
- Memorandum of Understanding (MOU) signed with Le Matinal to provide local news content on orange.mu
- Orange Botswana Portal, developed by Telecom Plus, launched

SURPRISING

We always expect more from our experiences.

We've got the passion to add spice to them, each and every time.

"Life's a series of changes and experiences. We always trust those who make us feel special for our new needs."

MASS, BUSINESS & WHOLESALE MARKET

Delivering a unique customer experience

The demand for digital technology has reached unprecedented levels. The Group has taken specific actions during 2009 to meet this demand and to respond to current trends and lifestyle changes.

Mauritius Telecom has been the driving force behind widening Internet access in Mauritius and opening a new world of opportunities to an increasing number of Mauritians as part of the democratisation of society.

At the beginning of 2009, only one household in four was connected to the worldwide web. 12 months later, however, more than one in three was connected (34%). This 11-point growth has been a key indicator of MT's performance. Mauritius Telecom has invested around €16 million in its terrestrial network and in international submarine cables to make broadband Internet accessible at the lowest possible price, while ensuring optimum data, sound and image transmission quality.

Furthermore, in March 2009, all Orange's Internet offers were revamped with a substantial drop in tariffs (up to 46%) and an increase in broadband connectivity (x 4).

Several innovative services were launched, such as TV on mobile, Internet Everywhere and Mobile Internet, with the strategic objective of making two of this era's greatest cultural services (TV and the Internet) available to Mauritians on the move. 15 international TV channels for all age brackets can be viewed on any 3G phone using TV on mobile. Internet Everywhere gives users the freedom to access the Internet anywhere via a laptop, while Mobile Internet means they can stay tuned to their social networks.

Meanwhile, our products, services and the latest innovations were showcased for 3 days in June 2009 at Orange Expo, an exhibition held at the Swami Vivekananda International Convention Centre, Pailles. The event attracted more than 40 000 visitors.

Mass Market

Orange has endeavoured not only to be close to its customers throughout the island but also to make it easier for them to recharge their mobile phones. During 2009, the number of retailers offering e-voucher services has grown threefold. The e-voucher services have also been introduced in Rodrigues. An increasing number of resellers now partner us in selling our products, especially mobile phones.

Meanwhile, several points of sale, including the Orange shops in Chemin Grenier and Triolet, have been rebranded in line with the Orange brand look and feel.

The piece de resistance of the Mass Market Division in 2009, however, was the launch in Mauritius of the iPhone 3GS shortly after it hit Europe.

Business Market

The Business Market Division achieved revenue growth of 13% compared to the previous year, mainly fuelled by innovative, cutting-edge and tailor-made business products, services and converged solutions for companies ranging in size from small home offices to large organisations.

The Division also opened up new possibilities for the health-care sector in Mauritius, in designing the setting up and implementation of a sophisticated medical system for the convergent transport of voice, data and video material for use by staff of a private clinic.

It has also been actively involved in achieving new levels of speed and security in the transfer of voice, data and video material through wide area networks, using both Internet Protocol (IP) and Fibre-to-the-Cabinet (FTTC) technologies.

Overseas, the Division secured a major breakthrough regionally by winning a large contract for the installation and maintenance of an IP telephony system and fibre network in one of the leading Mauritian hotels in the Seychelles.

To facilitate contact with anyone anywhere in the world, the Division introduced TelePresence in Mauritius. This is a product developed by Cisco, the world leader in IP solutions, which enables live face-to-face communication, with high-definition video and audio conferencing facilities.

Wholesale Market

The impact of the global financial crisis was mitigated thanks to prompt action taken by Mauritius Telecom's International Wholesale business very early in the year. The Company reduced its IPLC tariffs by an average of 25% on 1 January 2009, so as to enable BPOs and call centres to exploit new opportunities presented by overseas companies looking to reduce their operational costs. This measure has enabled the ITES sector, which currently employs some 12,000 people, to achieve growth of 16% in 2009, a year when the ICT sector contributed 5.8% to GDP.

Our International Roaming business picked up during the last quarter of 2009, when there was an increase in tourist arrivals of 3% compared to the same period in 2008. This positive turnaround helped to reduce the impact of the sluggishness noted at the start of the year. Meanwhile, new dynamism was given to growth in the mobile data field with the use of smartphones by tourists. Data roaming grew by more than 200% in 2009.

Mauritius Telecom's international voice business, however, was affected by the introduction of an asymmetric Universal Service Fund. Together with undercutting of the regulated termination price for incoming international calls, MT's market share in this sector declined from 40% in 2008 to 21% in 2009.

CELLPLUS MOBILE COMMUNICATIONS

Reshaping the Mobile Landscape

Cellplus Mobile Communications is the leader in the mobile sector in Mauritius. The introduction of the Orange Brand has enhanced the Company's image and positioning. The relentless and continuing success of the Orange Brand is reflected in the growth of our customer base, which had reached over 627,000 subscribers by the end of December 2009, an increase of 4.5% over the previous year. Revenue also increased by 6.7 % to reach Rs3.02 billion.

One of the key events for Cellplus in 2009 was its acquisition of the ISP license which allows the Company to make various Internet offers in line with trends and demand.

Innovations to the Market

While focusing on efforts to provide services that satisfy all its customers, Orange has also been developing new businesses, enhancing its network and offering such innovative, user-friendly services as CRBT, Mobile TV and Internet Everywhere. This has enabled customers to use their mobiles to access Internet and TV. Orange has also promoted the SMS Gateway Services whereby companies can communicate via SMS exclusively to their specific clients.

Infrastructure

Orange is committed to offering state-of–the-art mobile services to its customers by continuously developing its network infrastructure. Thus, GSM and 3G network have been upgraded with some 11 new GSM base stations to enhance coverage, capacity and service quality. Moreover, some 50 3G base stations have been deployed across the island to improve Voice and High Speed Mobile Packet Access (HSPA), a 3G+ technology, allowing downlink of up to 7.2 Mbps.

One Network

In 2009, Orange also embarked on a One Network project for Mauritius' and Rodrigues' mobile networks, so that all Orange subscribers in Mauritius and Rodrigues benefit from the same services.

Living Orange

On the corporate responsibility front, Orange has promoted sporting and cultural events and the National Cycling competition. Orange has also promoted its services at Orange Expo, the country's biggest telecommunications fair, and continuously promotes its services through various Orange Tours in Mauritius and Rodrigues.

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

TELECOM PLUS

Driving Broadband and Contents

In 2009 Telecom Plus, a fully owned subsidiary of Mauritius Telecom, maintained its position as market leader in Internet and value-added services. The Company registered turnover of Rs558.3 million, representing an 8% growth rate.

The year saw the implementation of the Internet Refresh campaign, aimed at boosting ADSL sales. The exercise contributed to the ADSL subscriber base growing from 15,958 to 29,718 – a growth rate of 86.2%. This market shift caused the dial-up customer base to shrink from 37,061 to 26,781 – representing a decline of about 28%.

To sustain a quality service to meet consumer demand, bandwidth capacity was expanded from 457 Mbps to 756 Mbps, an initiative which has given residential and business customers speedier Internet access.

Internet ADSL services were introduced in Rodrigues in 2006, since then the subscriber base has grown by 68.2%.

Content Business Development

As both a Content and an Application Service Provider (ASP), Telecom Plus pursued its strategy of making optimum use of new revenue possibilities in the TV, mobile and Internet sectors.

Contents like films, music, ringtones and logos were sourced externally for such media as mobile phones, TV and PC. A wide choice of contents was provided to cater to the demands of different consumer segments.

Orange.mu

Telecom Plus's website orange.mu was rated the leading Mauritian website by alexa.com (web traffic analysis) and had an average of 194,000 unique visitors per month. The editorial team implemented a strategy aimed at diversifying content in order to educate and entertain visitors to the site and to maintain MT's leadership position.

Video-on-demand (VOD) Service on My.T

In 2009, the VOD service offered 700 programmes. These were obtained from reputed service providers like DARO, Eros International, FIP, Family Films and Gaumont, as well as local producers, to offer a wider variety of contents to subscribers. A post-pay video service was introduced in October 2009, aimed at facilitating VOD rentals. This has clearly given a new impulse to VOD, as rentals have registered an increase of more than 50%.

TV Bouquet Service on My.T

The challenge here is to position My.T as a TV channels programme provider. In March 2009, the Company launched a bouquet of 15 live channels, including leading names such as CNN, TCM, NDTV, Fashion TV, France 24 and CCTV. The channels have a mix of French, Indian and English language programmes and contents. By 31 December 2009, the subscriber base had reached 12,179. The introduction of this new bouquet has also enhanced the competitive status of My.T. Negotiations are being finalised with leading TV channels like Star TV in India and key TV channels in Europe, for the launch of premium TV packages (Bollywood Bouquet and Cinema Bouquet). This will help to give a new boost to the IPTV service while at the same time allowing customers to enjoy access to popular international programmes.

Web Portal and Mobile Contents

Thanks to its enhanced expertise, Telecom Plus' Development Team was entrusted by Orange–AMEA with contracts to develop and maintain Orange–Botswana and Orange–Kenya portals and upgrade the Pan African portal. The Unit has also been involved in creating the website of SOS femmes, a non-profit organisation supporting women victim of abuse.

The Development team has also worked on generating media content through WAP portals. These included ringtones, wallpapers, logos, games and video clips.

Value-Added Services

An array of services is offered besides the traditional Audiotex. These include the creation and technical management of premium SMS services, such as SMS Voter, SMS Gateway and SMS to TV. Several SMS Voter and SMS to TV services have been jointly launched with private radio stations and the Mauritius Broadcasting Corporation. On-line betting services through SMS were also introduced during the year.

Projected New Content Services

Telecom Plus is maintaining its strategy of 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 on-line gaming.

CALL SERVICES

Exploring New Potentials

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

Financial and Operational Achievement

Call Services ended 2009, its 10th year of existence, with total revenue of Rs104.8 million, compared to Rs95 million in 2008. Net profit increased to Rs36.2 million against Rs30.3 million in 2008, representing an increase of 10.3%.

There was an increase of 9% on the average number of calls handled by Call Services in 2009 as compared to 2008. The number of work stations increased from 170 in 2008 to reach 200 as at end of 2009.

It is to be noted that 80% of Call Services' turnover is generated from services offered to the Mauritius Telecom Group.

150 and 152 Service – Information Hub

Call Services offers the telephone directory services known as the 150 service (business directory) and the 152 service (tourist information).

Customer Relationship Management (CRM) services

Call Services handles the helpdesk of the Group's fixed line, mobile and Internet services. Major public utilities, such as the CEB and the CWA, as well as the Municipality of Curepipe, have entrusted Call Services with the handling of their help and hotline desks, as a result of the expertise that the Company has acquired in this field. The National Empowerment Foundation, a government body, has also selected Call Services as its call centre service provider.

Helpdesk handling, telesurveys, appointment setting and data management solutions are also offered to local private companies in the banking, insurance, financial, mass media, betting, property development and other sectors.

The Mauritius Telecom Group is a major customer, relying on the Company for the conduct of its various telephone surveys, continuous appointment-setting campaigns, data capture and data maintenance.

Over recent years, Call Services has acquired considerable experience particularly in the conduct of telephone surveys, with many repeat and regular customers.

Interactive Voice Response (IVR)

IVR, also known as audiotex services, is also offered by Call Services. One of the most important services is the Cyclone Information desk.

BUSINESS REVIEW (CONT'D)

Growth Strategy

In order to improve the quality of service offered to its customers, Call Services puts much effort into the continuous training of its teleagents, through coaching and on-the-job, in-house and external training.

Call Services' strategy in 2010 is to continue providing services to the Mauritius Telecom Group and to enhance the current support system. We are working, therefore, on the implementation of a Call Centre Management System, which will allow Mauritius Telecom to deliver a better customer experience. The system will allow us to manage all customer interactions with Mauritius Telecom, whether by telephone, e-mail, fax, IVR, SMS or in person.

Call Services is also examining opportunities to offer its services, mainly in the field of telesurveys and helpdesking, to a larger number of local companies.

The Company will also explore the potential for marketing its business processing outsourcing services on the international market.

