# Annual Report 2010

answering the green call to action

mauritiustelecom

**We shall require a substantially new manner of thinking if mankind is to survive**

*Albert Einstein*

Environmental consciousness and responsibility are, more than ever, alive at the heart of Mauritius Telecom: in our approach, among our people, by the interactions with our customers and society.

In line with the national goal of 'Maurice - Ile Durable', Mauritius Telecom is taking a fresh look at every aspect of its business to ensure environmental preservation and protection - for a better world for coming generations.

## OUR VISION

# To be a Premier World Class Infocom Services Provider

## OUR CORE VALUES

- INNOVATION
- CREATIVITY
- QUALITY
- PROFESSIONALISM
- CUSTOMER SERVICE
- COMPETITIVENESS

# CONTENTS

# FINANCIAL HIGHLIGHTS

*for the year 31 December 2010*

## Key Results for 2010

4.7%

Group Operating Revenue

27.6%

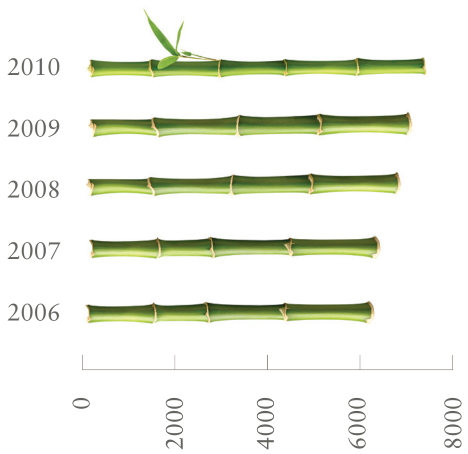
Profit from Operations

17.1%

Profit before Tax

- Operating revenue for the Group progressed by 4.7% during the year, nearing the Rs 7.5 billion mark.
- Group Profit from Operations was at Rs 2.2 billion, growing by 27.6% compared to previous year.
- Profit before Tax increased by 17.1% over last year, to reach Rs 2.4 billion.
- Profit for the year stands at Rs 1.7 billion, an increase of 16% over last year.
- Group Capital Expenditure has been maintained at same level as last year at Rs 1.5 billion, that is 21% of operating revenue.
- Earnings per share were at Rs 8.98, that is, a 16% growth compared to 2009.
- Return on net assets was 22.2% compared to 18.6% for last year.
- Return on equity was 19.9%, against a return of 17.7% for last year

## Evolution in 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 31 December 2010*

| | 2010 (MILLION RS) | 2009 (MILLION RS) |
|---|---|---|
| **Income Statement** | | |
| Operating Revenue | 7,468 | 7,132 |
| Profit before Tax | 2,452 | 2,094 |
| Profit after Tax | 1,706 | 1,470 |
| Earnings per Share (Rs) | 8.98 | 7.74 |
| Dividend per Share (Rs) | 7.46 | 4.68 |
| **Balance Sheet** | | |
| Total Assets | 15,020 | 13,985 |
| Total Liabilities | 6,431 | 5,685 |
| Debt Interest Bearing | 77 | 113 |
| Shareholders Funds | 8,589 | 8,301 |
| Net Asset Value per Share (Rs) | 45.21 | 43.69 |

## 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 2010.

**P.C. Colimalay**
*Company Secretary*

18 March 2011

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 companies in the country, with revenue of Rs7.4 billion in 2010.

The company, which is ISO 9001:2008 certified, defines its strategies in line with the requirements of good corporate governance, providing fair working conditions and offering secure products and services.

## Vision

Mauritius Telecom's strategy for growth is centred on innovation, in line with its vision "To be a Premier World-Class Infocom Services Provider", whilst the new commercial strategy is led by the vision "Today changes with Orange". Over the years, the Company has invested considerably in restructuring the organisation so that it functions as an integrated operator. MT also endeavours to provide the best conditions for its 1,571 employees, enhancing their skills, to better serve customers.

## Shareholding

The Government of Mauritius, the State Bank of Mauritius and the National Pensions Fund together 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.

## Regional presence

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

## Products and services

Mauritius Telecom provides a full spectrum of voice and data services using fixed-line, mobile and internet platforms. Mauritius Telecom also offers convergent services through My.T, its Multiplay-IPTV service. Internet and TV services are also provided for mobile users. The Group is committed to providing its customers with quality ICT services at competitive prices.

Since the rebranding of all mobile and internet services in April 2008 to Orange, a strong international brand, 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 respond to new device and consumption trends in an increasingly competitive market.

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.

## Customers

By the end of December 2010, the Company had acquired about 1.2 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.

Access to broadband has been improved 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.

Mauritius Telecom is the country's only telecommunications company which has an obligation to provide 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.

In its endeavour to make ICT available and affordable to as many people as possible in Mauritius, the Company launched the NetPC in June 2008.

## Network

Mauritius Telecom is setting the pace in the region in the transition from narrowband to broadband and IP (Internet Protocol) services. The Company is continuously upgrading its IP-based network to offer increasingly mobile and convergent services and provide high-performance voice, data, video and multimedia services. The Company is gradually migrating to the Next Generation Network (NGN).

The Company offers global connectivity via the SAFE undersea fibre-optic cable and satellite systems. As the provider of international bandwidth services, Mauritius Telecom continually upgrades available bandwidths on the SAFE cable and invests in new cable projects to meet the increasing demand of call-centre and BPO operators and of customers connecting to bandwidth-hungry services.

As for MT's international network, it is based on an advanced globally interconnected infrastructure linked by submarine optical-fibre cable systems like SAFE, LION and EASSy , as well as by satellite. In addition to providing continuous upgrades to these cable systems, the Company is also investing in other submarine optical-fibre cable projects like the Europe-India Gateway (EIG) and the West Africa Cable System (WACS). The two cable landing stations at Baie Jacotet and Le Goulet and the investment in cable projects will further increase the reliability, resiliency and bandwidth capacity of our international connectivity.

## Corporate Social Responsibility (CSR)

Mauritius Telecom is fully engaged in its CSR role and, through the Mauritius Telecom Foundation (MTF), actively participates in funding major national projects promoting social and economic integration and poverty alleviation. Other CSR initiatives include support to community projects in the fields of education, health, sports and environment. As regards the environment, the MTF has pioneered a national campaign in collaboration with relevant authorities and partners to collect used batteries and mobile phones for recycling. Sustainability issues are a growing concern within the Group and this has given birth to several initiatives, with defined targets, to reduce the impact of our activities on the environment in areas like paper usage, energy consumption and carbon emission.

## Risk Management

The Group has developed incident management plans for increased preparedness in such situations as a tsunami, vandalism, or fire or bomb alert. Business Continuity Plans have been prepared by the various departments within the Group. MT has also been allocated 40 work-area recovery seats by BusinessContinuity Mauritius. The objective is to be able to ensure service continuity to customers in the event of an incident. In fact, BusinessContinuity Mauritius is a subsidiary company of Mauritius Telecom, which also provides disaster recovery services to other companies.

## 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 following bodies: Chartered Institute of Management of UK, Mauritian Institute of Management and Mauritius Institute of Directors.

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 was Merger Integration Director with BAT in Russia. In 2001, he joined the leading consultancy firm in Mauritius, DCDM, as a free-lance consultant and, in 2004, became its CEO for the Central, Eastern and Southern Africa Region. He is currently Harel Mallac's Group Human Resources Director, as well as 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 former 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, where he is also a member of the Executive Committee.

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.

## Dheerendra Kumar Dabee

Dheerendra Kumar Dabee is the Solicitor-General (Attorney General's Office) and a Senior Counsel. He previously held office of Parliamentary Counsel.

He is currently a Board Director of 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, provides legal advice to Government Departments. He is also 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.

## 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).

## Marc Rennard

Marc Rennard joined the France Telecom Orange Group Executive Committee in May 2010. He has been, since 2006, the Executive Vice President International of the FT / Orange Group in charge of the Africa, Middle East and Asia region which is made up of 20 affiliates, three listed companies, 17 000p, and more than 58 million customers.

In 2004, Marc Rennard was appointed Vice President - International of FT/ Orange. In this capacity, he resided as Chairman and/or Board Member of several international Fixed-line, Mobile and Internet subsidiaries.

Prior to that, Marc Rennard had been chosen in 2003 to be Chairman and Chief Executive Officer of UNI2, a telecommunications operator, and a France Telecom subsidiary in Spain.

From 1996 to 2002, he served as Deputy Managing Director of TDF and Chairman of TDF VIDEO SERVICE. He was both Chairman of TDF Cable and Commercial Director of TDF from 1992 to 1996.

Marc Rennard began his career in 1979 as a surveys manager at ISEOR. He became, in 1982, a Consultant at CEREP COMMUNICATION, then Agency Director in 1984, and Managing Director in 1986.

From 1989 till 1992, he was appointed Managing Director of « Société des Montagnes de l'Arc », « Groupe Caisse des Dépôts ».

Marc Rennard, 53 years old, is a graduate of EM Lyon, and holds a post graduate diploma in Management Science.

## Vivek Badrinath

Vivek Badrinath, 41, heads Orange Business Services, the Enterprise Division of the France Telecom Group, since April 2010.

He was formerly Executive Vice President for Networks, Carriers, Platforms and Infrastructure since March 2009. In his previous role within the Networks, Carriers and IT Division, Vivek Badrinath was responsible for developing the technical policies for the France Telecom Group's IT and Networks, supporting the implementation of its integrated product portfolio and leading the convergence of its network and information systems. This follows two years within the company's Mobile division as Chief Technology Officer for Orange and then, with an expanded remit, as its EVP of Products, Technology and Innovation.

Prior to Orange, Vivek Badrinath spent four years with the consumer electronics firm Thomson. As CEO of its Indian subsidiary, he was in charge of manufacturing and sales, as well as managing the relationship with key customers in the broadcast area. Vivek Badrinath also spent four years in the France Telecom Group. He originally joined in 1996, just as France was opening up its telecommunications market to competition. Here he gained extensive experience in interconnect issues and network planning and design. He has a degree in Engineering from Ecole Polytechnique, a degree in Statistics from the University of Paris, and has also studied at Ecole Nationale des Télécommunications in Paris.

## Soopramanien Kandasamy Pather

S. K. Pather is the holder of a Diploma in Public Administration and Management from the University of Mauritius and a Post Diploma in Managing the Development of Public Sector Activities from the University of Aston, United Kingdom.

He has served as Permanent Secretary for the last ten years in various ministries, namely the Ministry of Agriculture and Fisheries, Ministry of Education and Scientific Research, Ministry of Public Utilities, Ministry of Public Infrastructure, Land Transport and Shipping and he is currently posted to the Ministry of Information and Communication Technology.

## Suresh Seeballuck

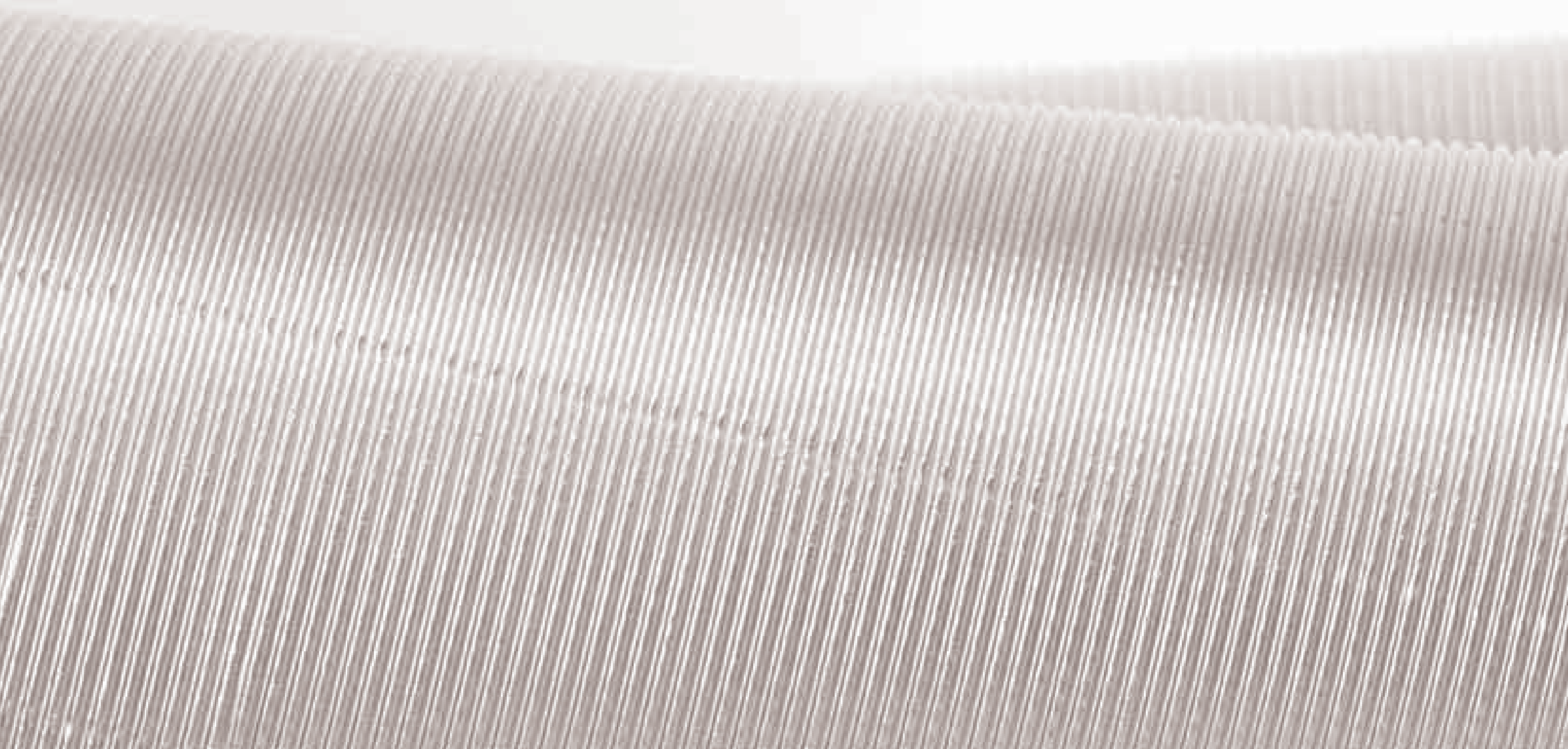
Suresh Seeballuck is a graduate in Economics from the University of Delhi. He also holds a diploma in Public Administration from the University of Mauritius and a Diploma in Development Administration & Management from Jawarhalall Nehru University in India. Besides, he also obtained a Diploma in Public 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.

## Conrad Colimalay

Conrad Colimalay is qualified as a Barrister-at-Law. He holds a Master's degree in Business Law (UK) and a Maitrîse 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.

## ..and the air that we breathe will be purer...

....because, more and more, our people are adopting new practices to minimise our carbon emissions. Our GPS-aided fleet-management system has enabled us to bring down fuel consumption by 26%. We invest in the continuous maintenance and renewal of our vehicle fleet to minimise harmful gas emissions.



Appalsamy Thomas
*Chairman of the Board of Directors*

# We believe in a sustainable future where corporate profitability and growth must be integrated within a framework of public interest

After a rather difficult year the Group was back on track in 2010 and performing well.

First of all, I would like to thank my fellow board members, the management team and employees, our various stakeholders and our customers for enabling Mauritius Telecom to achieve appreciable growth and the financial results for the year as stated below.

The remarkable performance is very much the result of a collective effort by MT team, led by the Chief Executive Officer, in implementing the forward-looking strategies set by the board.

## Financial Review

The Group's gross profit grew by 9.2%. Net profit, which had registered a 24% fall in the previous year, grew by 16% in 2010. Earnings per share for the period rose to Rs8.98 compared to Rs7.74 in 2009 while the dividend per share increased from Rs4.68 to Rs7.46.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) also increased from Rs3.223 billion to Rs3.417 billion, a growth of 6%.

Given the global crisis and the local economic context the Group can boast itself for recording better results than the previous year. This performance is noteworthy in that we had to bear the full year effect of the fiscal measures of solidarity levy on profits generated by telephone operators and tax on turnover as well as the CSR levy which were introduced in 2009.

Capital & reserves amounted to Rs8.5 billion, representing an increase of Rs289 million over the previous year. Capital Investment of Rs155 billion during the period under review, was slightly higher than in 2009.

## Sector Outlook and Strategy

The telecommunications industry is constantly evolving. Technological developments are occurring at breath-taking speeds with increasing demand for broadband, multimedia and mobile services as well as new devices, applications and innovations such as tablet and 3D on mobile. Strategies are being built around technological developments like cloud computing, through which solutions are being delivered through cloud technology, eliminating the need for operators to invest in infrastructure. Indeed, there is a tendency to move from models requiring capital expenditure to those where costs fall under operating expenditure. Infrastructure sharing is being viewed less as a competitive issue than as a matter of sustainability.

Given the industry outlook MT needed to consolidate its areas of strength whilst meeting the challenges posed by new infrastructure models, device and consumption trends in the industry. This was behind the 2011-15 strategic plan, which emphasises on putting employees at the heart of the Company, offering simple and reliable products and services to our customers and making each encounter a "wow" experience, contributing to the national objective of making Mauritius a cyber island and exploring new growth potentials.

Moreover we have signed a Memorandum of Understanding with France Telecom to create a dedicated department for business development with the aim of driving further growth locally and outside Mauritius. Hence we are seriously looking at getting into equity participation in the telecom company in Uganda and Vanuatu.

Whilst we actively pursue our efforts to achieve increasing growth and enhance our profitability levels, we will not compromise on measures to increase employee motivation, enhance customer satisfaction, innovate as well as provide continuous staff training at all levels of the organisation.

## Green Actions and Corporate Social Responsibility

Notwithstanding the fact that we are a company operating in a liberalised and fierce competitive market, we believe in a sustainable future where corporate profitability and growth must be integrated within a framework of public interest thus we have embraced a green strategy focussed on reducing our energy consumption and environmental impact. In line with this strategy and as part of an overarching corporate social responsibility we have initiated a national sensitisation campaign involving the collection of used mobile phones and batteries for recycling. Besides we have launched several green initiatives involving all our employees, aimed at reducing our carbon footprint and our paper consumption. The Annual Report 2010, for example, has been produced with green concepts very much in mind, using recycled paper. We believe that addressing green issues will ultimately be of both financial and environmental benefit.

As a socially responsible company, Mauritius Telecom ensures that its Corporate Social Responsibilities (CSR) are fully discharged.

In terms of CSR projects funds, a considerable portion was allocated to some major national projects in favour of eradication of absolute poverty and social integration. The funds devoted to CSR projects in 2010 amounted to Rs54 million.

## Networks

I have been pleased with our continuing efforts to strengthen our networks making it possible to meet the growing demand for services requiring convergent technology. A few years ago, we had already identified three emerging trends for this, in terms of mobile, broadband and audio-visual contents. The services provided for iPhone and other mobiles have been enhanced, as well as for the My.T service, where VOD and TV Bouquet are becoming increasingly popular.

Fibre cable is the way to maintain the quality and resilience for our broadband services and, we are investing strongly in it with more and more fibre-to-the cabinet (FTTC) and fibre-to-the-premises (FTTP) technologies being deployed.

Besides having invested in the EASSy and phase one of the LION submarine cable projects, which are now operational, to further increase our international connectivity resilience, we have invested in the second phase of LION, EIG, and WACS projects. Moreover a network master plan is being prepared to meet customer expectations and to enhance the customer experience.

As always, we remain closely tied to the social and economic development of the country. We are therefore proud to be associated with projects of national importance such as JinFei, the Bagatelle Mall and the Global Board of Trade Ltd (GBoT), a commodities and currencies derivatives exchange. We offer our services in support of both public and private initiatives, and as the leading telecommunication operator in Mauritius, we are able to offer the most proven and sophisticated products.

## Corporate Governance

Mauritius Telecom remains committed to implementing and maintaining best practices throughout the group, by ensuring that the highest standards of business integrity, transparency and professionalism and ethics are practised throughout the organisation. Our strategies comply with good corporate governance practices, provide fair working conditions and offer secure products and services while supporting environmental and community projects.

## Board membership

We are thankful to Mr G Henry Jeanne who retired from the board after a two year term during which we had the privilege to value his contribution and wise advice. Meanwhile we had the pleasure of welcoming two new Board Directors, Mr S Kandasamy Pather, Permanent Secretary at the Ministry of Information and Communication Technology and Mr Vivek Badrinath of France Telecom. I am confident that their wealth of knowledge and expertise in the telecommunication sector will be of great contribution to the advancement of our company.

## End note

We are confident that the coming year will bring us even greater success. Fraught with uncertainties, economic crisis, fierce competition and other global issues, the past two years have been the most challenging ones for many businesses including Mauritius Telecom. Yet we managed, thanks to bold measures, to navigate quite successfully through the troubled waters. The year 2011 will not be free from those economic, financial and environmental difficulties but in these trying times, we, the Board, Management and employees, will have to differentiate ourselves in many aspects to continue growing wealth for the benefit of all shareholders. This is our challenge and promise.

**Appalsamy Thomas, GOSK**
*Chairman of the Board of Directors*

April 2011

Sarat Dutt Lallah
*Chief Executive Officer*

# We are committed to reducing our corporate energy use and environmental footprint

2010 was an eventful year with plenty of challenges. In an increasingly competitive environment, the Company recorded operating revenue of Rs7.4 billion, representing an increase of Rs336 million as compared to 2009.

As in recent years, mobile continued to be one of the most important revenue segments, bringing in operating revenue of Rs3.3 billion, representing growth of 10.4% over 2009. Revenue in the internet segment increased from Rs558 million to Rs673 million, achieving growth of 20.6%. Gross profit increased by 9.2% and net profit after tax increased by 16%.