TELESERVICES

Making data simple and handy

Teleservices, a wholly-owned subsidiary of the Mauritius Telecom Group, is the largest directory business in Mauritius. Its core competency consists of the production of the MT Phonebooks (Residential & Business Listings) and the MT Yellow Pages (Classified Business Listings). It additionally publishes the MT Business Directory, a specialised tool targeting the business community, where concise information on websites and e-mail addresses can be found. Over 250,000 copies of these phonebooks are published and distributed free of charge every year, to virtually every home and business. In addition, this year Teleservices published a magazine to commemorate the 40th anniversary of the Ministry of Youth & Sports.

The turnover of the Company in the financial year under review was in the order of Rs134 million with an EBITDA of Rs22.4 million. Growth was up 5.3% over 2008.

Web-Based Directory

Teleservices' Online Directory, www.teleservices.mu, facilitates Mauritius Telecom' fixed-line customers search for directory information.. Users can thus easily navigate through the various sections of the website to search for a particular directory listing. It also promotes interaction between buyers and sellers through the display of key information and advertisements.

More and more users are making use of the on-line directory services to search for directory information, while businesses take advantage of its attractiveness and positioning to advertise their products and services. Teleservices provides a user-friendly interface to attract more users and consequently offers more visibility to advertisements.

Teleservices continues with plans to provide users on the move with access to the online directory via mobile telephones. The Company is also preparing to offer new services from mobile devices.

Media planning services

As a registered advertising agency, Teleservices' media planning activities are becoming one of its core activities after the MT Phonebook. This activity entails not only the booking of advertising space with all parts of the MT Group but also negotiating cost-effective advertising supports, as well as seeking massive impact for the advertised products and services. Over the years, the media planning activity service has been extended to several businesses throughout the country, with special advertising packages and other services offered to business customers.

Media planning services have made a major contribution to Teleservices' revenue over the past 3 years and have now become the second source of revenue after the MT Phonebooks. Compared with 2006, when it first started offering these services, revenue generated there from has more than tripled.

NETWORKS & INFORMATION SYSTEMS

Speeding up access to the Digital World

Speed is the most important thing nowadays. The Group has continued the roll out of projects to provide platforms that respond effectively to new trends in demand.

Mauritius Telecom has a widespread, modern and resilient 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 network quality, which it safeguards through constantly investing in maintenance and upgrading, carried out by highly-skilled staff.

In 2009, MT continued with the implementation of the Network Master Plan, which outlines the Group's vision of network evolution up to 2012.

Internet and Broadband

Mauritius Telecom is pursuing network modernisation to increase customer bandwidth options through investment in a wide range of technologies, such as Fibre-to-the-Cabinet (FFTC), ADSL, and SHDSL. This is in line with the Group's pivotal role in the deployment of high-speed broadband services.

In the year under review, additional FTTC sites were installed to extend broadband services to customers located further away from telecom exchanges. There were a total of 36 cabinets in service at the end of December 2009, with 2,900 subscribers. This is part of Mauritius Telecom's commitment to playing a leading role in the Broadband Mauritius vision.

Additional ADSL ports were also installed during the year in MT exchanges for the provision of broadband services, allowing 30,000 new broadband subscribers to be connected and increasing the broadband customer base to more than 70,000.

Mauritius Telecom supported the Government CCTV project in Flic en Flac by providing 10 Mbps fibre links to the central monitoring site in Line Barracks and a secondary monitoring site at Flic en Flac Police station.

The cameras were connected using SHDSL technology and the copper access network was also upgraded to provide quality line pairs up to the cameras.

Convergence – Next Generation Network

In pursuit of its policy of continuous innovation and to remain abreast of technological developments, Mauritius Telecom has advanced the project to deploy an IP-based NGN (Next Generation Network), which will provide convergent solutions.

Attractive tariff plans have been introduced to encourage business customers with legacy TDM-based services to migrate to the new IP-based service. Customers on legacy ATM-based DSLAMs were also transferred to IP–DSLAMs prior to the Internet Refresh in the first quarter of 2009, to ensure the effectiveness of the new enhanced offers.

MT also decommissioned its Wireless Local Loop (WLL) network in 2009 by migrating its service to copper line plant. A telephone terminal and call forwarding of WLL numbers to the new numbers were provided free-of-cost to customers and MT's Customer Care and Technical departments ensured that the migration ran smoothly. This has enabled customers to access broadband services not available to them on the TDM-based WLL system.

To support the NGN, Mauritius Telecom further upgraded its core network with the deployment of new switches as well as the upgrading of existing ones. A new NGN MSAN was also installed in our telecommunications hub at Ebene to provide MultiService platforms to the rapidly expanding number of enterprises setting up business in and around the Cybercity.

Mauritius Telecom has also upgraded its transmission network by upgrading its SDH network to service the new cable landing station for the LION submarine cable system at Terre Rouge. Meanwhile, two new backbone radio links in Rodrigues were upgraded from 34 Mbps to 140 Mbps capacity.

International Connectivity

In order to meet market demand 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 2009.

The Lower Indian Ocean Network (LION) Submarine Cable System

To date, the Group has invested 8 million in the LION cable, which connects Mauritius to Reunion and Madagascar. The first phase of the LION project was completed in 2009. The cable landing station at Terre Rouge is now operational and traffic is being routed through the system. The subsequent phases of the LION project are presently being planned and will link the west coast of Madagascar with Kenya. The second phase of the LION project is intended to be in service by the first quarter of 2012.

A contract for a very high capacity terrestrial DWDM network in Mauritius was also awarded in 2009 to link the main traffic nodes and the cable landing stations. The system will be implemented as from the first quarter of 2010 and will enable the routing of Disaster Recovery traffic between the SAFE and LION cable systems.

The Eastern Africa Submarine Cable System (EASSy)

Mauritius Telecom has so far invested US$8 million in the EASSy Project. 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 scheduled to be ready for service as from the second half 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 the project.

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

Europe–India Gateway Submarine Cable System (EIG)

The Group has invested US$5 million in the Europe–India Gateway (EIG) submarine cable system project following an agreement with Telkom South Africa. 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 first quarter of 2011.

The Safe Submarine Cable System Capacity (SAFE)

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

Customer Care and Billing System (CCBS)

Mauritius Telecom officially launched its integrated Customer Care and Billing System (CCBS). The CCBS will enable the Mauritius Telecom Group to move from its various companies having 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.

Going the Extra Mile

When people are given the means they are more prepared to meet objectives. During the year the Company introduced new schemes to train, empower and motivate its employees.

Organisational Development

The Company's future rests not only on its capacity to innovate and be creative but also on involving each and every member of the team in delivering quality service to customers.

When employees feel committed, they will consistently and enthusiastically go the extra mile to fulfil customer expectations. The Company, therefore, has extended the deployment of the Group Leadership Model (GLM), launched in 2008, across the organisation to engage all employees in the achievement of corporate objectives.

The GLM model has contributed appreciably to bringing about a general shift in people behaviour, most notably amongst frontliners. In fact, the GLM has proved to be an effective tool in developing leadership skills throughout the organisation.

As at 31 December 2009, the Company had 1,571 employees.

Organisational Effectiveness

In line with the recommendations of the Appanna Report on pay & grading structures and conditions of employment, the Company replaced the fixed annual increment by an assessment-based Annual Salary Progression (ASP) with effect from 1 July 2009.

The Company first implemented a Performance Management System (PMS) for managerial cadres in 2003. The scheme will be extended to non-managerial employees as from January 2010. The processes involved, such as setting targets, periodical performance reviews and final performance assessments, have been explained to all staff members concerned. About 300 employees in supervisory grades were also trained to assist with the effective implementation of the project. This key HR project will enable the aligning of operational to strategic objectives for all employees, with the aim of producing greater employee engagement.

The implementation of the ASP and PMS systems for all non-managerial employees are powerful ways of helping to make the organisation performance-driven.

PeopleConnect

The Company has engaged the services of a specialist firm to support the in-house HR and IS teams in designing and implementing a new e-HR Management System named PeopleConnect.

PeopleConnect includes a self-care module, which will enable employees to access a secured system for personal information on their various entitlements, including, for example, their current leave balance, and also to make on-line applications for such benefits.

PeopleConnect is scheduled to be fully operational in the first quarter of 2010.

Human Capital Development

To meet the challenges of rapid technological advances and changes in consumer demands, the Company needs to continuously upgrade the skills and competencies of its people.

An average of 20 hours training per employee was provided both locally and abroad during the year, with some delivered in-house. Almost every employee has followed at least one training course during the year.

A number of employees have followed training courses in Leadership Development, Entrepreneurship and Partnership offered by Orange University. Some employees have had hands-on experience in FT–Orange operations within their centres for innovation and excellence called Technocentres.

Employees have also benefited from training under the Commonwealth Telecommunications Organisation Programme for Development and Training (CTO PDT).

Health and Safety

Safety and Health Officers have intensified efforts to ensure a safe and healthy working environment. A Health Promotion Programme was implemented for 100 high-risk employees. Some 60 employees working in manholes were vaccinated against Hepatitis A. A poster campaign was launched to make manual workers aware of the importance of using protective equipment provided. This initiative, coupled with greater general awareness, resulted in a decrease of 20% in the number of accidents at work in 2009. First-aid training was also given to 60 staff members.

During 2009, the whole world was affected by the swine-flu pandemic, from which Mauritius was not exempted. This required a national awareness and prevention campaign, which Mauritius Telecom fully supported. Through the dissemination of posters and e-mails, employees were made aware of signs and symptoms, modes of transmission and basic hygiene preventive measures.

Employee Welfare and Social Relations

As a caring employer, every year the Company regularly organises social and recreational activities for employees. One of the main events in 2009 was a Sports Day at Le Pavillon, Quatre Bornes, for employees and their families.

Management has signed a Procedure Agreement with each recognised trade union to further enhance industrial relations. Regular consultations were also held between management and trade unions on various employee-related issues.

QUALITY AND SUPPORT

Ensuring reliability and efficiency

A unique customer experience is made possible by an optimum mix of people, processes and equipment. 2009 was marked by some major initiatives on security, energy saving and improved performance.

Business Continuity and Security

The Company embarked on a process to secure its operations by the adoption of a strategic approach towards business continuity and security. A fully-fledged Business Impact Assessment (BIA) exercise was held throughout the Company to identify all the critical areas in operations and the work required to meet area recovery requirements following a major crisis. This exercise was followed by the elaboration of a Company Global Security Policy and a Crisis Management Policy. The Global Security Policy includes policies for Information Security and Safety and Health.

Quality and Process Improvement

The SPICE Project (Smart Processes for Improved Customer Experience) was launched in March 2009. The objectives of SPICE are to improve customer satisfaction and enhance working conditions, leading eventually to increased productivity.

The project became necessary following the integration of fixed, mobile and Internet services and for customers adapting to the rebranding of mobile and Internet offers. The period was characterised by high expectations, some uncertainty and a few disappointments.

To achieve SPICE objectives, processes within the Company need to become customer-centric, cutting across departments, with defined responsibilities, agreed KPIs and identified process owners. SPICE is also intended to give Top Management a snapshot of the Company's critical processes and to establish a high-level of control over them.

A Complaints Tracking process had its run-in phase in November 2009. Through the interaction and setting up of Service Level Agreements (SLAs) between the various departments, customers have reported a quick and noticeable improvement in service. This has further led to a decrease in the number of complaints at our helpdesks. The project will enter subsequent phases of development and implementation during the course of 2010.

Supply Chain and Logistics

The Company introduced the AVL/GPS system during 2009 on a phased basis. Following the introduction, several benefits were observed including the improved despatch of field staff to handle maintenance and repairs at customer premises, with reduced customer downtime. The system not only safeguards employee security through a panic alert system in case of distress or emergency, but also reduces fuel and vehicle maintenance costs. All drivers have been trained to operate the system and have been provided with a Goods Driver Manual. The Company will continue to install the system throughout its vehicle fleet.

CCTV surveillance systems have been installed in Orange shops in order to provide a safer and more secure environment for both customers and employees. Prominently displayed stickers make anyone entering the shops aware of the surveillance system.

Launch of Energy Saving Campaign

A poster and sticker energy-saving campaign was launched amongst staff working in Telecom Tower, Orange Shops and in stations and exchanges. Staff have been encouraged to switch off all non-essential equipment when leaving an office. A 4% reduction in the monthly consumption of electricity has since been registered at Telecom Tower.

Suggestions Box

During the year, the Company launched an Employee Suggestion Scheme, known as topID. topID allows employees to think out of the box and make a personal contribution to the Company knowing they may see their ideas implemented. The scheme has proved to be a success with a remarkable number of suggestions received. These suggestions have been evaluated and subjected to feasibility study. Some 19 suggestions have been selected for implementation, making topID yet another step helping to drive improvement.

Being safe and secured

Protection against threats is fundamental in business. The Company has initiated several plans to reinforce its security and that of its people.

Risk Management Committee – Board of Directors

Mauritius Telecom's Board of Directors has set up a Risk Management Committee, composed of three Board directors. This is a standing committee which has been established to review and approve risk policy, and enable continuous identification and mitigation of risks as they pertain to the Group. Through the Risk Management Committee, the Board of Directors derives assurance that a continuous risk-management process is in place and is effective.

The terms of reference of the Risk Management Committee are further detailed in the Corporate Governance section of the Annual Report.

In 2009, the Risk Management Committee approved a Global Security Policy. The domains covered are further described below: Business Continuity and Security Section

Besides the Board's Risk Management Committee, the Business Continuity and Security Section deals on a day-to-day basis with the identification and management of risks. The Business and Security Section (BCS), under the responsibility of the Senior Executive Quality and Support, reports regularly to the Risk Management Committee.

The BCS deals with all aspects of operational, technology and security risks, including security risks related to IT infrastructure. It liaises with all concerned units/departments within the MT Group.

Identification and Management of Risks

BCS has undertaken the following exercises during 2009:

I. BUSINESS IMPACT ASSESSMENT (BIA) EXERCISE

This exercise has identified the critical business processes, dependencies and work area requirements, in case the main sites where normal work is carried out are affected by a disaster.

II. BUSINESS CONTINUITY STRATEGY (BCS)

This document defines the framework for building resilience and capability for an effective response that ensures the continuity of business during sudden disruptions.

III. RISK ASSESSMENT

A Risk Assessment has been carried out for operational risks at selected Company sites. The risks have been classified into four categories: Critical, Major, Moderate and Minor.

Management follows up and continuously reviews all classified risks and puts in place risk mitigation processes where appropriate.

Global security policy

MT produced a Global Security Policy document during 2009. Approved by the Risk Management Committee, it covers the security areas that are essential for protecting Company assets. The areas covered in the document are:

I. INFORMATION SECURITY

Information is the lifeblood of any organisation and exists in many forms. It has to be protected so that it remains secure. Information security addresses such issues as confidentiality, data integrity and employee accountability.

II. PEOPLE'S SAFETY AND HEALTH

Mauritius Telecom has defined this so that it is in compliance with the Occupational Health and Safety Act of 2005. The aim is to create and maintain a safe and healthy working environment. The policy also takes into account the safety and health of visitors, contractors, suppliers etc.

Health and Safety is dealt with on a day-to-day basis by the Health and Safety Section of the Human Resources Department.

III. ENVIRONMENTAL SECURITY

MT has initiated measures which ensure the safe disposal of such environmental waste as electronic equipment, batteries and poles. The Company has also initiated projects under its Corporate Social Responsibility (CSR) programme relating to the collection of discarded mobile phones and batteries on a nationwide basis.

IV. FRAUD AND FINANCIAL RISKS

Fraud and financial risks, including risks relating to debtors, are monitored on a day-to-day basis by the Financial Department. The Fraud and Financial Risk Section reports to the Chief Financial Officer.

Main actions taken in 2009:

Risk No	Area	Action
1	Operational Risks	An Information Security Policy implemented and staff made aware
		Accountability for access to classified information
		Regular vulnerability testing
		Data-recovery site in progress
2	Physical Access	CCTV, intruder alarms, access control, panic alarm, guards at strategic locations, site perimeters secured by concrete walls or metallic fencing/barbed wire
		Patrol guards for the access network (to deal mainly with cable theft)
3	Human Resources (Safety and Health of personnel)	Safety & Health Policy implemented and staff made aware
		AH1N1 Awareness Programme carried out
		Key personnel identified
		Scheduled drills held for fire and bomb alerts – awareness course and sensitisation programme implemented
4	Technology	Resilience of mobile network addressed
		Resilience of international gateway addressed
		Resilience of national transmission network addressed
5	Business Continuity	Business Continuity Management Policy
		Business Impact Assessment carried out
		Setting up of Disaster Recovery Site (In progress)
		Crisis Management Plan defined
		Incident Management Plan defined
		Global Security Policy defined
		Work Area Recovery Site identified
6	Financial	Anti-fraud Policy put in place and staff made aware through the intranet
		Control actions and tools implemented
		Credit control process reviewed
7	Compliance	Compliance with Safety & Health & Act 2005
8	Reputational	MT is ISO certified and recently introduced SPICE programme for streamlining processes so as to increase customer satisfaction.

REGULATORY AFFAIRS

Providing the Framework for Innovation and Security

New technology and usage demands constant update of regulations. During the year, new measures were introduced in the ICT sector on integrity, tariffs, competition and security.

Implementation of Public Key Infrastructure (PKI)

The ICT Authority signed a memorandum of understanding with India's Controller of Certification Authority on 11 February 2009 for the implementation of a public key infrastructure (PKI) in Mauritius. This will provide additional guarantees and assurance to Internet service providers, businesses, governmental institutions and individuals regarding the integrity of on-line transactions.

Tariff Review

During 2009, the ICTA approved Mauritius Telecom's proposal for a reduction in wholesale ADSL tariffs by almost 40%, with the aim of increasing broadband penetration in Mauritius. The decrease in tariff has been beneficial to all Internet Service Providers, and residential and business customers.

Mauritius Telecom's subsidiaries have also been actively developing new offers. Cellplus, for instance, has introduced the Internet Everywhere service to allow individuals and businesses to connect to the Internet anytime and anywhere from their laptops, and Telecom Plus has reduced the tariff for dedicated Internet access.

Radio Frequency (RF) Safety

There has been growing concern amongst various stakeholders in Mauritius regarding the potential hazards of Radio Frequency (RF) radiation from radio base stations. The ICT Authority, therefore, initiated a consultation process on 3 September 2009 to explain to stakeholders the technical concepts behind RF safety and the current regulatory framework in Mauritius with regard to RF safety.

The Competition Act 2007

The Competition Act 2007 came into force on 25 November 2009. The main aim of the Competition Act 2007 is to promote the effective functioning of markets in the interests of consumers. The Act applies to every economic activity within, or having an effect within, Mauritius except for petroleum products and liquid petroleum gas which are exempted. Like other companies, therefore, Mauritius Telecom is subject to this new law.

Telecommunication Directives 1 & 2 of 2009

Mobile telephone theft has become a major problem over the years. The ICT Authority, therefore, has issued Telecommunication Directives 1 and 2 of 2009, which came into effect on 14 December 2009. Telecommunication Directive 1 of 2009 puts more obligations on dealers in order to protect the consumers when they purchase a mobile phone. Telecommunication Directive 2 of 2009 allows mobile operators to blacklist mobile phones reported lost. The mobile operators will be required to set up an Equipment Identity Register (EIR) for the purpose of blacklisting the International Mobile Equipment Identity (IMEI) of stolen mobile phones.

CORPORATE SOCIAL RESPONSIBILITY

Making a Difference

Organisations do not exist in a vacuum. 2009 has brought new heights to the Company's commitment and ventures to better care for society.

As one of the leading enterprises in Mauritius, and the leader in the telecommunications sector, Mauritius Telecom is fully committed to its Corporate Social Responsibility (CSR) towards its stakeholders: shareholders, customers, employees and Mauritian society at large. We are also concerned about protecting the environment. CSR occupies a prominent place in Company strategy.

Mauritius Telecom aligns its CSR initiatives to the CSR strategy of its partner, France Telecom, and draws from the wide experience and expertise of the France Telecom–Orange Group in the implementation of its CSR initiatives, particularly those related to the protection of the environment.

In line with its CSR strategy, Mauritius Telecom 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.

MT provides fair working conditions to its employees, offers secure products and services to its customers at competitive prices and avoids damaging the environment.

Projects

Mauritius Telecom is the government's main partner in the School Net Project. Since October 2005, we have sponsored access to ADSL to 200 secondary schools. In 2009, Mauritius Telecom's contribution was worth about Rs1 million.

During 2009, Mauritius Telecom supported several worthwhile projects at local level, with the welfare of the society it serves in mind. In providing support through sponsorship, we aim to align ourselves with organisations and activities that reflect MT's brand values and principles

Mauritius Telecom Foundation

The Finance Act 2009 provides, inter-alia, for the setting up, by every profitable Company, of a CSR Fund equivalent to 2% of its book profit after tax. This fund is to be used exclusively to finance CSR projects in line with guidelines issued by the CSR National Committee.

To administer Mauritius Telecom's and its subsidiaries' CSR projects, the Mauritius Telecom Foundation has been set up.

Mauritius Telecom's CEO, Sarat Dutt Lallah, and the Deputy Chief Executive, Jean-François Thomas are the Members of the Board of Directors of the Mauritius Telecom Foundation. The Board is chaired by Mr Sarat Dutt Lallah. The Foundation is supported by the CSR Committee of the Mauritius Telecom Group.

The CSR Contributions of Mauritius Telecom, Cellplus, Telecom Plus, Call Services and Teleservices have all been credited to the Foundation.

Use of CSR funds

Mauritius Telecom Foundation is contributing Rs10 million to the National Social Housing Programme and Rs7 million to the Eradication of Absolute Poverty Programme.

We are convinced that sports play an important role in making society safer and in providing social cohesion. We are therefore participating in the project of the Fondation pour la Formation au Football for the development of football in Mauritius, specifically Rs1.5 million for the training of youngsters aged between 13 and 15.

Recycling used Mobile Phones and Batteries

We are very concerned by the fact that the 25 million batteries imported yearly are disposed of in the environment with all the possible health hazards that they represent for the Mauritian population.

We have therefore initiated a CSR project for the collection and recycling of used mobiles and batteries. This project, *Je recycle les mobiles et les piles,* is being implemented in partnership with the Rotary Club of Port Louis–Citadelle, the NGO Mission Verte, and recycling Company BEM Enterprises.

Future Projects

In the future, the Mauritius Telecom Foundation will provide NetPCs in 190 social community welfare centres in Mauritius. In partnership with the NCB, we intend to purchase an additional Cyber caravan to facilitate access to information technology amongst vulnerable groups.

With the help of the Ministry of the Environment and the Ministry of Local Authorities, we aim to extend this project across the country and introduce the recycling of other discarded electronic items, such as used computers.

We shall continue to contribute to the development of deprived regions in the country and we shall also support ZEP schools. The Mauritius Telecom Foundation also has a number of projects in the pipeline for Rodrigues.

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 2 to 51 which comprise the statements of financial position at 31 December 2009 and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 (CONT'D)

Opinion

In our opinion, the financial statements on pages 2 to 51 give a true and fair view of the financial position of the group and of the Company at 31 December 2009, 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.