Despite the competitive pressures and fiscal constraint measures introduced since 2009, we achieved good results. All the subsidiaries achieved growth, with the highest, 21%, registered by Telecom Plus, followed by 10.4% growth by Cellplus.

## Cellplus Mobile Communications Ltd

The company achieved revenue growth of 10.4%, compared to a 6.7% increase in 2009. 2010 showed that the market remains dynamic with growth in the customer base to 679, 311 by the end of the year under review. The year was marked by the introduction of innovative services like the iPhone HD TV service and the prepaid Blackberry service. In order to continue to provide quality and innovative offers, the number of mobile base stations was increased by 45% while 25% of the base stations were equipped with fibre connectivity. To further improve network capacity, a new common 2G/3G packet core was introduced and the core packet-switch mobile data network was upgraded. In line with the One Network project for Mauritius and Rodrigues, a converged common database was introduced in Rodrigues.

## Telecom Plus Ltd

This subsidiary recorded 21% growth, the highest rate among our subsidiaries, with revenue from internet reaching Rs673.2 million. The reasons include the good performances registered by My.T and value-added services.

Our broadband strategy, introduced in 2009, coupled with new offers in 2010, enabled the Company's customer base to expand to 93,781, in line with set objectives. The ADSL subscription base grew from 29,718 to 43,443 while the number of customers for My.T reached 50,107. The NetPC was upgraded to allow better customer reach. The My.T TV offer was further enhanced with the first premium offer of a Bollywood Bouquet, consisting of leading Indian channels like Star Plus and Star One.

Three additional channels, including MCM Top, were added to the basic bouquet to bring the number of channels to 18. The VoD service was boosted by enforcement measures against content piracy and the introduction of Sony Pictures content, resulting in growth of 115%. Value-added services were further enhanced and turnover grew by nearly 100%. Revenue derived from the orange.mu portal grew by 44%.

## Call Services Ltd

Total revenue in 2010 was Rs110.7 million, an increase of 6% compared to the previous year. Net profit, however, fell slightly from Rs36.2 in 2009 to Rs36.1 million. The number of calls handled during the year, 780,000, remained the same as in 2009. Perhaps the most important achievement was the introduction of the Call Centre Management System aimed at managing all customer interaction with the Company more effectively. A new development in 2011 will be the relocation of the Company's call centre to Ebène.

## Teleservices Ltd

Turnover grew by 2%, reaching Rs136.7 million, with earnings before interest, taxes, depreciation, and amortisation at Rs44.4 million. Apart from the production of MT phonebooks, the company is also engaged in providing enhanced web-based directory and media-planning services.

## Orange World

The Orange brand continued to strengthen its position in the market through the Orange Expo, an event which has become a keenly-anticipated annual event in Mauritius, showcasing technological innovations. Other regular events, such as the International Marathon and Fun Run, continued to attract large numbers of participants and spectators. In the context of the 2010 World Cup, the Orange Street Foot event was an opportunity to encourage local footballing talent. In the year under review, the Orange Tower became the flagship of Mauritius Telecom and the Orange Brand in the Ebene Cybercity area. The Orange brand also marked the year with its campaign to discourage the use of mobile phones while driving, "*Kan kondir, pas telephoné ek SMS*", run in collaboration with the Road Safety Management Unit of the Prime Minister's Office. To reinforce Orange's footprint in all countries where the brand is present, the "Together we can do more" commercial vision will give way to a new vision as from 2011, "Today changes with Orange".

## Customer experience

In 2010, the customer continued to remain at the centre of all our initiatives brought in to cater for specific needs, new trends and customer expectations. They included the introduction of a Bollywood Bouquet, HD TV on iPhone, the Blackberry prepaid service and the Samsung Galaxy tablet. Meanwhile, the SPICE project, introduced in 2009, continued to bring encouraging results in terms of enhanced customer service. The pursuit of the rebranding of Orange shops and customer service offices at Head Office and around the country has helped to provide customers with a more welcoming environment. Opportunities for interaction with businesses and ICT companies were provided through forums on issues like intelligent building and submarine cable projects.

## Green initiatives

The choice of a green theme for the 2010 Annual Report reflects the concern of telecommunications companies around the world to reduce the impact of operating activities on the environment. Mauritius Telecom has warmly embraced this concept and has given a structured dimension to the various units' individual initiatives of recent years, by developing a corporate strategy with defined objectives to reduce the impact of our activities in areas like paper usage, energy consumption and carbon emission. As a socially responsible company we are committed to reducing our corporate energy use and environmental footprint.

## Network

Network modernisation was continued in 2010 in order to increase customer bandwidth options through investment in a wide range of technologies, such as FTTC, GPON, ADSL, and SHDSL. The Company implemented a digital-line subscriber management (DLM) system which allows the proactive monitoring and remote management of broadband lines. Investment in the local network infrastructure amounted to Rs1.55 billion, slightly above the 2009 figure.

Our strategy for the year reflected the increased demands on our international bandwidth capacity, which rose from 3Gbps to 4.8 Gbps in 2010, calling for continued investment in capacity upgrades and new cables.

The coming into operation of the EASSy submarine fibre-optic cable in July 2010 enabled Mauritius Telecom to provide an additional capacity of 622 Mbps international bandwidth from Mauritius to Europe. The cable runs from Mtunzini in South Africa to Port Sudan in Sudan, with landing points in seven other Eastern African countries.

After phase one of the Lower Indian Ocean Network (LION) fibre-optic submarine cable interconnecting Mauritius, Reunion and Madagascar brought into operation in November 2009, an additional investment of 8 million was made in the second phase of the project. The latter provides for the extension of the existing system from Madagascar to Mombassa in Kenya, for onward interconnection with other cable systems such as TEAMS, EASSy and SEACOM. The whole LION system is scheduled to be operational by January 2012.

The Company invested US$5 million in the EIG submarine cable project. The system will link India to the UK via the Middle East, North Africa and Europe. Installation work is well under way and is set to be operational in the second quarter of 2011.

The Company also invested US$8 million in a new fibre-optic cable initiative, WACS, which is due to be operational in January 2012.

Overall investment in the SAFE cable and upgrades has amounted to US$40 million, while the total investment in submarine cable projects to date has reached US$60 million.

## Tariff reductions

In line with its strategy of promoting broadband and enabling a greater number of consumers to have access to the service, the Company reduced tariffs in the fourth quarter of 2010. The price of the ADSL home offer was reduced by 10.5% to 20% while ADSL business rates fell by 10%, with both decreases taking effect in December. The IPLC tariff was also scheduled for reduction by between 16% and 24%, a decrease to be brought into effect in from January 2011.

## Driving performance

2010 was marked by the introduction and implementation of new projects such as a Performance Management System (PMS) and PeopleConnect. The aim of the PMS is to enhance our commitment towards a performance-driven organisation, whilst PeopleConnect is intended to break down administrative barriers to allow employees to easily access personal information on benefits and leave status.

## Risk management

The Company continued to develop its business resilience in 2010 with the strengthening of its Business Continuity (BC) measures. Business Continuity Plans (BCPs) were finalised for the critical business areas, providing for a quick and timely business recovery during a disaster. The Company also secured 40 work-area recovery (WAR) seats at ContinuityMauritius' Disaster Recovery Centre (DRC).

Physical security measures were also taken, involving the extension of CCTV surveillance to our more critical locations, the upgrading of the security infrastructure at strategic points and continued Police-MT collaboration to protect our network against vandalism.

In 2010, Mauritius Telecom and its subsidiary companies were ISO 9001:2008 certified.

The Company created a fully-owned subsidiary, MT Properties Ltd, to manage MT's and its subsidiaries' real estate assets. MT Properties acquired 6,537 square metres of floor space in an existing building in the Ebene Cybercity, a building now known as Orange Tower.

## Corporate Social Responsibility

The creation of the Mauritius Telecom Foundation (MTF) in 2009 added a new dimension to the Company's CSR activities. In 2010, the MTF allocated a total of Rs54 million to a wide range of projects.

The most important initiative in terms of impact and dimension was the launch of a national campaign for the collection of used batteries and mobile phones for recycling, in collaboration with the Ministry of Environment and Sustainable Development. By December, 2.5 tons of used batteries and 400 used mobile phones had been collected. Other projects focused on the eradication of absolute poverty, social integration, education and training, sports and health.

## Looking forward

In 2010, the Board of Directors approved the Group's 2011-15 strategic plan. The plan focuses on

- Putting people at the heart of the Company's development and remaining an employer of choice
- Offering simple and reliable products and services to our customers and making each encounter a "wow" experience
- Contributing to the advancement of Mauritian society by helping to turn Government's vision of a cyber island into reality.

As from 2011, the Company will endeavour to translate the plan into action, so that employees, customers and society feel the difference.

As from 2011, the Company will endeavour to translate the plan into action, so that employees, customers and society feel the difference.

Other new and exciting challenges lying ahead in 2011 include the relocation of two key departments, Call Services and the Network Operations Centre, from Cassis to the Orange Tower in Ebene, the coming into operation of the EIG submarine cable and the introduction of a Media Gateway to bring together the mobile network between Mauritius and Rodrigues. To foster increased collaboration between academics and the ICT industry, the Company will focus its efforts on the setting up of a Mauritius Telecom Academia Innovation Centre.

So as to further reduce the impact of our activities on the environment, we will be exploring specific options for the various sectors. One such is the pilot tests on running base stations using 100% renewable energy. Initiatives for the collection of electronic waste for recycling will also be boosted.

By 2015, the demand for international bandwidth is expected to be 15G and, to meet this, additional investment in cable projects and upgrades is expected to amount to US$40 million.

## Conclusion

The coming years are likely to present the Company and its employees with fresh challenges. The guidance of the Board, the trust and loyalty of our customers and the commitment of our management team give me strong faith in the ability of the Company to pursue its successful run.

**Sarat Dutt Lallah**
*Chief Executive Officer*

April 2011

# ..and the trees on our planet will be greener...

...because, more and more, our people are changing their paper habits, to save more trees. A LessPaper project was launched in 2010 with the aim of reducing the amount of paper used by 20% in 2011 and 50% by 2015. We have computerised the way we assemble press cuttings and use management tools, with yearly saving of about 15,000 sheets of paper. We now use e-cards to send greetings, we encourage on-line billing and on-line use of telephone directory – and this annual report is made from recycled paper.

# STRATEGIC EXECUTIVE COMMITTEE

## Sarat Dutt Lallah

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

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

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

## Jean-Francois Thomas

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

He has over 25 years of experience in communications business and occupied marketing, sales, business development, operations and management positions. Before joining Mauritius Telecom as Deputy Chief Executive and Chief Operating Officer in February 2008, he served as Regional Director (05 September 2006 – 08 February 2008) 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 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 represented Mauritius Telecom in several international forums and chaired various regional telecommunications conferences.