The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

Kemp Chatteris Deloitte

Chartered Accountants

25 May 2010

MAURITIUS TELECOM LTD
STATEMENTS OF FINANCIAL POSITION

at 31 December 2009

		THE GROUP			THE COMPANY		
	Note	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 *Restated* (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 (RS)
ASSETS							
Non-current assets							
Property, plant anduipment	5	7,537,396,476	7,194,453,787	7,093,544,067	5,796,883,193	5,613,006,637	5,461,681,460
Goodwill	6	80,980,030	80,980,030	80,980,030	-	-	-
Other intangible asset	7	36,027,720	60,346,668	86,289,416	6,327,311	8,027,696	12,725,538
Investments in subsidiaries	8	-	-	-	241,135,000	241,270,830	241,270,830
Investments in associates	9	299,976,070	332,640,703	237,960,309	79,934,881	79,934,881	40,934,881
Other investments	10	24,296,358	169,715,609	22,204,359	24,296,359	169,715,609	22,204,359
Total non-current assets		7,978,676,654	7,838,136,797	7,520,978,181	6,148,576,744	6,111,955,653	5,778,817,068
Current assets							
Stocks	11	194,384,680	153,520,890	92,725,488	157,834,197	146,728,993	75,943,086
Trade receivables	12	1,224,184,512	1,617,796,315	1,436,462,116	803,737,461	1,156,452,909	1,077,481,218
Other receivables	13	431,463,345	441,721,777	334,128,601	293,102,831	288,588,243	310,876,892
Amount due from a subsidiary	14	-	-	-	24,000,000	32,000,000	40,000,000
Cash and cash equivalents		3,939,073,645	3,651,526,986	2,484,846,879	3,876,909,551	3,544,506,368	1,968,549,699
Total current assets		5,789,106,182	5,864,565,968	4,348,163,084	5,155,584,040	5,168,276,513	3,472,850,895
Total assets		13,767,782,836	13,702,702,765	11,869,141,265	11,304,160,784	11,280,232,166	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	190,000,001	190,000,001
Reserves	16	2,026,000	1,466,650	2,228,650	2,026,000	1,472,000	2,234,000
Retained earnings		8,108,481,201	7,526,417,641	6,750,933,438	6,196,456,479	5,607,099,828	5,120,189,160
Equity attributable to owners of the Company		8,300,507,202	7,717,884,292	6,943,162,089	6,388,482,480	5,798,571,829	5,312,423,161
Non-current liabilities							
Loans	17	75,194,869	115,335,365	191,752,302	75,194,869	115,335,365	191,752,302
Trade payables	18	407,902,780	397,106,534	386,153,361	407,902,780	397,106,534	386,153,361
Deferred tax liabilities	19	384,572,782	444,882,232	476,276,459	240,499,487	274,536,518	304,512,073
Retirement benefit obligations	20	913,945,000	787,444,000	709,799,000	901,700,000	776,464,000	699,940,000
Total non-current liabilities		1,781,615,431	1,744,768,131	1,763,981,122	1,625,297,136	1,563,442,417	1,582,357,736
Current liabilities							
Loans	17	37,492,413	38,373,458	47,871,029	37,492,413	38,373,458	47,871,029
Trade payables	18	883,116,297	952,670,931	944,370,991	404,155,859	496,448,600	409,608,197
Other payables and accrued expenses	21	1,105,291,239	1,611,720,513	1,140,782,513	1,781,424,167	2,000,837,210	1,265,521,269
Deferred revenue	22	33,821,074	35,955,448	56,668,129	-	-	-
Dividend	23	737,200,000	913,900,000	-	737,200,000	913,900,000	-
Current tax liabilities		660,425,024	425,833,764	725,007,930	101,794,573	212,956,169	395,383,907
Provisions	24	228,314,156	261,596,228	247,297,462	228,314,156	255,702,483	238,502,664
Total current liabilities		3,685,660,203	4,240,050,342	3,161,998,054	3,290,381,168	3,918,217,920	2,356,887,066
Total liabilities		5,467,275,634	5,984,818,473	4,925,979,176	4,915,678,304	5,481,660,337	3,939,244,802
Total equity and liabilities		13,767,782,836	13,702,702,765	11,869,141,265	11,304,160,784	11,280,232,166	9,251,667,963

Approved by the Board of Directors and authorised for issue on 25 May 2010.

Director   *Director*

MAURITIUS TELECOM LTD
STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Note	THE GROUP 2009 (RS)	THE GROUP 2008 (RS)	THE COMPANY 2009 (RS)	THE COMPANY 2008 (RS)
Revenue	25	7,131,548,212	6,727,193,850	4,500,386,156	4,434,022,806
Cost of sales		(1,671,277,557)	(1,483,592,426)	(1,381,890,081)	(1,472,929,463)
Gross profit		5,460,270,655	5,243,601,424	3,118,496,075	2,961,093,343
Operating expenses		(3,721,031,580)	(3,293,553,807)	(2,832,186,064)	(2,533,567,267)
Profit from operations	26	1,739,239,075	1,950,047,617	286,310,011	427,526,076
Other income	27	31,995,344	100,377,326	208,285,182	231,544,899
Other gains and losses	28	102,051,159	75,708,501	75,958,281	51,412,919
Investment income	29	210,235,538	217,509,581	1,330,016,871	1,251,857,724
Finance costs	30	(9,064,207)	(8,793,813)	(119,081,962)	(96,146,537)
Share of profits from associates	9	19,236,245	106,511,133	-	-
Profit before tax		2,093,693,154	2,441,360,345	1,781,488,383	1,866,195,081
Income tax expense	19 (i)	(623,382,329)	(512,576,141)	(302,931,732)	(225,984,412)
PROFIT FOR THE YEAR		1,470,310,825	1,928,784,204	1,478,556,651	1,640,210,669
Other comprehensive income					
Net value gain / (loss) on available-for-sale-financial asset	10	554,000	(762,000)	554,000	(762,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,470,864,825	1,928,022,204	1,479,110,651	1,639,448,669
Profit attributable to Owners of the Company		1,470,310,825	1,928,784,204	-	-
Total comprehensive income attributable to Owners of the Company		1,470,864,825	1,928,022,204	-	-
Earnings Per Share	31	7.74	10.15	7.78	8.63

MAURITIUS TELECOM LTD STATEMENT OF CHANGES IN EQUITY

for the year ended 31 december 2009

	Note	THE GROUP				
		Stated capital (RS)	Fair value reserve (RS)	Foreign currency translation reserve (RS)	Retained earnings (RS)	Attributable to owners of the parent (RS)
Balance at 1 January 2008		190,000,001	2,234,000	(5,350)	6,750,933,438	6,943,162,089
Profit for the year		-	-	-	1,928,784,204	1,928,784,204
Other comprehensive loss for the year		-	(762,000)	-	-	(762,000)
Total comprehensive income for the year		-	(762,000)	-	1,928,784,204	1,928,022,204
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
Deconsolidation of a subsidiary		-	-	5,350	952,735	958,085
Profit for the year		-	-	-	1,470,310,825	1,470,310,825
Other comprehensive income for the year		-	554,000	-	-	554,000
Total comprehensive income for the year		-	554,000	-	1,470,310,825	1,470,864,825
Dividends	23	-	-	-	(889,200,000)	(889,200,000)
Balance at 31 December 2009		190,000,001	2,026,000	-	8,108,481,201	8,300,507,202

	Note	THE COMPANY			
		Stated capital (RS)	Fair value reserve (RS)	Retained earnings (RS)	Total (RS)
Balance at 1 January 2008		190,000,001	2,234,000	5,120,189,160	5,312,423,161
Profit for the year		-	-	1,640,210,669	1,640,210,669
Other comprehensive income for the year		-	(762,000)	-	(762,000)
Total comprehensive income for the year		-	(762,000)	1,640,210,669	1,639,448,669
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
Profit for the year		-	-	1,478,556,651	1,478,556,651
Other comprehensive income for the year		-	554,000	-	554,000
Total comprehensive income for the year		-	554,000	1,478,556,651	1,479,110,651
Dividends paid	23	-	-	(889,200,000)	(889,200,000)
Balance at 31 December 2009		190,000,001	2,026,000	6,196,456,479	6,388,482,480

MAURITIUS TELECOM LTD STATEMENT OF CASH FLOWS

for the year ended 31 december 2009

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	2,093,693,154	2,441,360,345	1,781,488,383	1,866,195,081
Adjustments for:				
Profit on disposal of property, plant and equipment	(9,735,989)	(6,364,345)	(8,866,534)	(6,762,175)
Loss/(profit) on disposal of investment in a subsidiary	-	-	135,830	(56,678)
Interest expense	9,064,207	8,793,813	119,081,962	96,146,537
Interest income	(208,594,055)	(212,953,538)	(208,594,055)	(208,720,942)
Dividend income	(1,641,483)	(4,556,043)	(1,118,792,360)	(1,043,136,782)
Retirement benefit obligations	126,501,000	77,645,000	125,236,000	76,524,000
Share of profits of associates	(19,236,245)	(106,511,133)	-	-
Depreciation and amortisation	1,186,087,325	1,150,691,342	900,789,610	859,581,268
Reversal of provision for impairment in a subsidiary	-	-	-	(51,000)
Unrealised exchange loss/(gain)	8,430,886	(32,187,504)	30,364,875	(20,654,819)
Operating profit before working capital changes	3,184,568,800	3,315,917,937	1,620,843,711	1,619,064,490
Decrease/(increase) in trade receivables	400,178,495	(181,334,199)	352,715,448	(78,971,691)
Decrease/(increase) in other receivables	10,258,432	(107,593,176)	(4,514,588)	22,288,649
Increase in stocks	(40,863,791)	(60,795,402)	(11,105,204)	(70,785,907)
(Decrease)/increase in trade payables	(69,554,634)	(27,647,261)	(92,292,741)	86,840,403
(Decrease)increase in other payables and accrued expenses	(209,380,598)	486,172,517	(328,319,024)	735,316,192
(Decrease)/Increase in provisions	(33,282,072)	14,298,766	(27,388,327)	17,199,819
Cash generated from operations	3,241,924,632	3,439,019,182	1,509,939,275	2,330,951,955
Interest paid	(9,064,207)	(8,793,813)	(119,081,962)	(96,146,537)
Taxation paid	(754,850,257)	(843,144,059)	(365,733,500)	(434,554,997)
Net cash flows from operating activities	2,478,010,168	2,587,081,310	1,025,123,813	1,800,250,421
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in an associate	-	(39,000,000)	-	(39,000,000)
Purchase of property, plant and equipment	(1,492,581,169)	(1,220,351,206)	(1,070,838,799)	(1,033,268,272)
Purchase of other intangible assets	(12,129,897)	(6,575,683)	(12,126,983)	(5,234,313)
Proceeds from sale of property, plant and equipment	9,735,989	7,632,920	8,866,534	39,056,157
Proceeds from maturity of held-to-maturity investments	150,000,000	-	150,000,000	-
Proceeds from sale of investments in a subsidiary	-	-	-	148,971
Purchase of held-to-maturity investments	-	(145,702,500)	-	(145,702,500)
Purchase of other investments	(2,300,000)	-	(2,300,000)	-
Interest received	206,867,305	211,164,488	206,867,305	208,720,942
Dividend received	53,542,360	55,386,783	1,118,792,360	1,043,136,782
Net cash (used in)/generated from investing activities	(1,086,865,412)	(1,137,445,198)	399,260,417	67,857,767
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans	(41,021,543)	(47,871,029)	(41,021,543)	(47,871,029)
Loan repaid by a subsidiary	-	-	8,000,000	8,000,000
Increase in trade payables after one year	10,796,246	10,953,175	10,796,246	10,953,173
Dividend paid	(1,065,900,000)	(239,400,001)	(1,065,900,000)	(239,400,001)
Net cash used in financing activities	(1,096,125,297)	(276,317,855)	(1,088,125,297)	(268,317,857)
Net increase in cash and cash equivalents	295,019,459	1,173,318,257	336,258,933	1,599,790,331
Cash and cash equivalents at beginning of the year	3,651,526,986	2,484,846,879	3,544,506,368	1,968,549,699
Effect of exchange rate changes on the balance of cash held in foreign currencies	(7,472,800)	(6,638,150)	(3,855,750)	(23,833,662)
Cash and cash equivalents at end of the year	**3,939,073,645**	**3,651,526,986**	**3,876,909,551**	**3,544,506,368**

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 2009.

2.1. STANDARDS AND INTERPRETATIONS AFFECTING PRESENTATION AND DISCLOSURE REPORTED IN THE CURRENT PERIOD

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the presentation and disclosure of these financial statements. Details of other Standards and Interpretations adopted in these financial statements but have had no impact on the amounts reported are set out in section 2.2.

Standard affecting presentation and disclosure

IAS 1 (as revised In 2007) Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised standard has required the presentation of a third statement of financial position at 1 January 2008 because of a change in presentation.
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
IFRS 8 Operating Segments	IFRS 8 is a disclosure standard that provides the group's reportable segments.

Standards and Interpretations affecting the reported results or financial position

The adoption of the Standards and Interpretations has not affected the reported results or the financial position of the group and the Company.

2. Adoption of new and revised international financial reporting standards – IFRS (cont'd)

2.2. STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON FINANCIAL STATEMENTS

The following relevant new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income
IAS 1	Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation
IAS 1	Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 16	Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 17	Leases – Amendments resulting from April 2009 Annual Improvements to IFRS
IAS 19	Employee Benefits – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 20	Government Grants and Disclosure of Government Assistance – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 23	Borrowings Costs – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 27	Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first time adoption
IAS 28	Investments in Associates – Amendments resulting from May 2008 Annual improvements to IFRSs
IAS 29	Financial Reporting in Hyperinflationary Economies – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 31	Interests in Joint Ventures – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation
IAS 36	Impairment of Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 38	Intangible Assets – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items
IAS 40	Investment Property – Amendments resulting from May 2008 Annual Improvements to IFRSs
IAS 41	Agriculture – Amendments resulting from May 2008 Annual Improvements to IFRSs
IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption
IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations

2.3. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these financial statements, the following relevant 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 – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)
IAS 7	Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

2. Adoption of new and revised international financial reporting standards – IFRS (cont'd)

IAS 17 Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IAS 24 Related Party Disclosures – Revised definition of related parties (effective 1 January 2011)

IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 28 Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 32 Financial Instruments: Presentation – Amendments relating to classification of rights issues (effective 1 February 2010)

IAS 36 Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IAS 38 Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 July 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 39 Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective 1 July 2010)

IFRS 2 Share-based Payment – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 July 2009)

IFRS 2 Share-based Payment – Amendments relating to group settled share-based payment transactions (effective 1 January 2010)

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 5 Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IFRS 8 Operating Segments – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective 1 January 2010)

IFRS 9 Financial Instruments – Classification and measurement (effective 1 January 2013)

IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (November 2009 amendment with respect to voluntary prepaid contributions effective 1 January 2011)

IFRIC 17 Distributions of Non-Cash Assets to Owners (effective 1 July 2009)

IFRIC 18 Transfers of Assets from Customers (effective 1 July 2009)

IFRIC 19 Extinguishing financial liabilities with Equity Instruments (effective 1 July 2010)

The directors anticipate that these amendments will be adopted in the financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

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. Historical cost is generally based on the fair value of the consideration given in exchange for assets. 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 statement of comprehensive income 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.

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 and the Company exercise significant influence and in which it holds a long-term equity interest.

Investments in associates are accounted for at cost in the group's and 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 statement of comprehensive income and the group's interest in the associate is carried in the statement of financial position at an amount that reflects its share of the net assets of the associates.

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 statement of comprehensive income.

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 statement of comprehensive income.

3. Significant accounting policies (cont'd)

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 and services rendered

Revenue from the sale of goods and services rendered 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;
- 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.

A percentage of telephone traffic, both domestic and international, originating from the Company's subscribers, transits and terminates on other operators' (domestic or international) network. A proportion of the revenue the Company collects from its subscribers is paid to the other operator for transit or termination of traffic on its network.

These revenues and costs are stated gross in the financial statements.

Deferred revenue

Sale of prepaid phone cards is not recognised as revenue outright since subscriber does not consume all the credit at once. In order to provide a more accurate matching of revenues with the direct costs, revenue is recognised on usage basis and a deferred revenue liability is recorded for the remaining balance. In accordance with IFRIC Interpretation 13 - Customer loyalty programmes, where a package includes a customer loyalty programme, revenue is attributed to the loyalty programme based on its fair value and attributable in the deferred revenue liability until the loyalty credits are used.

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.

3. Significant accounting policies (cont'd)

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 statement of comprehensive income.

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 the end of each reporting period, the group and the Company review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant accounting policies (cont'd)

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 costs of stock comprise all costs of purchase and other costs incurred in bringing the stocks to their present location and condition.

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 group and 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 the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into the entity's functional currency at the rates of exchange prevailing at that date.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are expressed in Mauritian rupees using exchange rates prevailing at the end of the reporting period. 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 statement of comprehensive income 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. 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.

3. Significant accounting policies (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

iii) Current and deferred taxes for the period

Current and deferred taxes 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 and the Company operate 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 statement of financial position 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 the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's and the Company'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 statement of financial position 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. 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.

3. Significant accounting policies (cont'd)

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.

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 the statement of comprehensive income. 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 the statement of comprehensive income for the period.

Dividends on AFS equity instruments are recognised in the statement of comprehensive income 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 end of each reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the statement of comprehensive income, 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.

3. Significant accounting policies (cont'd)

v) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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.

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 the statement of comprehensive income.

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 the statement of comprehensive income 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.

In respect of AFS equity securities, impairment losses previously recognised through profit or loss are not reversed through the statement of comprehensive income. 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 recognise a collateralised borrowing for the proceeds received.

3. Significant accounting policies (cont'd)

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.

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 and the Company'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 Measurements* 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.

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.

3. Significant accounting policies (cont'd)

p) Provisions

Provisions are recognised when the group and the Company have a present obligation as a result of a past event, and it is probable that the group and the Company 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 end of each reporting period. Provisions are reviewed at the end of each reporting period 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.

r) Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income 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 statement of comprehensive income 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. 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 their employees. The value of the defined benefit pension fund is based on reports submitted by an independent actuarial firm. The amount shown in the statement of financial position 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, retirement age and inflation rate in respect of the pension plans.

MAURITIUS TELECOM LTD
NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2009

5. Property, plant and equipment

a) THE COMPANY	Freehold land (RS)	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 2008	21,753,243	16,018,903,663	417,859,574	551,736,744	1,317,867,186	163,400,731	18,491,521,141
Additions	738,896	560,737,289	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	1,256,478	82,217,773	(84,606,052)	-	1,131,801	-	-
At 31 December 2008	23,748,617	16,661,858,725	954,757,856	554,489,276	1,353,101,737	132,667,646	19,680,623,857
Additions	-	1,174,928,896	289,890,517	16,725,524	7,297,392	3,738,840	1,492,581,169
Disposals	-	(859,870)	-	-	-	(49,202,369)	(50,062,239)
Transfer	-	720,824,642	(720,987,332)	-	162,690	-	-
At 31 December 2009	23,748,617	18,556,752,393	523,661,041	571,214,800	1,360,561,819	87,204,117	21,123,142,787
DEPRECIATION							
At 1 January 2008	4,727,719	10,170,909,854	-	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	4,727,719	11,198,203,153	-	344,227,424	827,719,258	111,292,516	12,486,170,070
Charge for the year	-	1,103,651,600	-	27,260,303	8,757,906	9,968,671	1,149,638,480
Disposals	-	(859,870)	-	-	-	(49,202,369)	(50,062,239)
At 31 December 2009	4,727,719	12,300,994,883	-	371,487,727	836,477,164	72,058,818	13,585,746,311
NET BOOK VALUE							
At 31 December 2009	19,020,898	6,255,757,510	523,661,041	199,727,073	524,084,655	15,145,299	7,537,396,476
At 31 December 2008	19,020,898	5,463,655,572	954,757,856	210,261,852	525,382,479	21,375,130	7,194,453,787
At 1 January 2008	17,025,524	5,847,993,809	417,859,574	260,566,379	516,437,735	33,661,046	7,093,544,067

b) THE COMPANY

	Freehold Land and Building (RS)	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 2008	21,753,243	12,813,146,490	417,859,574	548,301,163	1,232,665,464	149,833,969	15,183,559,903
Additions	738,896	398,909,720	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	1,256,478	82,367,561	(84,606,052)	-	982,013	-	-
At 31 December 2008	23,748,617	13,195,605,195	954,757,856	550,177,853	1,243,370,704	121,388,029	16,089,048,254
Additions	-	760,191,407	289,890,517	16,725,524	292,511	3,738,840	1,070,838,799
Disposals	-	-	-	-	-	(45,243,101)	(45,243,101)
Transfer	-	720,824,641	(720,987,332)	-	162,691	-	-
At 31 December 2009	23,748,617	14,676,621,243	523,661,041	566,903,377	1,243,825,906	79,883,768	17,114,643,952
DEPRECIATION							
At 1 January 2008	4,727,719	8,777,923,428	-	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	12,038,035	849,649,112
Disposals	-	(66,524,593)	-		(470,560)	(28,490,785)	(95,485,938)
At 31 December 2008	4,727,719	9,476,760,783	-	343,053,154	551,246,269	100,253,692	10,476,041,617
Charge for the year	-	848,694,642	-	27,081,312	1,217,618	9,968,671	886,962,243
Disposals	-	-	-	-	-	(45,243,101)	(45,243,101)
At 31 December 2009	4,727,719	10,325,455,425	-	370,134,466	552,463,887	64,979,262	11,317,760,759
NET BOOK VALUE							
At 31 December 2009	19,020,898	4,351,165,818	523,661,041	196,768,911	691,362,019	14,904,506	5,796,883,193
At 31 December 2008	19,020,898	3,718,844,412	954,757,856	207,124,699	692,124,435	21,134,337	5,613,006,637
At 1 January 2008	17,025,524	4,035,223,062	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 Rs68,603,841 (2008: Rs14,252,910) 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%

At 31 December 2009, no impairment charge was required for goodwill on acquisition of the subsidiary, with any reasonably possible change to the key assumptions applied not likely to cause the recoverable value to be below its carrying value.

7. Other intangible asset

	THE GROUP	THE COMPANY
	Computer software (RS)	(RS)
COST		
At 1 January 2008	641,172,260	529,826,727
Additions	6,575,683	5,234,313
At 31 December 2008	647,747,943	535,061,041
Additions	12,129,897	12,126,983
At 31 December 2009	659,877,840	547,188,024
AMORTISATION		
At 1 January 2008	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
Charge for the year	36,448,845	13,827,367
At 31 December 2009	623,850,120	540,860,712
NET BOOK VALUE		
At 31 December 2009	36,027,720	6,327,312
At 31 December 2008	60,346,668	8,027,696
At 1 January 2008	86,289,416	12,725,538

Other intangible asset pertains to computer software used in the group's and the Company's operations and financial information systems. The carrying amount of the computer software of Rs36,027,720 and Rs6,327,312 for the group and Company respectively will be fully amortised in 1 year (2008: 2 years).

8. Investments in subsidiaries

	THE COMPANY		
	31 DEC 2009	31 DEC 2008	1 JAN 2008
At cost, unquoted	Rs	Rs	Rs
At beginning of year	242,770,830	242,821,830	242,821,830
Written off	(135,830)	(51,000)	-
At end of year	242,635,000	242,770,830	242,821,830
Provision for impairment loss	(1,500,000)	(1,500,000)	(1,551,000)
	241,135,000	241,270,830	241,270,830

The subsidiaries of Mauritius Telecom Ltd are as follows:

	Country of incorporation	Class of shares	Proportion of ownership interest		Principal activity
			2009	2008	
Name of Company:					
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

Pursuant to directors' resolution dated 13 December 2007, procedures for winding up MB Mobile Ltd have been completed. This has resulted in the cost of investment of Rs135,830 being written off during the year.

9. Investments in associates

	THE GROUP		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Costs of investment in associates	85,346,173	85,346,173	46,346,173
Provision for impairment loss	(5,411,292)	(5,411,292)	(5,411,292)
Share of post-acquisition profits, net of dividend received	220,041,189	252,705,822	197,025,428
	299,976,070	332,640,703	237,960,309

	THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Costs of investment in associates	85,346,173	85,346,173	46,346,173
Provision for impairment loss	(5,411,292)	(5,411,292)	(5,411,292)
	79,934,881	79,934,881	40,934,881

The associates of Mauritius Telecom Ltd are as follows:

	Country of incorporation	Class of shares	Proportion of ownership interest		Principal activity
			2009	2008	
Name of Company:					
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%	50.00%	Business Continuity Services

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

	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Total assets	3,599,380,297	4,690,308,901
Total liabilities	2,681,127,977	3,411,304,737
Net assets	918,252,320	1,279,004,164
Group's share of associates' net assets	299,976,070	332,640,703
Revenue	3,861,830,381	4,510,485,313
Profit for the year	89,890,514	434,739,317
Group's share of associates' profit for the year	19,236,245	106,511,133

10. Other investments

	THE GROUP AND THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
a) Other Investments			
At cost (1)			
At beginning year	57,970,359	57,970,359	57,970,359
Addition	2,300,000	-	-
At end of year	60,270,359	57,970,359	57,970,359
Impairment			
At beginning of year	40,000,000	40,000,000	-
Charge	-	-	40,000,000
At end of year	40,000,000	40,000,000	40,000,000
Carrying amount	20,270,359	17,970,359	17,970,359

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

	THE GROUP AND THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
At fair value (2)			
At beginning of year	3,472,000	4,234,000	3,346,000
Change in fair value	554,000	(762,000)	888,000
At end of year	4,026,000	3,472,000	4,234,000

b) **Held-to-maturity**

	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
At amortised cost			
At beginning of year	148,273,250	-	-
Additions	-	145,702,500	277,447,292
Interest income	1,726,750	2,570,750	4,171,019
Disposals	(150,000,000)	-	(281,618,311)
At end of year	-	148,273,250	-
Total	24,296,359	169,715,609	22,204,359

1. The available for sale investments carried at cost relate to investment in shares in unquoted companies. The directors believe that the fair values of the investments approximate their costs.
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 at the end of each reporting date.
3. Held-to-maturity investment relates to investment in Treasury Bills.