## Cyprien Mateos

Cyprien Mateos is the Chief Financial Officer in Mauritius Telecom since February 2007. He has a Master degree in Management and Finance and holds an International Paris MBA from Sorbonne-Dauphine Universities. 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.

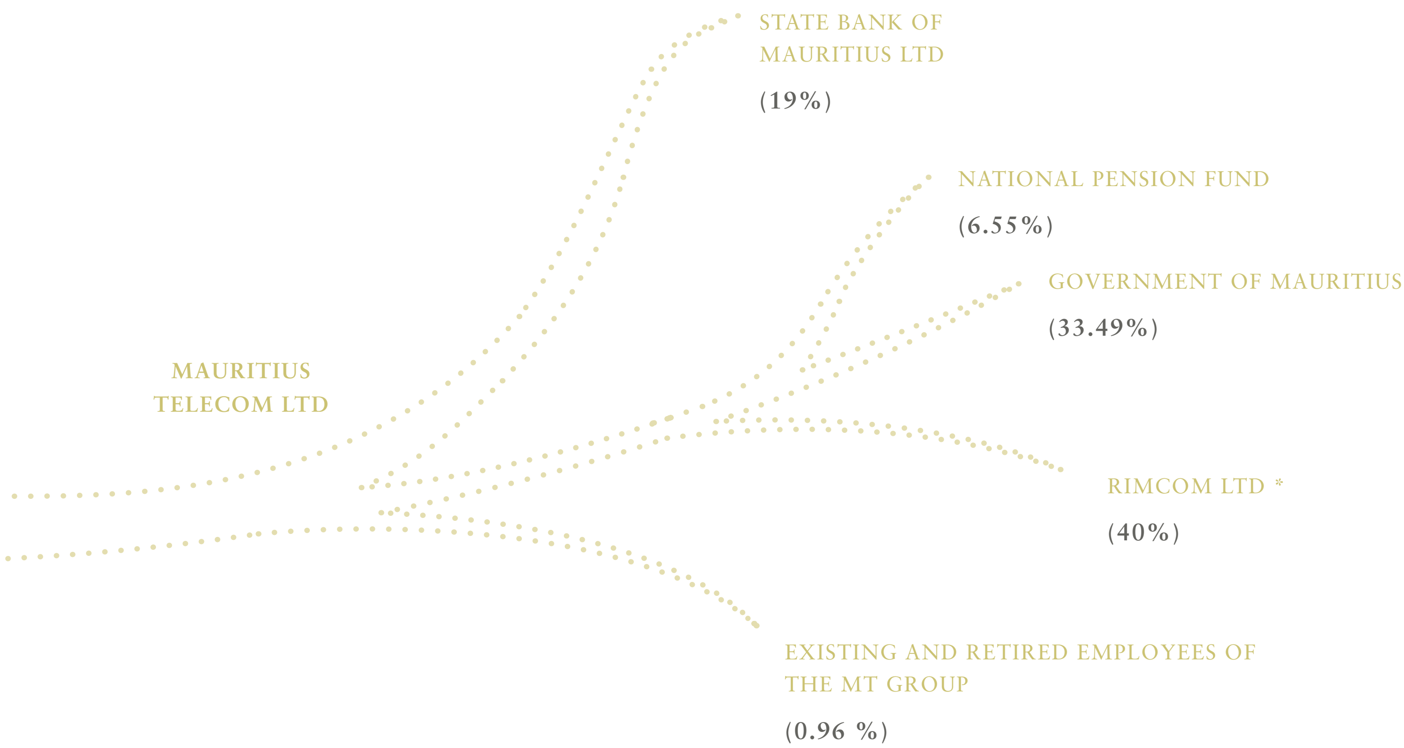
## Emmanuel André

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 with the principles of the Code of Corporate Governance in all material respects. The present report sets out how the principles of the Code 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 above. In addition, 2,160 employees and past employees together hold 0.96% of the Company shares, further to a share participation scheme introduced in June 2007.

## 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, in normal circumstances, are expected to remain sustainable in the medium and long term.

## Board of Directors

The detailed composition of the Board of Directors can be found on pages 9 to 13 of the Annual Report, together with a profile of each director. The profiles also include details of any other directorship held by a Board member where applicable.

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

The Chairman heads the Board of Directors which is composed of nine members. The Government of Mauritius nominates five directors and Rimcom Ltd four directors.

All directors are non- executive.

The current composition of the Board is pursuant to a Shareholders' Agreement between the Government of Mauritius and Rimcom Ltd. The directors, therefore, have 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 investment 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, Shareholders 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.

## Shareholders' Agreement

A Shareholders' Agreement was signed in November 2000 between the Government of Mauritius and Rimcom Ltd (the Strategic Partner). The Shareholders' 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 has 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

For reasons of commercial sensitivity and confidentiality requirements, the remuneration of directors is not disclosed individually.

An aggregate of directors' fees is included in the 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

As at 31 December 2010,the Remuneration Committee, was 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.

## Audit Committee

As at 31 December 2010, the Audit Committee was composed of the following Board members:

- C. Eouzan - Chairman
- A. Mansoor
- M. Barré
- S.K. Pather (as from 16 December 2010)

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.

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.

## Risk Management Committee

As at 31 December 2010, the Risk Committee, was composed of the following Board members:

- C. Eouzan - Chairman
- A. Mansoor
- M. Barré
- S.K. Pather (as from 16 December 2010)

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 the 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 put in place with a view to ensuring that 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 organisational structure with well-defined lines of reporting
- A full set of ISO-certified written internal procedures covering all the major processes across the Group
- A 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 be 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. In December 2009, it set up a special foundation, the Mauritius Telecom Foundation, which implements CSR projects on behalf of the Mauritius Telecom Group in consultation with the CSR Committee, of the Government of Mauritius.

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 Shareholders 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

**P.C. Colimalay**
*Company Secretary*

18 March 2011

## Board and board committees attendance for financial year 2010

Table below shows the record of attendances at Board of Directors and Board Committee Meetings for Mauritius Telecom for Financial Year 2010.

| | Board Of Directors | Remuneration Committee | Audit Committee | Risk Management Committee |
|---|---|---|---|---|
| **No of Meetings held** | 6 | 2 | 4 | 1 |
| **Directors** | | | | |
| A.Thomas, G.O.S.K(Chairman) | 6 | 2 | N/A | N/A |
| S.C. Seeballuck,G.O.S.K | 3 | - | N/A | N/A |
| A. Mansoor | 1 : in person + 1 : by alternate | N/A | 2 | 1 |
| D.K. Dabee | 4 | 1 | N/A | N/A |
| S.K. Pather (as from 25 June 2010) | 3 | N/A | N/A | N/A |
| M. Rennard | 2 : in person + 3 : by alternate | 1 + 1 (by alternate M. Monzani) | N/A | N/A |
| M. Barré | 6 | 2 | 4 | 1 |
| C. Eouzan | 6 | N/A | 4 | 1 |
| M. Monzani (up to 25 June 2010) | 1 : in person + 2 : by alternate | N/A | N/A | N/A |
| V. Badrinath (as from 25 June 2010) | 3 | N/A | N/A | N/A |

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

The Directors are pleased to present the Annual Report and Audited Financial Statements of the Company and of the Group for the year ended 31 December 2010.

## 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 activities are 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;
- MT Properties offers property management and syndic services
- Mauritius Telecom Foundation undertakes social activities for the Group

## Results for the year

The Group and the Company's profit after tax, attributable to equity holders, for the financial year are Rs1,705,954,710 (2009: Rs1,470,310,825) and Rs1,525,342,432 (2009: Rs1,478,556,651) respectively.

Earnings per share for the year is Rs8.98 (2009: Rs7.74 per share).

The audited financial statements of the Group and Company for the year ended 31 December 2010 are annexed.

## Board of Directors

The following persons held office as directors of the company during year 2010:

### Mauritius Telecom

#### Non-Executive Directors

Messrs

- A. Thomas, G.O.S.K
  *Chairman*
- S.C. Seeballuck, G.O.S.K
- A. Mansoor
- D.K. Dabee
- S.K. Pather
  *(as from 25 June 2010)*
- M. Rennard
- C. Eouzan
- M. Barré
- M. Monzani
  *(up to 25 June 2010)*
- V. Badrinath
  *(as from 25 June 2010)*

### Cellplus Mobile Communications Ltd

#### Non-Executive Directors

Messrs

- S.D. Lallah
  *Chairman*
- J.F Thomas

### Telecom Plus Ltd

#### Non-Executive Directors

Messrs

- S.D. Lallah
  *Chairman*
- D. Utchanah
- J.F Thomas
- M. Barré
- V. Dosieah

### Call Services Ltd

#### Non-Executive Directors

Messrs

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

### Teleservices (Mauritius) Ltd

#### Non-Executive Directors

Messrs

- S.D. Lallah
  *Chairman*
- T. Cowaloosur
- J.F Thomas

### MT Properties Ltd

#### Non-Executive Directors

Messrs

- S.D. Lallah
- M. Barré
- C. Mateos
- T. Cowaloosur

### MT Foundation

#### Non-Executive Directors

Messrs

- S.D. Lallah - Chairman
- J.F Thomas

## Directors' remuneration

Total remuneration and benefits paid to Board Directors by the company and its related companies during the year are disclosed in note 26 of the Financial Statements.

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 statements of financial position, statements of comprehensive income, statement of changes equity and statements of cash flow, 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 Rs1,417,400,000 were declared and paid during the year (2009: Rs889,200,000), detailed as follows:

a. final dividends for year 2009 : Rs296,400,000

b. Interim dividends for year 2009: Rs1,121,000,000

## Donations

The Group made donations of Rs75,050 during the year (2009: Rs1,785,099) broken down by entities as follows:

| | 2010 (Rs) | 2009 (Rs) |
|---|---|---|
| Mauritius Telecom Ltd | 75,050 | 1,263,064 |
| Cellplus Mobile Communications Ltd | | 522,035 |
| | 75,050 | 1,785,099 |

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 2009 were:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 (Rs) | 2009 (Rs) | 2010 (Rs) | 2009 (Rs) |
| Audit services | 2,100,000 | 2,090,000 | 1,500,500 | 1,370,000 |
| Other services | - | 112,500 | - | |
| **Total** | **2,100,000** | **2,202,500** | **1,500,500** | **1,370,000** |

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.

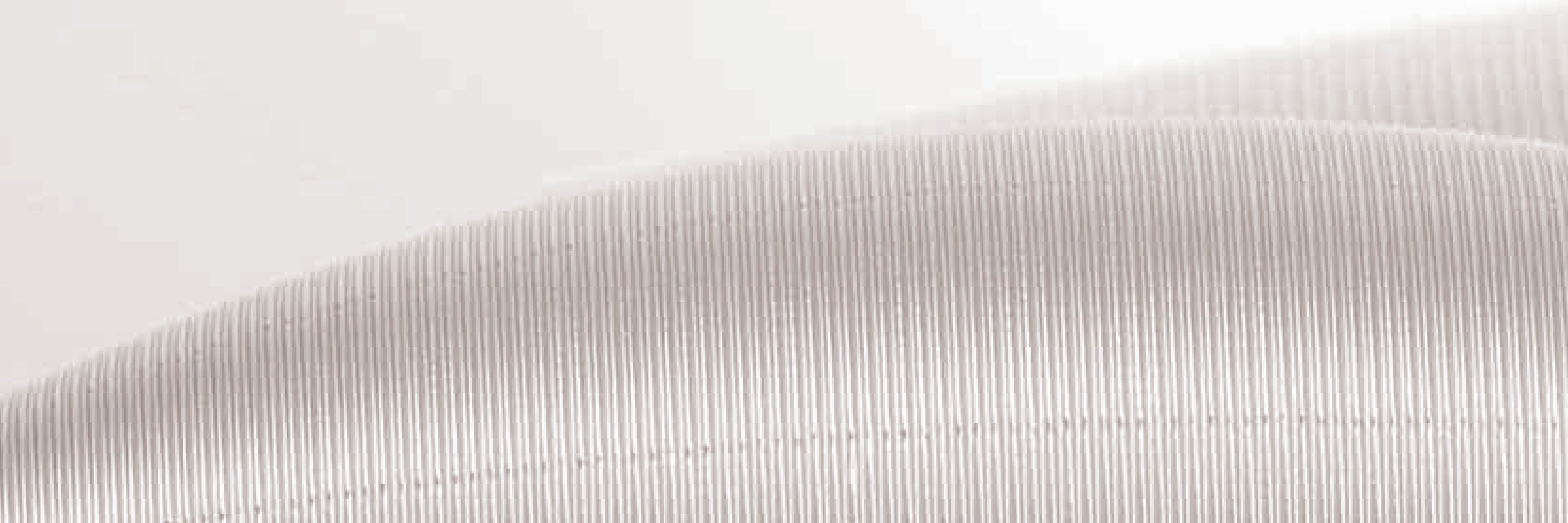
Approved by the Board of Directors and signed on its behalf.

A. THOMAS, GOSK
Director
18 March 2011

S.K. PATHER
Director
18 March 2011

## ..and the future generations will be able to enjoy an environment that is cleaner...

...because, more and more, our people are aware of the need to dispose of hazardous waste in an environmentally-responsible manner. In 2010, the project to collect used batteries and mobile phones for recycling went national, with 2.5 tons of batteries and hundreds of mobile phones gathered. All our used IT equipment is collected either for recycling or appropriate disposal. A project is underway to sort out waste paper and send all office paper for recycling. During the year under review, 1.5 tons of paper were sent for recycling and 3 tons of solid waste disposed of in a green manner. Green bins, made of recycled materials, will soon be installed at various points on the Company's premises.



## JANUARY

Installation of panic-alarm systems and CCTV cameras in Orange Shops

## FEBRUARY

Installation of a Google cache server in Cassis to save on international internet bandwidth and improve customer service

Introduction of police patrolling of access network

## MARCH

Orange Expo 2010 held at Swami Vivekananda International Convention Centre, attracting more than 45,000 visitors


Launch of Bollywood premium TV bouquet on My.T at Orange Expo 2010

Launch of MT's Emerginov concept in collaboration with the University of Mauritius and the University of Technology during the Expo

Official launch of the Mauritius Telecom Foundation to administer the Mauritius Telecom Group's Corporate Social Responsibility funds and projects

Prime Minister launches the LION cable at the Terre Rouge landing station

Launch of quality high-definition (HD) TV channels for iPhone users

## APRIL

Rebranding of the Broadband Shop and Orange Showroom at the Telecom Tower

## MAY

Rebranding of Mobile Internet and Customer Care shops at the Telecom Tower

Launch of Livescore service to give customers access to live updates on football scores

Signature of agreement between MT and Blanche Birger for the installation of a call-centre management system at Call Services Ltd

Commercial launch of a Blackberry service in Rodrigues

## JUNE

Launch of Orange Street Foot competition, with the victorious team winning a trip to South Africa to attend World Cup matches.

PeopleConnect, the new HRMS's payroll module, goes live.

## JULY

Launch of a Clean and Green quality circle throughout Telecom Tower.

Ceremony for the signature of an agreement between the Jin Fei Economic Trade and Corporation Zone Co Ltd and MT for the provision of telecommunication services and the setting up of a telephone hub in Riche Terre.

Sponsorship of the race run at Champ de Mars for the Barbé Cup.

A Safety, Health and Environment Policy launched during a Safety Week, organised to promote a culture of safety within the MT Group.

## AUGUST

Business Continuity Mauritius provides MT with 40 work-area recovery seats

Mauritius Telecom and subsidiary companies certified ISO 9001:2008

Development of a new master plan for future investment in submarine cable projects to support MT requirements for capacity abundance, infrastructural resiliency and affordability.

## SEPTEMBER

The MT Group acquires 6,537 square metres of floor space in the B&S Tower, Ebene, a building to be known as Orange Tower

Incorporation of MT Properties, a wholly owned subsidiary of Mauritius Telecom, to manage Orange Tower and other MT properties

Development and launch of an iPhone portal for orange.mu services

Launch of Rio, an original design manufacturer (ODM) of Orange signature phones featuring mobile internet and TV



Third Orange International Marathon and Fun Run

## OCTOBER

Installation of CCTV cameras at main exchanges in Orleans, Candos, Floreal and Terre Rouge.

Launch of the Je recycle les mobiles et les piles national campaign at the Municipality of Curepipe by the Minister of the Environment and installation of boxes and collection bins in all Orange shops and 500 retail outlets

MT Foundation's third Cheque Presentation Ceremony, to remit a cheque to the Minister of Education and Human Resources for the installation of Wi-Fi Hotspots in 27 *Zone d'Éducation Prioritaire* schools

Implementation of the Mauritius Police Force's Crime Occurrence and Tracking System (COTS), an on-line tool to record all statements and replace occurrence books

Award of a major contract to MT for the installation of a PABX system at the new Jeetoo Hospital

Launch of Orange TV, a 30-hour package available through the Orange mobile network at a VAT-inclusive rate of Rs50

Launch of Oslo, another ODM Orange signature phone featuring mobile internet and TV

## NOVEMBER

Signature of an MOU between the University of Technology and MT relating to Orange Expo 2011

Launch of a national campaign to discourage the use of mobile phones while driving, in collaboration with the Prime Minister's Office's Road Safety Management Unit and the Ministry of Public Infrastructure



Agreement with Sony Pictures for provision of VoD content on My.T

Introduction of 3 new TV channels (Boing, MCM Top and Motors TV) on My.T

Launch of a ZMS service, funny icons, to add interest to text messaging

Reduction of 28% in Sezam and MT 020 tariffs for calls to Pakistan

Opening of a new Orange Shop at Rivière du Rempart

Fifth SATA Conference on Human Capital Development and Capacity Building Workshop hosted by MT at the Pearle Beach Hotel in Wolmar

Press conference to announce decrease in tariffs:

- 10.5 to 20% decrease in Orange ADSL Home and 10% decrease in ADSL Business rates from 1 December 2010
- 16 to 24% decrease in IPLC rates from January 2011

## DECEMBER

Launch of "LessPaper initiative" at Cassis, unveiling of a commemorative plate and a Mahogany scrub planted by the CEO.

PeopleConnect self-service module goes live

Visit of MT delegation to Rodrigues to launch the *Je recycle les mobiles et les piles* campaign and present cheques to NGOs Business Forum held at Domaine Les Pailles and Orange Business Services in Ebène

Launch of new prepay and postpay mobile internet packages (1Mb &10Mb)

Launch of exclusive high-end smartphones and the Samsung Galaxy Tab

Opening of two new shops in Quatre Bornes and Vacoas

Business forums organised for business and domestic telecommunications operators on new international bandwidth services and submarine cable initiatives in the region

Introduction of a new wholesale bandwidth offer, High Speed IP Transit Service, for operators offering internet services, in line with MT's strategy to connect 75% of Mauritians to broadband by 2015.

# ..and the invaluable resources of nature shall last longer...

…because more and more, our people are adopting a green attitude. In 2010, our energy-saving campaign has helped raise awareness and reduced electricity consumption by 9%. We are reducing the amount of electricity used by ventilation and air-conditioning systems, switching to energy-saving lightbulbs, maximising daylight in offices and using reflective paint on our buildings and base stations.

## Commercial Division

Further major steps were taken in 2010 in support of 'Broadband Mauritius', an initiative launched in 2006 with the objective of increasing high-speed internet in households and enterprises not only through our fixed-line broadband network but also through MT's mobile 3G network.

Another milestone in the democratisation of broadband internet access was achieved in 2010 with a decrease in Orange ADSL tariffs by up to 20% and the doubling of the internet capacity of My.T subscribers.

These new internet offers have boosted sales of mobile phones, broadband subscriptions and the provisioning of complex solutions to enterprises, to levels never attained before.

At the end of 2010, 40% of the population was connected to the internet via fixed and mobile networks, a 9% increased over 2009 and a 15% rise within a two-year period.

### Wholesale & International Connectivity

'Broadband Mauritius' is being achieved through continuous investment in submarine cable projects to ensure abundant telecommunication capacity, international infrastructural resiliency and affordability. The first phase of LION cable which links Mauritius to Madagascar, was launched in early 2010 in the presence of the Prime Minister.

Furthermore, to boost the momentum of the ITES sector in Mauritius, several new services have been introduced. These include a new wholesale bandwidth offer, High Speed IP Transit Service for Internet Service Providers and the development of an Indefeasible Rights of Use (IRU) offer, allowing operators to purchase raw submarine cable capacity so that they own the capacity for the duration of the cable lifetime hence enabling them to provide bandwidth services to their retail customers at a very reasonable price.

The Wholesale Market Division has also developed End User Tariffs (EUT) for Orange mobile users thanks to its strong business relationships with major distance roaming telecom operators. This innovative service launched in August 2010, allows customers to have advance knowledge of roaming charges applicable when using their mobile phone abroad.

The Wholesale Market Division's support for Mauritius Telecom's strategy is aimed at enabling three Mauritians out of four to be connected to broadband internet by 2015.

### Business Customers

The Business Market Division, the business solutions arm of Mauritius Telecom, has helped the major companies, SMEs, SOHO's and Government increase efficiency by elaborating innovative and tailor-made solutions matching specific needs in a rapidly evolving world.

Its fixed services range from normal telephone lines and business services such as Fiber solution, SHDSL, IP VPN/IPSHDSL, ISDN and WAN solutions (both local and International) to enterprise business products including IP PABX (Cisco and Avaya brands) with complex applications. As far as mobile services are concerned, the Division offers a panoply of services ranging from the sale of mobile devices, including iPhone and Blackberry, and corporate post-paid contracts with loyalty schemes. Business broadband internet services consist of ADSL from 256kbps to 2Mbps, WiFi hotspots, high speed leased line internet access, hosting/co-location and cloud computing service. In addition, it ensures the maintenance and Service Level Agreement (SLA) for business services and products.