11. Stocks

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Trading stocks, at net realisable Value	194,384,680	153,520,890	92,725,488	157,834,197	146,728,993	75,943,086

12. Trade receivables

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 *Restated* (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Trade receivables	1,981,676,719	2,292,313,957	2,033,065,329	1,470,201,963	1,741,401,349	1,601,767,160
Provision for doubtful debts	(757,492,207)	(674,517,642)	(596,603,213)	(666,464,502)	(584,948,440)	(524,285,942)
	1,224,184,512	1,617,796,315	1,436,462,116	803,737,461	1,156,452,909	1,077,481,218

Before accepting any new customer, the group and the Company use an internal credit assessment system to determine whether to give credit.

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.

Included in the group's and the Company's trade receivables are debtors with a carrying amount of Rs77.9 m (2008: 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 and the Company do not hold any collateral over these balances.

All other past due debts have been impaired as per approved policy.

Provision made for trade receivables consist of a specific provision and a portfolio provision based on the group's and the Company's historical loss experience for the relevant aged category and taking into account general economic conditions. Historical loss experience allowances are calculated by line of business in order to reflect the specific nature of the customers relevant to that line of business.

Trade receivables include balances due from related parties as disclosed in note 33.

More information on credit risk management is provided in note 32.5

12. Trade receivables (cont'd)

Movement in provision for doubtful debts

	THE GROUP		THE COMPANY	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Balance at beginning of the year	674,517,642	596,603,213	584,948,440	524,285,942
Impairment losses recognised on receivables	91,780,380	101,150,289	91,263,287	83,898,358
Amounts written off	(9,560,604)	(23,235,860)	(9,747,225)	(23,235,860)
Amounts reversed	754,789	-	-	-
Balance at end of the year	757,492,207	674,517,642	666,464,502	584,948,440

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 28.8 m (2008: Rs 10.2m) which relates to customers with high probability of default on payments due. The group and the Company do not hold any collateral over these balances.

Ageing of impaired trade receivables

	THE GROUP		THE COMPANY	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Under 180 days	49,784,124	67,746,240	38,913,967	58,242,790
180 to 360 days	34,727,220	63,295,144	29,130,547	56,100,062
> 360 days	672,980,863	543,476,258	598,419,988	470,605,588
Total	757,492,207	674,517,642	666,464,502	584,948,440

12. Trade receivables (cont'd)

Trade receivables past due but not impaired

	THE GROUP		THE COMPANY	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Under 180 days	240,137,007	369,172,410	171,592,524	289,837,150
180 to 360 days	83,231,689	149,079,780	58,279,691	97,152,752
> 360 days	189,883,139	232,599,446	110,617,407	157,546,740
Total	513,251,835	750,851,636	340,489,622	544,536,642

13. Other receivables

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 *Restated* (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 (RS)
Outside parties	426,028,070	390,279,097	333,029,059	262,066,296	251,834,990	263,817,406
Subsidiaries	-	-	-	25,601,260	35,610,209	45,959,944
Associates	5,435,275	1,124,681	1,099,542	5,435,275	1,143,044	1,099,542
Related party	-	50,317,999	-	-	-	-
	431,463,345	441,721,777	334,128,601	293,102,831	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 9.25%and 10.25% per annum (2008: between 10.5% and 12.75% % per annum).

14. Amount due from a subsidiary

The loan is unsecured, do not have any repayment terms and bears interest at rates which varied between 9.25% and 12.75% per annum (2008: between 10.25% and 12.75% per annum).

15. Stated capital

	THE GROUP AND THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Issued and fully paid up			
190,000,001 Ordinary shares of Rs1 each	190,000,001	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 and the Company consist of fair value 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 statement of comprehensive income.

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	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
At beginning of year	1,466,650	2,228,650	1,472,000	2,234,000
Movement for the year	559,350	(762,000)	554,000	(762,000)
At end of year	2,026,000	1,466,650	2,026,000	1,472,000

17. Loads

Loans are repayable by instalments with fixed rates of interest ranging between 3.52% and .4.39% per annum (2008: 3.52% and 4.39% per annum) as follows:-

	THE GROUP AND THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Within one year	37,492,413	38,373,458	47,871,029
Between two and five years	75,194,869	115,335,365	191,484,117
After five years	-	-	268,185
	75,194,869	115,335,365	191,752,302
	112,687,282	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		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 *Restated* (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 (RS)
Amounts falling due within one year						
Outside parties	795,893,690	809,234,778	894,716,761	154,555,679	185,360,108	199,586,928
Subsidiaries	-	-	-	230,560,034	195,093,027	160,367,424
Related parties	87,222,607	143,436,153	49,653,845	19,040,146	115,995,465	49,653,845
	883,116,297	952,670,931	944,370,991	404,155,859	496,448,600	409,608,197
Amounts falling due after one year						
Outside parties	407,902,780	397,106,534	386,153,361	407,902,780	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 and the Company have 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 9.25% and 10.25% per annum (2008: between 10.25% and 12.75% per annum).

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19. Income taxes

i) Income tax

The group and the Company are subject to income tax at the statutory rate of 15% (2008: 15%) on the profit for the year as adjusted for tax purposes.

	THE GROUP		THE COMPANY	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Current tax liabilities	278,928,281	440,129,947	102,028,155	197,091,405
Under provision of tax in previous years	-	103,840,421	-	58,868,562
Deferred tax income	(60,309,450)	(31,394,227)	(34,037,031)	(29,975,555)
Tax assessment	23,183,591	-	12,159,296	-
	241,802,422	512,576,141	80,150,420	225,984,412
Solidarity Levy	381,579,907	-	222,781,312	-
Tax expense	623,382,329	512,576,141	302,931,732	225,984,412

ii) Tax reconciliation

	THE GROUP		THE COMPANY	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Profit as per accounts	2,093,693,154	2,441,360,345	1,781,488,383	1,866,195,081
Less deductible taxes	(381,579,907)	-	(222,781,312)	-
	1,712,113,247	2,441,360,345	1,558,707,071	1,866,195,081
Tax at the rate of 15% (2008: 15%)	256,816,987	366,204,052	233,806,061	279,929,262
Tax effect of:				
- Non allowable expenses	7,218,884	3,121,603	3,896,636	321,310
- Expenses eligible for 200% deduction	(2,928,164)	(2,633,169)	(2,928,164)	(2,633,169)
- Exempt income	(4,549,033)	(16,660,076)	(169,128,460)	(156,470,517)
- Under provision of deferred tax in prior years	(21,885,857)	61,888,696	2,345,051	45,968,964
- (Over)/Under provision of current tax in prior year	7,129,605	103,840,421	12,159,296	58,868,562
- Utilisation of tax losses of a subsidiary	-	(3,185,386)	-	-
	(15,014,565)	146,372,089	(153,655,641)	(53,944,850)
	241,802,422	512,576,141	80,150,420	225,984,412

iii) Deferred tax liabilities

	THE GROUP		THE COMPANY	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
At beginning of year	444,882,232	476,276,459	274,536,518	304,512,073
Deferred tax income	(60,309,450)	(31,394,227)	(34,037,031)	(29,975,555)
At end of year	384,572,782	444,882,232	240,499,487	274,536,518

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

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 (RS)
Temporary differences						
Property, plant and equipment	682,058,822	704,759,122	717,143,002	518,749,317	522,137,195	536,043,655
Other temporary differences	(297,486,040)	(259,876,890)	(240,866,543)	(278,249,830)	(247,600,677)	(231,531,582)
	384,572,782	444,882,232	476,276,459	240,499,487	274,536,518	304,512,073

20. Retirement benefit obligations

Amounts recognised in statements of financial position at end of year:

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	1 JAN 2008 (RS)
Present value of funded obligations	2,930,990,000	2,555,361,000	2,307,678,000	2,893,039,000	2,526,465,000	2,284,481,000
Fair value of plan assets	(1,553,730,000)	(1,269,798,000)	(1,378,375,000)	(1,527,144,000)	(1,249,701,000)	(1,359,152,000)
	1,377,260,000	1,285,563,000	929,303,000	1,365,895,000	1,276,764,000	925,329,000
Unrecognised actuarial loss	(463,315,000)	(498,119,000)	(219,504,000)	(464,195,000)	(500,300,000)	(225,389,000)
Liabilities recognised in statements of financial position at end of year	913,945,000	787,444,000	709,799,000	901,700,000	776,464,000	699,940,000

20. Retirement benefit obligations (cont'd)

Amounts recognised in statements of comprehensive income:

	THE GROUP		THE COMPANY	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Current net service cost	95,276,000	86,194,000	91,593,000	82,784,000
Interest cost	263,726,000	236,464,000	260,699,000	234,038,000
Expected return on plan assets	(140,633,000)	(152,576,000)	(138,290,000)	(150,338,000)
Actuarial loss recognised	15,463,000	(121,000)	15,488,000	-
Total included in staff costs	233,832,000	169,961,000	229,490,000	166,484,000
Actual return on plan assets	291,298,000	(125,918,000)	287,748,000	(124,573,000)

Key assumptions:

	THE GROUP AND THE COMPANY	
	2009	2008
Used to determine benefit obligation at end of year and pension cost for financial year		
Discount rate for obligations	10.25%	10.50%
Underlying consumer price inflation	6.00%	6.00%
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%
Retirement age	60 years	60 years
Used to determine net periodic pension cost for financial year		
Discount rate for expense	10.50%	10.50%
Underlying consumer price inflation	6.00%	6.00%
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%

20. Retirement benefit obligations (cont'd)

Change in defined benefit obligation during year:

	31 DEC 2009 (RS)	31 DEC 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Defined benefit obligation at beginning of year	2,555,361,000	2,307,678,000	2,526,465,000	2,284,481,000
Net service cost	95,276,000	86,194,000	91,593,000	82,784,000
Interest cost	263,726,000	236,464,000	260,699,000	234,038,000
Employee contributions	5,424,000	4,668,000	5,424,000	4,668,000
Benefits paid	(120,121,000)	(79,643,000)	(119,983,000)	(79,506,000)
Experience loss	18,272,000	-	18,272,000	-
Liability loss due to assumption changes	113,051,000	-	110,568,000	-
Defined benefit obligation at end of year	2,930,989,000	2,555,361,000	2,893,039,000	2,526,465,000

Change in plan assets during year:

Fair value of plan assets at beginning of year	1,269,798,000	1,378,375,000	1,249,701,000	1,359,152,000
Employer contributions	107,331,000	92,316,000	104,254,000	89,960,000
Employee contributions	5,424,000	4,668,000	5,424,000	4,668,000
Benefits paid	(120,121,000)	(79,643,000)	(119,983,000)	(79,506,000)
Expected return on plan assets	140,633,000	152,576,000	138,290,000	150,338,000
Actuarial gains on plan assets	150,665,000	(278,494,000)	149,458,000	(274,911,000)
Fair value of plan assets at end of year	1,553,730,000	1,269,798,000	1,527,144,000	1,249,701,000

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	2009	2008	2007	2006
Equity Securities/Local equity	23%	20%	35%	35%
Overseas equity and Bond	14%	13%	-	-
Government securities and cash	44%	57%	-	-
Loan	18%	9%	-	-
Property	1%	1%	-	-
Debt Securities	-	-	41%	41%
Real Estate	-	-	1%	1%
Other	-	-	23%	23%
Total	100%	100%	100%	100%

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20. Retirement benefit obligations (cont'd)

History of obligations, assets and experience adjustments

	THE GROUP			
	2009 (RS)	2008 (RS)	2007 (RS)	2006 *Restated* (RS)
Fair value of plan assets	1,553,730,000	1,269,798,000	1,378,375,000	1,220,781,000
Present value of defined benefit obligation	(2,930,990,000)	(2,555,361,000)	(2,307,678,000)	(1,932,295,000)
Deficit	(1,377,260,000)	(1,285,563,000)	(929,303,000)	(711,514,000)
Asset experience gain during the year	150,665,000	278,494,000	44,639,000	100,220,000
Liability experience loss/(gain) during the year	18,272,000	-	195,194,000	(57,401,000)

	THE COMPANY			
	2009 (RS)	2008 (RS)	2007 (RS)	2006 (RS)
Fair value of plan assets	1,527,144,000	1,249,701,000	1,359,152,000	1,206,420,000
Present value of defined benefit obligation	(2,893,039,000)	(2,526,465,000)	(2,284,481,000)	(1,911,435,000)
Deficit	(1,365,895,000)	(1,276,764,000)	(925,329,000)	(705,015,000)
Asset experience gain during the year	149,458,000	274,911,000	43,968,000	99,257,000
Liability experience loss during the year	18,272,000	-	198,027,000	-

Actual Return on Plan Assets

	THE GROUP				
	2009 (RS)	2008 (RS)	2007 (RS)	2006 (RS)	2005 (RS)
Expected Return on Plan Assets	140,633,000	152,576,000	127,857,000	99,406,000	81,938,000
Actuarial Gains/(Loss) on Plan Assets	150,665,000	(278,494,000)	44,639,000	100,196,000	36,119,000
Actual Return on Plan Assets	291,298,000	(125,918,000)	172,496,000	199,602,000	118,057,000

	THE COMPANY				
	2009 (RS)	2008 (RS)	2007 (RS)	2006 (RS)	2005 (RS)
Expected Return on Plan Assets	138,290,000	150,338,000	126,204,000	98,393,000	81,293,000
Actuarial Gains/(Loss) on Plan Assets	149,458,000	(274,911,000)	43,968,000	99,257,000	35,954,000
Actual Return on Plan Assets	287,748,000	(124,573,000)	170,172,000	197,650,000	117,247,000

Actual Return on Plan Assets

The group and the company expect to contribute Rs111,418,000 to its pension plan respectively in 2010.