In March 2010, it demonstrated new high definition video conferencing using CISCO Telepresence based on Internet Protocol (IP) networking at Orange Expo. Through this technology, conference rooms throughout the world can be linked by IP links.

MT's Business Market Division won several major contracts for the provision of PABX in 2010 such as for the Jeetoo and Flacq hospitals. It has also contributed to establish data connectivity (over fibre and SHDSL) to some 30 police stations in the first phase for the online tool for Crime Occurrence and Tracking System (COTS), replacing the traditional Occurrence Books in police stations. Statements can now be made on line.

In September 2010, the Business Market division set up FTTC, SHDSL and wireless links for the National Coast Guard's, Coastal Surveillance Radar System for surveillance of Mauritius territorial coasts and the protection of country's marine resources. A main site brings together data from 10 radar sites.

The Division also provided round the clock connectivity to foreign exchange markets with zero permissible outage for the Global Board of Trade (GBoT), the first commodities exchange to be set up in Mauritius.

The Business Market Division maintains direct communication channels with its customers to keep them abreast of the latest developments and solutions on offer and to anticipate their future requirements. Business forums were also organised in December 2010, one on its strategic vision of the business market was held and a second one on Intelligent Building via live HD Telepresence video sessions, in collaboration with Cisco Technology Centre in Bangalore.

## Service to consumers

MT's Mass Market Division aims to offer the public-excellent customer service. In July 2010, it initiated WOW a project at shop level to enhance the customers' overall experience when visiting MT shops.

With the implementation of new and more than 20 revised processes, customer service in Orange shops was improved in terms of reduced response times and better follow-up of customer's requests and complaints.

To be ever closer to customers, MT's points of sale networks were extended. For ease of accress three new Orange Shops, in Quatre Bornes, Rivière du Rempart and Vacoas, were opened in 2010 in major shopping areas. These Orange Shops reflect the look and feel of the Orange brand's international norms.

Meanwhile in order to encourage and facilitate the training of frontliners the Division established an e-learning platform since in the second quarter of 2010.

## Marketing & Communication

The Marketing Department strengthened its bonds with customers and the public at large through a series of events. It was also in the forefront of innovation, introducing value added products and services for customers conveniences.

In March, Orange Expo 2010, an initiative of the Marketing & Communication Department attracted more than 45,500 visitors to the Swami Vivekananda International Conference Centre over its three days. The Bollywood premium TV bouquet on My.T and high definition (HD) TV channels for iPhone users were launched during the Expo. These services have contributed to further increasing broadband internet penetration and providing customers with new entertainment opportunities.

The closeness of the Orange brand with the public was also enhanced through various activities. In June, the Orange Street-Foot competition was launched, culminating in an exciting final match with the winning team obtaining a trip to South Africa to attend World Cup matches. In September, the third edition of Orange International Marathon was held. More than 100,000 direct and useful contacts were made at these events.

On the distribution side, proximity with more than 5,000 retailers of Orange prepay cards and e-voucher services, was reinforced through Contact, a quarterly newsletter dedicated to them.

To enable the youth segment to enjoy mobile TV, Orange TV's 30-hour package VAT inclusive rate of Rs 50 was launched. Original Design Manufacturer (ODM) Orange signature phones with mobile internet and mobile TV and the ZMS services were also launched, as well as, funny icons to make text messaging more lively and emotional. Moreover, three new international TV channels (MCM Top, Boing and Motors TV) were also added to My.T core bouquet to cater for the diverse tastes.

### Green Initiatives

One of the main initiatives with strong mass market involvment was the *je recycle les mobiles et les piles* project where the department used its network of 17 Orange Shops to disseminated the initiative all over the island and provide collection bins for used mobile phones and batteries. The campaign was extended to 550 Orange retailers across the island through the installation of collection bins.

The mass market also made use of the e-learning platform to reduce the need for the front-liners, who are attached to Orange shops around the island to travel to the training centre in Rose Hill thereby incidently reducing MT's carbon footprint.

## Cellplus Mobile Communications

Cellplus Mobile Communications, set up in 1996, is the leader in the Mobile sector in Mauritius. The rebranding to Orange of its products and services in 2008 has allowed to considerably enrich the mobile offers of the company with new and innovative offers. In 2010 the Orange rebranding of all Cellplus products and services was further enhanced through key events like Orange Expo 2011 and Orange Street Foot in context World Cup 2010 as well as the Orange branding of bus shelters around the island.

The mobile customer base by end December 2010 was nearly 680,000, representing an increase of 10.4% over the previous year. Revenue rose to Rs3.3 billion.

### Innovation

Innovation is key to the efforts of Orange to achieve continuous growth in the mobile market. To this end, the introduction of Mobile TV, I-Phone 4 and HDTV on I-Phone brought a new dynamism to the mobile offers while responding to the evolving needs and interests of customers.

### Infrastructure

In order to sustain new offers and enhance the quality of service, during the year, the company pursued its strategy of continuous upgrade of the network while increasing by 45% the number of 3G base stations. Moreover fibre connectivity was implemented to about 25% of its base stations with the rest scheduled for completion by 2013.

### Rodrigues

Customers in Rodrigues have been migrated to the new HLR in Mauritius in the context of One Network project. This unification will materialise in the first semester of 2011. Rodrigues has also seen the introduction of e-voucher and Blackberry.

### Green Initiatives

In line with the project of 'Maurice Ile Durable', a study is being carried out to evaluate the potential of using 100% renewable energy to power base stations.

## Telecom Plus

Telecom Plus is a fully owned subsidiary of Mauritius Telecom established in 1996, with today a market leadership position in Internet and value-added services. The new mandate of the company since 2007 has been to expand the content base of the group and strengthen new revenue streams in line with customer needs. 2010, in fact, proved to be an eventful year with some key initiatives, the finalisation of agreement with some established content providers and the launch of new offers. For the year the company registered a turnover of Rs 673.2 million, which represents a growth of 21% as compared to 2009.

Telecom Plus reinforced its image as an enabler of broadband internet. The ADSL subscription base grew from 29,718 to 43,443 or by 46%. Revenue on the other hand appreciated from Rs304.4 million to 449.9 million, a growth of 48%.

## TV Bouquet

In the first quarter of 2010 the company launched its first premium TV offers on My.T, with the introduction of a Bollywood Premium bouquet comprising of leading TV channels in India like Star One, Star Plus, NDTV Imagine and Headlines Today. This offer was a response to the growing interest in the market for Bollywood contents over the recent years. The offer instantly contributed in boosting the interest in the My.T TV offers and increasing the number of subscribers. In the fourth quarter of the year under review the company added three new TV channels to its basic bouquet: MCM Top, Boing and Motors TV. These channels appeal more to the younger audience and the music component of MCM Top allowed to further enrich the basic bouquet package. The subscriber base for basic bouquet grew by 106% to reach 25,123 users while the number of subscribers to the My.T service stood at 50,107 at the end of the year.

## Video on Demand

The enforcement of the Copyrights act in 2010, with increased control on piracy of contents and their free sale, impacted to a certain extent on rentals of VOD contents. They increased by 71.5% for the second semester in comparison to the same period in 2009. The increase was also due to the enriching of the VOD contents following the agreement with two international players: Sony Pictures and Gaumont. The company also signed an agreement with Mont Ida Films, a local provider of Bollywood Contents, which provides recently released Bollywood movies on My.T. This resulted in a growth of 115% in turnover.

## Value-added services

In 2010 the range of the value-added services comprising of Audiotext, SMS voter, mobile downloads, & CRBT were further enhanced. The result was that the unit's turnover almost doubled.

## Orange.mu

The Orange portal hosted and operated by Telecom Plus maintained its position as the leading Mauritian portal and its revenue grew by 44% as compared to previous year. Considerable efforts were made to enhance the quality of contents.

## Web Development

The Web Development team established some interesting milestones during the year. The Development of applications for the iPhone boosted the image of the Group significantly especially among AMEA countries. The unit secured some interesting contracts within the Orange AMEA group with Orange Kenya and Botswana.

# Call Services

Call Services, a wholly owned subsidiary of Mauritius Telecom, was established in 1999 to provide call-centre services for 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 a complaints desk. In 2010, Call Services implemented a new call-centre management system. It has also embarked on the delivery of training courses in Call Centre Operations. After 10 years of operating in Cassis, Call Services is set to move to a new location in Ebene in 2011.

## Financial and operational performance

Total revenue in 2010 was Rs110.7 million, compared to 104.8 million in 2009. However, net profit decreased slightly to Rs36.1 million from Rs36.2 in 2009.

780,000 calls were handled in 2010, a similar number to 2009. 80% of Call Services' turnover is generated from services provided to the Mauritius Telecom Group.

### Business Process Outsourcing (BPO) and other services

Call Services handles the Mauritius Telecom Group's fixed line, mobile and Internet services helpdesk. The Group is Call Services' major customer for services such as telephone surveys, appointment setting, data capture and data maintenance.

The Company's major external customers for BPO services are the CEB, the CWA, the National Empowerment Foundation and the Ministry of Business, Enterprise, Cooperatives and Consumer Protection.

The most common BPO services offered to local business companies are handling help desks, chasing debtors, telesurveys and data management solutions.

Other than BPO services, Call Services offers a telephone directory enquiry service on 150 and a business directory service (including tourist information) on 152.

For several years now, it has also been running an automated cyclone/natural disaster information desk, Telmet.

### IT development

Call Services has implemented a new Call Centre Management System to handle the management of all customer interaction with Mauritius Telecom, whether by telephone, e-mail, fax, IVR, SMS or in person. However contact is made, the objective is to enhance the service customers experience.

### Training

From March 2010, Call Services started providing training in Call Centre Operations to unemployed people looking to work in the call centre/BPO sector. Some 200 participants have been trained through the programme, which is financially supported by the National Empowerment Foundation through the reimbursement of training and stipend costs.

### Growth strategy

Call Services is planning to move to a new location, Orange Tower Ebene, in 2011. The relocation will enable the Company to increase the number of work stations and provide a platform for exploring international business opportunities.

### Green measures

Call Services and its staff participated successfully in the *Je recycle les mobiles et les piles* campaign, initiated by the Mauritius Telecom Foundation. Over 12,000 batteries were collected during a one-month period. Call Services was awarded a certificate in recognition and appreciation of its participation in the initiative.

## Teleservices

Teleservices, a wholly-owned subsidiary of the Mauritius Telecom Group, is the largest directory business in Mauritius. Its core activities consist of the production of MT Phonebooks and MT Yellow Pages.

In 2010, it pursued its recent endeavours to produce new and specialised directories, and enhance features in existing ones. For the financial year under review, the Company achieved a turnover of Rs136.7 million, as compared to Rs134 million in 2009, with an EBITDA of Rs44.4 million, representing growth of 2%.

### Directories

In addition to the publication of MT Phonebook and MT Yellow Pages during the year, the 12th MT Business Directory was released in the fourth quarter. The Business Directory remains an essential tool for both the local and international business markets. The year's other major publication was the MT Rodrigues Directory.

Teleservices continues to make directories available in multiple ways: in print, on line (www.teleservices.mu), on CD-Rom and via mobiles. The recently launched Forward Directory caters for the needs of Orange mobile users when they are on the move.

### Media Planning

Teleservices' product line has thus been broadened and its role has been extended from simply being a directory publisher to that of a registered advertising agency. Teleservices has been ably to confirm its position as such by providing pertinent media booking and support for its various customers in the press (Mauritius & Rodrigues), on television, radio, billboards and other relevant media.

### Green Initiatives

Given that the core product of the company is to a major extent in the form of printed copies, initiatives have been introduced and ideas explored to limit the use of paper and print, for environmental reasons. One of the key measures has been to increase the number of columns per page in the Residential and Business 2011 phonebooks from three to four, while preserving their user-friendliness. To reduce the need for printed copies, the alternatives being provided include the existing on-line and e-book versions of the directories and access through mobile phones. The recycling of unused directories also supports the green initiative.

Moreover, to further the reduced use of printed directories, Teleservices has been working on a project so that a version of the directory can be downloaded on to a mobile device, with the same features as the printed version.

## Networks

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

In line with the five year strategic plan, a Network Master Plan has been prepared to detail the vision of Networks evolution over the next 5 years (2011-2015).

The following major projects have been implemented during 2010:

### Mobile Network

Mauritius Telecom has been constantly upgrading both its 2G and 3G / 3G+ network over 2010.

The major achievement in 2010 has been the implementation of additional 3G Node B sites to increase coverage islandwide. At the same time, to improve the last mile efficiency from the RNC (Radio Network Controller) to the Node Bs', MT has implemented fibre connectivity to several Node B sites. The deployment of fibre for connecting these sites will pursue in 2011 to 2013.

To further improve the data capacity of the network, a new common 2G/3G Packet Core has been implemented and the core Packet Switch mobile data network has been upgraded.

To enable customers in Rodrigues to also benefit from similar type of services available in Mauritius a converged Common database was implemented making the One Network concept a reality . The mobile network between Mauritius and Rodrigues will be unified with the implementation of a Media Gateway which is planned in Semester 1 of 2011.

In order to combat mobile phone thefts, in association with the Police Department and ICTA, EIR (Equipment Identity Register) functions have been enabled on the network. This procedure enables the effective blocking of mobile handsets which have been stolen and prevent their usage in any mobile network in the island.

## Internet And Broadband

Mauritius Telecom is playing a pivotal role in the deployment of high-speed broadband services. The network is being modernised to increase customer bandwidth options by investing in a wide range of technologies, such as FTTC, GPON, ADSL, and SHDSL.

Mauritius Telecom pursued with installation of additional FTTC sites in 2010 and this has allowed extending broadband services to customers located further away from telecom exchanges. This is in line with Mauritius Telecom's commitment to play a leading role in the Broadband Mauritius project, a major step towards the transformation of Mauritius into a Cyber Island.

During the year 2010, additional ADSL ports were installed in MT exchanges under ISAM Expansion Projects Phase 5 and Phase 6. These Projects have effectively enabled MT to provision of broadband services and this allowed for the connection of new broadband subscribers, increasing the broadband customer base to more than 93,500.

The capacity between Mauritius and Rodrigues has also been increased by 60% to cater for increasing demand for Internet service in Rodrigues.

In its continuous endeavour to help bridge the digital divide and contribute towards the advent of Broadband Mauritius as part of its Corporate Social Responsibility policies, Mauritius Telecom enhanced the NetPC with new feature-rich Navigator thin-client that allows better reach to customers.

Mauritius Telecom supported the Government CCTV project in Quatre Bornes, Port Louis, Plaine Verte and Grand Bay by deploying 1Mbps data links island-wide for IP Cameras. The central monitoring site in Line Barracks and secondary monitoring site at Flic en Flac Police station are in turn connected to the CCTV network via Gigabit Ethernet fiber optic links. Other projects whereby MT has collaborated with the Police Department are the COTS (Crime Occurrence Tracking System) and the Coastal Radar Surveillance System whereby MT has extended the copper network and provided for fibre connectivity.

Mauritius Telecom has implemented the DLM (Digital Line Subscriber Management) system which will allow it to proactively monitor and remotely manage Broadband Lines. The system is currently under pilot testing with an islandwide operations scheduled for first Quarter of 2011.

Mauritius Telecom upgraded its ISP infrastructure by upgrading its mail and DNS platforms with latest technology blade servers, firewalls, load balancers and network attached storage equipment. The IP Backbone was expanded with additional port capacity and Quality of Service (QoS) was introduced in the IP Core in order to provide differentiated IP services to our customers.

To promote broadband services and make Broadband Mauritius a reality, MT introduced GPON technology in its access network to serve the Business Community. In Port Louis, the GPON platforms have been installed to provide high-speed fibre-based links to four major government offices. The existing BPON system serving existing customers in the Cyber City has been also been replaced by a GPON platform to provide fibre-connectivity to existing and new business customers.

## Value Added Services

The Orange fun tones service has been upgraded in 2010 to support a number of innovative functions namely One Key Copy (star copy), Service Presenting, Gift RBT and RBT Copy. With the launch of these set of functionalities, also called the Viral Pack, a registration of 120k i.e. 20% of the customer base has been reached.

2010 was rich in the launch of innovative services. The major innovations demonstrated at Orange Expo 2010 include the iPhone HD TV service and the Prepaid Blackberry Service. The iPhone HD TV service allows our Customers to view high quality live TV service on their iPhone devices via both the Orange mobile 3G and WiFi (i.e. My.T/ADSL) networks. The Prepaid Blackberry Service was launched t to allow Orange Prepay Customers to enjoy the BlackBerry service through messaging bundle, social bundle and full internet bundle.

In the context of the FIFA World Cup 2010, the Livescore Service has been launched to enable Orange mobile Customers to subscribe and receive live information about football scores. After the World Cup event, the same service has been commercialised for the English Premier League.

Mauritius Telecom has also launched the Zlango Messaging Service (ZMS) to enable Orange mobile Customers to send and receive Icon based messages.

## Open Source Development

Mauritius Telecom presented the Emerginov Concept at Orange Expo 2010. This concept involves bringing together the Academia and the Industry to develop open source software which are in line with the requirements of the local Market.

Mauritius Telecom had set up the necessary infrastructure to provide access to a remote Emerginov platform in 2010 which provided access to core elements of the telecommunication network such as SMSC, VOIP Gateways, Web Interfaces and PSTN/MSC.

Some thirty students from both University of Mauritius and University of Technology (Mauritius) participated in the Emerginov programme whereby the latter developed some six innovative services which were well acclaimed.

Mauritius Telecom further plans to set up its own regional Emerginov platform in its network for the next Orange Expo in 2011.

## International Connectivity

The demand for international bandwidth has increased from 3Gbps in January to 4.8Gbps as at December 2010. In order to meet the rising demand and market requirements in terms of quantity and quality, Mauritius Telecom has pursued its investment in international bandwidth capacity and embarked, since 2008, on several regional cable projects namely LION, EASSy, EIG and WACS.

## The Eastern Africa Submarine Cable System

The EASSy submarine cable became operational in July 2010 which allowed Mauritius Telecom to provide an additional capacity of 622 Mbps international bandwidth from Mauritius to Europe through this alternate route. The cable runs from this point to Port Sudan in Sudan, with landing points in seven other eastern African countries. EASSy has several other connections with major submarine cables in Djibouti and Port Sudan. Sixteen investors, including Mauritius Telecom are partners within a consortium to run this project.

The investment in the cable allowed to connect to Comoro Islands and Madagascar therefore leading to the decommissioning of satellite capacity earmarked for these two countries. .

EASSy allows to increase our international bandwidth connectivity and at the same time reduce the hazards associated with dependency on only one cable system.

## LION Submarine Cable System

The LION optical-fibre submarine cable became operational in 2010 following an initial investment of €8 million. The first phase of this project provides connectivity from Mauritius to Reunion and Madagascar. For its second phase, Mauritius Telecom has invested an additional sum of €8 million bringing its total investment to €16 million in the LION project. From Madagascar, the existing system is being extended to Mombasa in Kenya for onwards interconnection to other cable systems such as TEAMS, EASSy and SEACOM. The whole system is scheduled to be operational by January 2012.

## Europe-India Gateway Submarine Cable System

Mauritius Telecom signed an agreement with Telkom South Africa, investing USD 5 million in EIG submarine cable system project. This system will link India to the UK via the Middle East, North Africa and Europe. The Libya to London via Sesimbra and the segment Saudi Arabia to Mumbai via Djibouti have been completed and the segment will be operational in the first quarter of 2011. The remaining segment will be completed in the second quarter of 2011 thus allowing the system to be fully operational.

### West Africa Cable System

The board of MT has further approved the investment in a new optical fibre cable initiative, WACS, for Western African countries to the level of USD 8 million. 75% of the installation has been completed and the system is scheduled to be operational in January 2012.

### Interconnection Between The Cable Stations

A very high capacity terrestrial DWDM network was also implemented in the core network of Mauritius Telecom in 2010. This network links the main traffic nodes in Mauritius including the two cable landing stations at Bay Jacotet and Terre Rouge. The system will also enable the routing of Disaster Recovery traffic between the SAFE and LION cable systems thus assuring a resilient international connectivity.

### Green Initiatives

Mauritius Telecom has taken an initiative to have all its BTS container sites to be painted with heat reflective paint which has allowed it to make energy savings and contribute to a greener environment. In the same context, Automatic Vehicle Tracking systems have been implemented in its fleet of vehicles to optimise on usage and hence reduction in carbon emission. Moreover, at several locations instead of lattice towers Palm tree towers have been erected to blend with the environment. Furthermore, temperature control for air conditioning systems have been put in place and this reduces energy consumption thereby reduces carbon emission.

## Human Resources

### Engaging Employees

Increasingly, the most important challenges a business faces today are in the realm of Human Resources. The Company's major HR drives have been directed at engaging employees not only in its efforts towards operational excellence but also in its CSR activities.

Engaged employees perform better and voluntarily contribute more to providing customer satisfaction. Committed employees share and importantly live and uphold the values of a company.

The company has pursued its efforts to sustain a positive culture, of considerable importance to employee morale. A Performance Management System (PMS) was introduced in January 2010, aimed at recognising and rewarding individuals through performance bonuses. The PMS helps to align operational objectives to strategic business objectives so that employees work collectively as a team towards shared strategic objectives. The implementation of the PMS was preceded by awareness workshops for all employees and the training of about 250 management and supervisory staff in setting operational objectives, performance monitoring and performance assessment.

The company had 1,571 full time employees as at 31 December 2010.

Another initiative to involve employees even further was the launch of the Mauritius Telecom Fan Club in June 2010. The objective is to engage more and more employees in the organisation and running of Mauritius Telecom activities, including participation in CSR programmes.