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

21. Other payables and accrued expenses

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Accruals operating expenses	-	-	-	649,123,335	464,115,112	263,019,936
Operating taxes accrued	80,508,810	81,526,744	62,700,927	77,789,770	81,526,742	62,700,927
Subsidiaries	-	-	-	430,255,822	467,483,165	202,158,715
Other payables and accrued expenses	748,790,623	1,053,167,775	837,738,905	363,171,474	510,686,198	497,299,010
Work in progress	275,991,806	477,025,994	240,342,681	261,083,766	477,025,993	240,342,681
	1,105,291,239	1,611,720,513	1,140,782,513	1,781,424,167	2,000,837,210	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 9.25% and 10.75% per annum (2008: between 10.25 and 12.75% per annum).

22. Deferred revenue

This pertains to scratch cards

	THE GROUP	
	31 DEC 2009 (RS)	31 DEC 2008 (RS)
Balance at beginning of year	35,955,448	56,668,129
Customer loyalty programme	150,990,248	66,659,666
Revenue recognised on discharge of obligations for award credits	(153,124,622)	(87,372,347)
Balance at end of year	33,821,074	35,955,448

23. Dividends

	THE GROUP AND THE COMPANY	
	2009	2008
Final dividend of Rs 1.26 per share for 2007	-	239,400,001
Interim dividend of Rs 4.81 per share for 2008	-	913,900,000
Final dividend of Rs 0.8 per share for 2008	152,000,000	-
Interim dividend of Rs3.88 per share for 2009	737,200,000	-
	889,200,000	1,153,300,001

23. Dividends (cont'd)

Final dividend of Rs 0.88 per share amounting to Rs 152,000,000 in respect of year 2008 was declared by the directors on 20 May 2009 and paid in year 2009.

Interim dividend of Rs 3.88 per share amounting to Rs 737,200,000 in respect of the current year was declared by the directors on 17 December 2009 and accrued in the financial statements in year 2009.

24. Provisions

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Employee benefits	221,622,206	218,990,047	204,651,281	221,622,206	213,056,302	195,856,483
Dismantling costs	6,691,950	6,651,950	6,691,950	6,691,950	6,691,950	6,691,950
Restructuring costs	-	35,954,231	35,954,231	-	35,954,231	35,954,231
	228,314,156	261,596,228	247,297,462	228,314,156	255,702,483	238,502,664

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

	THE GROUP			THE COMPANY		
	Employee benefits (RS)	Dismantling costs (RS)	Restructuring costs (RS)	Employee benefits (RS)	Dismantling Costs (RS)	Restructuring costs (RS)
Balance at beginning of year	218,990,047	6,691,950	35,954,231	213,056,302	6,691,950	35,954,231
Additional provisions recognised	2,632,159	-	-	8,565,904	-	-
Payment	-	-	(35,954,231)	-	-	(35,954,231)
Balance at end of year	221,622,206	6,691,950	-	221,622,206	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 actual amount expensed and subsequently settled.

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25. Revenue

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Sale of goods	288,210,897	194,577,578	206,974,517	162,897,422
Rendering of services	6,843,337,315	6,532,616,272	4,293,411,639	4,271,125,384
	7,131,548,212	6,727,193,850	4,500,386,156	4,434,022,806

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 2009 was 41.5 million minutes (2008: 77.1 million minutes).

26. Profit from operations

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

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Depreciation of property, plant and equipment	1,149,638,480	1,118,172,911	886,962,243	849,649,113
Staff costs	1,391,425,132	1,233,917,522	1,071,738,422	1,057,213,867
Costs of stocks recognised as expense	298,793,955	160,724,615	200,793,794	104,564,532
Amortisation of intangible assets	36,448,845	32,518,431	13,827,367	9,932,156
Provision /(Reversal of provision)for slow moving stock	1,898,249	(1,435,255)	1,898,249	(1,435,255)
Reversal of impairment in investment in a subsidiary	-	-	-	(51,000)
Impairment loss recognised on trade receivables, net of reversal	91,025,591	101,150,289	91,263,287	83,898,358
Investment in a subsidiary written off	-	-	135,830	51,000
Termination benefits	8,268,647	5,888,693	8,268,647	5,888,693
Directors' emoluments (part time)	5,102,808	4,671,261	5,102,808	4,443,261
Auditors' remuneration:				
- Audit fees	2,090,000	1,900,000	1,370,000	1,243,000
- Fees for other services	112,500	-	-	-
Donations	1,785,099	2,885,893	1,263,064	2,885,893
Profit on disposal of property, plant and equipment	(9,735,989)	(6,364,345)	(8,866,534)	(6,818,853)

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27. Other Income

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Rental income	-	-	15,840,402	16,459,276
Management fees	-	-	148,885,755	152,009,249
Other income	31,995,344	100,377,326	43,559,025	63,076,374
	31,995,344	100,377,326	208,285,182	231,544,899

28. Other gains and losses

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Profit on disposal of property, plant and equipment	9,735,989	6,364,345	8,866,534	6,762,175
(Loss)/Profit on disposal of a subsidiary	-	-	(135,830)	56,678
Net exchange gains	92,315,170	69,344,156	67,227,577	44,594,066
	102,051,159	75,708,501	75,958,281	51,412,919

Net exchange gains of Rs 67,227,577 for the Company (2008: Rs44,594,066) comprises Rs102,405,043 of exchange gain and Rs35,177,467 of exchange loss (2008: Rs102,170,532 of exchange gain and Rs57,576,466 of exchange loss).
Net exchange gains of Rs92,315,170 for the group (2008: Rs 69,344,156) comprises Rs155,215,609 of exchange gain and Rs62,900,439 of exchange loss (2008: Rs220,495,111 of exchange gain and Rs 151,150,955 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 end of each reporting period.

29. Investment income

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Dividend income	1,641,483	4,556,043	1,118,792,360	1,043,136,782
Interest income				
- Bank deposits	200,789,701	207,606,230	201,399,803	192,180,998
- Held-to-maturity investments	-	2,570,751	-	2,570,751
- Current accounts with subsidiaries	-	-	6,709,569	11,108,039
- Others	7,804,354	2,776,557	3,115,139	2,861,154
	210,235,538	217,509,581	1,330,016,871	1,251,857,724

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

	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Non-financial Investment	1,641,483	4,556,043	1,125,501,931	1,054,244,821
Loans and receivables (including cash and bank balances)	208,594,055	210,382,787	204,514,940	195,042,152
Held-to-maturity investments	-	2,570,751	-	2,570,751
	210,235,538	217,509,581	1,330,016,871	1,251,857,724

30. Finance costs

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Interest expense				
- Bank borrowings	6,157,478	7,541,813	6,157,478	7,797,489
- Current accounts with subsidiaries	-	-	112,924,484	88,349,048
- Others	2,906,729	1,252,000	-	-
	9,064,207	8,793,813	119,081,962	96,146,537

31. Earnings Per Share

THE GROUP

The calculation of earnings per share is based on profit for the year after taxation of Rs1,470,310,825 (2008: Rs1,928,784,204) and on 190,000,001 shares in issue for the two years ended 31 December 2009.

THE COMPANY

The calculation of earnings per share is based on profit for the year after taxation of Rs 1,478,556,651 (2008: Rs1,640,210,669) and on 190,000,001 shares in issue for the two years ended 31 December 2009.

32. Financial instruments

32.1 CAPITAL RISK MANAGEMENT

The group and the Company manage their 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 and the Company consist 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 is being 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 would be achieved through payments of dividends, issue of new debt or/and redemption of existing debt.

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. Financial instruments (cont'd)

32.3 CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets

	THE GROUP			THE COMPANY		
	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)	31 DEC 2009 (RS)	31 DEC 2008 (RS)	01 JAN 2008 (RS)
Loans and receivables (including cash and cash equivalents)	5,457,304,268	5,604,142,861	4,091,741,898	4,952,130,600	4,933,715,288	3,334,703,449
Available for sale financial assets	4,026,000	3,472,000	4,234,000	4,026,000	3,472,000	4,234,000
Held to maturity financial asset	-	148,273,251	-	-	148,273,251	-
	5,461,330,268	5,755,888,112	4,095,975,898	4,956,156,600	5,085,460,539	3,338,937,449

Financial liabilities

Amortised cost	3,883,608,144	4,258,421,763	3,014,895,787	3,701,144,742	4,217,753,327	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 Corporate Treasury Function provides services to all entities within the Group and the Company. It also monitors and manages their operations' exposure to financial risks namely market risk including currency risk and interest rate risk, credit risk and liquidity risk.

32.5 MARKET RISK

The Group's and the Company's operations expose it mainly to the financial risks of changes in foreign currency exchange rates and interest rates. The Group and the Company manage its foreign currency changes and interest rates risks through simple matching of proceeds and expenses in same currencies, purchase of future foreign currencies at spot rate, market intelligence and close follow up of interest rate evolutions

32.6 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 the end of year.

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

32. Financial instruments (cont'd)

32.6 CURRENCY RISK MANAGEMENT (CONT'D)

Currency risks on transactions are managed through matching of inflows and outflows of foreign currencies. As the group and the Company have more outflows than inflows in foreign currency, addition foreign currency requirement are purchased in advance, whenever relevant, at spot rates with financial institutions. The group and Company do not maintain hedge accounting for transactions in foreign currency and there is no formal hedging contracts or arrangements.

Translation risk at the end of year is managed through matching of foreign denominated assets and liabilities.

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

Currency profile

	THE GROUP					
	31 DEC 2009		31 DEC 2008		01 JAN 2008	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Currency	(RS)	(RS)	(RS)	(RS)	(RS)	(RS)
EUR	291,264,840	258,536,324	404,084,886	159,045,750	159,832,377	283,532,936
GBP	127,846,756	113,287,256	169,351,672	155,378,759	258,242,315	241,943,517
MUR	4,818,914,255	3,235,383,857	4,670,919,484	3,666,753,866	3,096,423,333	2,227,193,681
USD	113,617,112	225,950,557	325,863,278	208,027,314	493,145,924	167,584,968
Others	109,687,305	50,450,150	185,668,792	69,216,074	88,331,949	94,640,685
	5,461,330,268	3,883,608,144	5,755,888,112	4,258,421,763	4,095,975,898	3,014,895,787

Currency profile

	THE GROUP					
	31 DEC 2009		31 DEC 2008		01 JAN 2008	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Currency	(RS)	(RS)	(RS)	(RS)	(RS)	(RS)
EUR	141,103,943	32,087,441	168,322,634	38,140,316	114,267,879	42,929,853
GBP	127,474,752	113,287,256	168,947,286	155,378,759	258,150,510	241,943,517
MUR	4,511,394,047	3,486,336,161	4,372,160,259	3,762,775,985	2,805,946,124	2,125,791,918
USD	66,496,553	18,983,734	190,361,568	192,242,193	72,243,074	34,102,850
Others	109,687,305	50,450,150	185,668,792	69,216,074	88,329,862	94,640,684
	4,956,156,600	3,701,144,742	5,085,460,539	4,217,753,327	3,338,937,449	2,539,408,822

32. Financial instruments (cont'd)

32.6 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	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Profit or loss/equity	3,272,852	24,503,914	11,233,344	11,783,596

32.7 INTEREST RATE RISK MANAGEMENT

Financial investments by the entities of 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's 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	
	2009	2008
Currency	% Interest Rate p.a.	% Interest Rate p.a.
MUR	4.0 – 8.0	7.25 – 11.03
USD	0.1 – 0.2	0.50 – 8.25
GBP	0.3 – 2.0	2.2 – 4.95
EUR	0.15 – 2.0	1.40 – 6.05

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 Rs19.3M (2008: Rs16M).

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. Financial instruments (cont'd)

32.8 CREDIT RISK MANAGEMENT

The group and Company is exposed to credit risk, being risk that a customer or counter party will default on its contractual obligations resulting in financial loss to the group and the Company.

To minimise this exposure, the group and the Company have adopted a policy of doing business only with creditworthy customers or counter parties and obtaining sufficient collateral or guarantees where appropriate, as a means of mitigating the risk of financial loss from defaulters.

To assess the creditworthiness of customers, the group and the Company have set up an internal credit assessment system which uses information from publicly available financial information, market intelligence and its own trading records, to rate its present and future customers.

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, and which is reviewed yearly by the risk committee. The credit control policy is implemented by a credit control team dedicated to credit management.

To mitigate the group's and the Company's credit risk, all new customers are required to provide a cash deposit on provision of services to them. Monthly invoices for services delivered are subject to a 10% surcharge if they are not settled by the due date. Regular reminders are sent for overdue invoices and service is disconnected if not settled within the defined period. Ultimately, the telephone lines are recovered and allocated to new customers if invoices remain unpaid.

The trade receivable recovery process after service disconnection has been outsourced to a debt collection agency since 2008.

Total trade receivables (net of allowances) held by the group and the Company at 31 December 2009 amounted to Rs1,224,184,512. (2008: Rs1,617,796,315) and Rs803,737,461. (2008: Rs1,156,452,909) respectively. An ageing of the trade receivables at end of 2009 and movement in provision for bad debts during 2009 is disclosed under note 12.

Any variation in future recovery ratio of trade receivables by 0.5% will affect profit of the Company by Rs22m (2008: Rs22m).

32.9 LIQUIDITY RISK MANAGEMENT

The group and Company's 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)

32.9 LIQUIDITY OF RISK MANAGEMENT (CONT'D)

Maturities of Financial Assets and Financial Liabilities

	THE COMPANY							
	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)
2009								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	7.50%	-	-	-	47,457,179	-	47,457,179
	Fixed Interest Rate Instruments	10.00%	-	175,218,357	-	-	-	175,218,357
	Fixed Interest Rate Instruments	6.00%	3,534,168,133	101,776,400	-	-	-	3,635,944,533
	Non Interest Bearing	0.00%	419,347,386	7,719,833	210,610,021	129,947,955	-	767,625,195
	Variable Interest Rate Instruments	6.13%	244,533,177	-	-	-	-	244,533,177
		11.63%	61,378,159			24,000,000		85,378,159
			4,259,426,855	284,714,590	210,610,021	201,405,134	-	4,956,156,600
FINANCIAL LIABILITIES	Fixed Interest Rate Instruments	4.18%	-	-	37,492,413	75,194,869	-	112,687,282
	Variable Interest Rate Instruments	0.00%	-	-	-	96,730,517	-	96,730,517
	Variable Interest Rate Instruments	10.00%	386,021,617	-	-	-	-	386,021,617
	Variable Interest Rate Instruments	11.63%	295,932,067	-	-	-	-	295,932,067
	Non Interest Bearing	0.00%	8,488,077	1,177,327,039	394,993,373	6,529,724	1,222,435,046	2,809,773,259
			690,441,761	1,177,327,039	432,485,786	178,455,110	1,222,435,046	3,701,144,742
2008								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	7.50%	-	-	-	41,610,797	-	41,610,797
	Fixed Interest Rate Instruments	8.58%	3,106,872,359	168,234,500	-	-	-	3,275,106,859
	Fixed Interest Rate Instruments	10.00%	-	228,091,322	-	-	-	228,091,322
	Non Interest Bearing	0.00%	341,453,448	330,741,630	249,496,936	142,179,902	-	1,063,871,916
	Variable Interest Rate Instruments	6.13%	408,625,599	-	-	-	-	408,625,599
	Variable Interest Rate Instruments	11.63%	36,154,046	-	-	32,000,000		68,154,046
			3,893,105,452	727,067,452	249,496,936	215,790,699	-	5,085,460,539
FINANCIAL LIABILITIES	Fixed Interest Rate Instruments	4.18%	-	-	38,373,458	115,335,365	-	153,708,823
	Non Interest Bearing	0.00%	160,052,618	1,179,243,940	603,670,504	6,475,434	1,389,452,448	3,338,894,944
	Variable Interest Rate Instruments	0.00%	-	-	-	95,217,630	-	95,217,630
	Variable Interest Rate Instruments	11.63%	629,931,930	-	-	-	-	629,931,930
			789,984,548	1,179,243,940	642,043,962	217,028,429	1,389,452,448	4,217,753,327

32. Financial instruments (cont'd)

32.9 LIQUIDITY OF RISK MANAGEMENT (CONT'D)

Maturities of Financial Assets and Financial Liabilities

	THE 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)
2009								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	7.50%	-	-	-	47,457,179	-	47,457,179
	Fixed Interest Rate Instruments	6.00%	3,543,063,964	116,312,250	16,574,247	-	-	3,675,950,461
	Fixed Interest Rate Instruments	10.00%	8,458,982	234,632,403	-	-	-	243,091,385
	Non Interest Bearing	0.00%	502,496,414	279,804,657	241,878,292	132,860,251	-	1,157,039,614
	Variable Interest Rate Instruments	6.13%	244,834,805	-	90,000	1,000,634	-	245,925,439
	Variable Interest Rate Instruments	4.75%	56,073,414	-	-	-	-	56,073,414
	Fixed Interest Rate Instruments	11.63%	35,792,776	-	-	-	-	35,792,776
			4,390,720,355	630,749,310	258,542,539	181,318,064	-	5,461,330,268
FINANCIAL LIABILITIES	Fixed Interest Rate Instruments	4.18%	5,380,598	210,814	37,492,413	75,194,869	-	118,278,694
	Variable Interest Rate Instruments	0.00%	-	-	-	96,730,517	-	96,730,517
	Variable Interest Rate Instruments	10.00%	20,522,813	-	-	-	-	20,522,813
	Non Interest Bearing	0.00%	86,325,570	1,937,792,406	394,993,373	6,529,724	1,222,435,046	3,648,076,119
			112,228,981	1,938,003,220	432,485,786	178,455,110	1,222,435,046	3,883,608,143
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	604,640,179	7,621,568	1,389,533,806	3,992,581,080
			132,156,825	1,863,176,743	652,928,116	220,626,273	1,389,533,806	4,258,421,763

The group expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

32. Financial instruments (cont'd)

32.10 FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value. The basis on which the fair value has been determined is given below.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

	Level 1 (RS)
Available-for-sale financial assets	
Investment in SBM Universal Fund	4,026,000

33. Related party transactions

The shareholders of the Company are the Government of Mauritius, State Bank of Mauritius, National Pension Fund and France Telecom.

During the year ended 31 December 2009, the Company and group entered into the following transactions with related parties.

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
i) Sales of services				
- Subsidiaries	-	-	885,913,784	955,639,350
- Shareholders	288,089,485	369,146,763	234,006,211	292,934,628
ii) Purchases of services				
- Subsidiaries	-	-	364,858,516	398,688,222
- Shareholders	99,423,463	81,185,438	58,681,668	53,744,750
iii) Dividend income				
- Subsidiaries	-	-	1,065,250,000	987,750,000
- Associates	-	-	53,542,360	55,386,782
iv) Management fees				
- Subsidiaries	-	-	148,885,755	152,009,249
v) Interest expense				
- Subsidiaries	-	-	112,924,484	88,349,048
vi) Interest income				
- Subsidiaries	-	-	6,709,568	11,108,039
vii) Disposal of plant and equipment to a subsidiary	-	-	-	37,138,080
viii) Emoluments of Key management personnel				
- Short term benefits	65,969,813	54,096,089	65,969,813	54,096,089
ix) Outstanding balances receivable from related parties				
- Subsidiaries	-	-	49,601,260	67,610,209
- Associates	5,435,275	1,143,044	5,435,275	1,143,044
- Shareholders	103,847,365	79,703,983	103,847,365	79,703,983
x) Outstanding balances payable to related parties				
- Subsidiaries	-	-	660,815,856	662,576,192
- Shareholders	87,222,607	143,436,153	19,040,146	115,995,465

34. Commitments for expenditure

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Commitments for the acquisition of property, plant and equipment	182,296,292	410,804,460	150,096,195	320,492,345

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. All operating lease contracts contain market rental reviews. The group and the Company do not have an option to purchase the leased assets at the expiry of the lease periods.

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Within one year	89,552,211	89,322,939	87,518,548	87,864,939
Between two and five years	288,625,274	269,067,542	262,767,904	263,475,542
After five years	115,781,512	50,561,766	36,287,766	36,287,766
	493,958,997	408,952,247	386,574,218	387,628,247

Payments recognised as an expense

	THE GROUP		THE COMPANY	
	2009 (RS)	2008 (RS)	2009 (RS)	2008 (RS)
Minimum lease payment	113,740,026	103,317,009	90,766,274	86,789,220

35. Operating lease arrangements (cont'd)

THE COMPANY AS LESSOR

Leasing arrangements

Operating leases relate to the properties owned by the Company with lease term of 5 to 10 years, with an option for further renewable. All operating lease contracts contain market review clauses in the event that the Lessee exercises its option to renew. The Lessee does not have an option to purchase the properties at the expiry of the lease period.

Operating lease receivables

	2009 (RS)	2008 (RS)
Within one year	68,200,833	50,548,715
Between two and five years	272,803,333	202,194,860
After five years	341,004,167	252,743,575
	682,008,333	505,487,150

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.

AVL/GPS: Automatic Vehicle Location/ Global Positioning System

BANDWIDTH: The physical characteristic of a telecommunications system that indicates the speed at which information can be transferred

BIA: Business Impact Assessment

BCS: Business Continuity Strategy

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

CCBS: Customer Care and Billing System

CCTV: Closed Circuit Television

CLI: Caller Line Identification

CRBT: Caller Ring Back Tone

CRM: Customer Relationship Management

CSR: Corporate Social Responsibility

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

EASSy (EASTERN AFRICA SUBMARINE SYSTEM): The 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

EIG: Europe–India Gateway (submarine cable system)

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

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

HSPA: High Speed Mobile Packet Access

ICTA: Information and Communication Technologies Authority

IMEI: International Mobile Equipment Identity

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.

iPhone 3GS: The iPhone third generation…

ISP (Internet SERVICE PROVIDER): A service provider who provides access to Internet services

IPLC (INTERNATIONAL PRIVATE LEASED CIRCUIT): Circuits leased from international facilities operators, which cross one or more international boundaries

IVR: Interactive Voice Response

LEASED LINES: A fixed unswitched communication link between two points

LION: Lower Indian Ocean Network (submarine cable system connecting Indian Ocean islands)

MULTIMEDIA: The combination of various forms of media (texts, graphics, animation, audio, etc.) to communicate information.

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.

PMS: Performance Management System

SAFE: South Africa Far East submarine cable system

SDH: Synchronous Digital Hierarchy

SHDSL: Single Line – High-bit-rate Digital Subscriber Line

SLD: Synchronous Link Dynamic

SPICE: Smart Processes for Improved Customer Experience

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

TEAMS: The East African Marine System

TDM: Time Division Multiplexing

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

WLL: Wireless Local Loop

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TELEPHONY SERVICES Fixed line · Post Pay International Call · Prepaid calling cards · Phone booths MOBILE & INTERNET · Internet broadband · Internet dial-up · Internet roaming · Internet Everywhere · Information services · TV · VOD · Net PC · Mobile Services BUSINESS SERVICES · Call Center Solutions · Telephony · Mobile Internet · International Connectivity · Intranet · Data & Defense Solutions · Customized Call Centre Information Hub Automated Services · CRM Services