### Organisational Effectiveness

The company has replaced its 10-year-old Human Resources Management System (HRMS) with PeopleConnect, a new Oracle-based computerised system. This self-service module enables employees to have on-line access to up-to-date information on their leave balance, and savings and medical schemes. Staff are also able to enroll for training programmes available at the MT Training Academy. Access to personal data is rigorously controlled by a system of log-ins and passwords.

The payroll module went live in June 2010; the other modules, including the self-service module, were implemented in the second half of the year.

### Banking On Talent

Good people are our key resources; the Company's future depends on their talents.

As in previous years, the Company has invested heavily in developing key talent. No less than 100 key people have had the opportunity to follow training focused on increasing their knowledge and developing their capabilities.

The Company had 1,571 full-time employees as at 31 December 2010. During the year, the MT Orange Academy, MT's in-house training centre, organised and delivered a massive 7,445 man-days of training equivalent to an average of four man-days of training per employee, very much in line with the industry benchmark.

Management cadres have followed intensive management development courses delivered by France Telecom's Orange University. In addition, the Commonwealth Telecommunications Organisation has run three high level workshops in Mauritius for the benefit of some 75 engineers.

## E-Learning Platform

To complement its face-to-face classroom training activities, the Company launched an e-learning platform in March 2010 on the occasion of Orange Expo.

This e-learning platform will provide employees with the opportunity to learn not only about new products and services but also update themselves on existing products, services and work processes.

10 courses were hosted on the e-learning platform, the success of which could be seen in the 3,044 log-ins and 1,655 hours employees spent learning.

## Employee Welfare And Social Relations

Employee health and safety has continued to be a major priority. Employees have received further awareness training on the need for a safe working environment and how to reduce health hazards, with a Safety Week organised – to ensure safety all year round. A Safety Policy has also been given wide dissemination throughout the organisation.

Regular social and recreational activities were organised during the year, including a nature walk which saw the widespread participation of employees and their families.

## Go Green Campaign

As part of MT's Go Green Campaign, employees have contributed significantly to a Less-paper initiative and to the *Je recycle les mobiles et les piles* campaign.

## Risk Management

Mauritius Telecom continued to build up its business resilience during 2010 through the strengthening of its Business Continuity (BC) processes. Business Continuity Plans (BCP's) were finalised for critical areas. These BCP's ensure that business can recover rapidly in event of a disaster.

At the same time, the Company has secured Work Area Recovery (WAR) seats at the Disaster Recovery Centre (DRC) of ContinuityMauritius in order to enable services to be up and running within an agreed Recovery Time Objective (RTO). The business areas identified as in need of Disaster Recovery (DR) services have tested their respective recovery procedures at the DRC.

A campaign has been organised for staff with the aim of spreading awareness of BC and security to MT's business. Business Continuity Coordinators have been nominated to look after their respective key areas. These coordinators will continue to improve on the existing BCPs and work on new BCPs in areas not yet covered.

The Company has continued to improve its physical security measures through the following:

- Extension of the existing CCTV surveillance system to additional critical points
- Upgrading of the security infrastructure (perimeter walls with fencing and barbed wire) at vulnerable locations
- Continued collaboration with the Police authorities in patrolling to prevent vandalism of MT's network

### Building and Property Management

Mauritius Telecom created a fully owned subsidiary, MT Properties Ltd, in 2010. The prime objective of the company is to manage MT's and its subsidiaries assets including undertaking activities relating to development projects, the management of space for the optimal use of present building facilities and lease management.

MT Properties has acquired 6537 square metres of floor space in an existing building at Ebene Cybercity. The building has been branded Orange Tower and is the flagship of Mauritius Telecom in the Cybercity. The Company's call centre activities, run by Call Services Limited will operate from the new building, providing opportunities for expansion of the call centre and BPO business. The new location will provide personnel with a better working environment as well as safeguard against business continuity risks.

Another key initiative during 2010 was the pursuit of the rebranding of MT Orange shops in Grand Bay, Port Louis (near Immigration Square), Rose Belle and Terre Rouge. New shops were opened in Trianon and Riviere du Rempart whilst those in Vacoas and Quatre Bornes were relocated to more commercially central areas.

Extensions to existing exchange buildings were also carried out in the year under review in Camp de Masque, Albion and Baie du Tombeau.

### Quality and Process Improvement

The Company continued its drive towards improving service delivery through the Smart Processes for Improvement of Customer Experience (SPICE) project. The third phase of business re-engineering in critical processes identified was completed, thus bringing the percentage of critical processes covered so far to 41%. At the same time, the continued enhancement of the improved processes through regular monitoring of key performance indicators (KPI's) was pursued. These improvements have led to substantial gains in productivity through:

- Better service delivery – shorter time in handling complaints
- Improved quality of service – less complaints at help desks
- Streamlined workflow – decreased duplication and less bureaucracy
- Faster connection time – earlier revenue flow
- Swift procurement process – better forecasting of materials to be ordered
- Greater teamwork – improved interdepartmental collaboration

Mauritius Telecom and its subsidiary companies successfully underwent the ISO 9001:2008 certification. The conversion from ISO 9001:2000 to ISO 9001:2008 standards was carried out with the full collaboration of all staff and the support of management. The awareness campaign on Quality and SPICE was pursued, with further advanced training given to MT staff in Rodrigues.

## Green Action

MT initiated a series of activities in order to show its commitment towards promoting Green Action under the *Maurice Ile Durable* (MID) project:

- *Je recycle les mobiles et les piles*
- Implementation of a 'LessPaper' project with the aim of reducing overall paper consumption
- Launch of a Clean and Green campaign in order to reduce waste.
- Disposal of waste paper for recycling
- Painting of Base Transmitter Stations (BTS) with reflective paint to save on energy spent on cooling
- Plant a tree
- Extension of the automatic vehicle location system (AVL) to the Company's fleet of utility vehicles, leading to a direct impact on fuel usage through more co-ordinated workflows.

| Risk No | Area | Action |
|---|---|---|
| 1 | Operational Risks | Implementation of password policy for access to network infrastructure and documents<br>Data Recovery Site finalised<br>Introduction of Active Directory and Microsoft mail server to enhance information security<br>Re-engineering of internal business processes for risk mitigation and quality improvement<br>Vulnerability testing |
| 2 | Physical Security | Installation of panic-alarm systems and CCTV cameras<br>Surveillance of access cable network by police patrol in order to reduce theft and vandalism<br>Installation of automatic access barriers at strategic locations<br>CCTV surveillance and rapid intervention service for critical mobile remote sites<br>Monitoring of cable cuts through remote alarm system |
| 3 | Human Resources | Dissemination of Safety and Health Policy throughout the MT Group and the organisation of a Safety Week<br>Formulation of a Pandemic Incident Management Plan<br>Fire-drill exercises throughout the MT Group |
| 4 | Technology | Equipment Identity Register functions activated in order to combat theft of mobile phones<br>LION cable brought into service to reduce risks associated with only one cable system<br>Upgrading of ISP infrastructure: mail server, DNS server and firewall |
| 5 | Business continuity and Security | Implementation of Business Continuity management policy<br>Work Area Recovery seats provided through ContinuityMauritius<br>Testing of network infrastructure at Disaster recovery site<br>Finalisation of Incident Management and Business Continuity plans for mission-critical activities<br>Risk assessment to ensure a safe working environment for staff, customers and visitors<br>Awareness campaign on Global Security and Business Continuity Management (BCM)<br>External Audit carried out on BCM |
| 6 | Financial | Anti-fraud policy put in place and staff made aware through the intranet<br>Presentation to senior staff on anti-fraud systems<br>Anti-fraud control and test-call-generator tools implemented<br>Credit-control process reviewed |
| 7 | Compliance | Registration as data controller with Data Protection Office for Mauritius Telecom, Cellplus, Telecomplus and Teleservices<br>Financial Services Act, Competition Act 2007 and Safety & Health & Act 2005<br>ICT and related legislation and regulations, directives, orders, guidelines and decisions issued by relevant regulatory and other institutions |
| 8 | Reputational | To be perceived as the first Green Telecom Company in Mauritius:<br>I Pilot project on one base station using 100% renewable energy (solar and wind).<br>II Implementation of clean and green and less-paper policies.<br>III Collection of used batteries and mobiles phones at national level. |

## Regulatory Affairs

In recent years, there have been numerous changes in the regulatory landscape. After the previous years' economic challenges, 2010 has been a year of consolidation and increased supervisory power in order to promote competition and better protect consumer interests.

### The competitive framework

The ICT Authority signed a Memorandum of Understanding with the Competition Commission of Mauritius (CCM) aimed essentially at facilitating the treatment of cases of anti-competitive behaviour within the ICT sector and on deciding at the beginning of an investigation, which body should investigate conduct alleged to be anti-competitive in accordance with defined criteria.

As at the end of the financial year, the CCM had initiated 40 enquiries and seven investigations including probes into a major company's consumer goods sales contract, travel agents' service fees, the import of live cattle, the import of cement, the price of secondary school textbooks, the sale of insurance products by banks, and the recent fusion between two event management agencies.

### The digital economy

During 2010, the ICT Authority approved several tariff reductions and promotional offers for Mauritius Telecom. The latest revisions in bilateral half-circuits on our submarine fibre optic cables and retail ADSL will help transform the use of the Internet for work, trade, communications and entertainment.

### ICTA Directives

In the exercise of the powers conferred upon it under the Information & Communication Technologies Act 2001, the ICT Authority issued three Directives:

i. Telecommunications Directive 1 of 2010

   The Directive requires operators to obtain prior authorisation before importing spare parts.

   The purpose of the Directive is to protect the interests of consumers with regard to the importation and repair of radio-communication and telecommunication equipment.

ii. Telecommunication Directive 2 of 2010

   This Directive was issued on the 23 April 2010 in response to the scale of mobile theft across the country and the threat posed to public safety.

The Directive set out the procedures for removing a stolen or lost mobile telephone set from the Equipment Identity Register. All Public Land Mobile Operators (PLMN) are required to set up an Equipment Identity Register (EIR) to be used for blacklisting the International Mobile Equipment Identity (IMEI) of stolen/lost mobile phones.

iii. Telecommunication Directive 3 of 2010

The Directive issued on 26 August 2010 and effective from 1 October 2010, provides for a minimum termination rate of US$0.125/min on incoming international calls into Mauritius. It superseded Telecommunication Directive 2 of 2008 which provided for a termination rate of US$0.0855/min.

It also prescribes a contribution of US$0.02 per min of terminating calls into the Fraud Tracking Account established under the ICT (Fraud Tracking Account Charge) Regulations 2010. The ICTA has appointed Entreprise Telecom, a French company, to carry out fraud-tracking activity in Mauritius. Meanwhile, the Directive maintains contribution into the Universal Service Fund as prescribed under existing USF Regulations.

## Curtailing harmful illegal internet content

Under the ICT Act 2001, the ICT Authority has the obligation "to take steps to regulate or curtail harmful and illegal content on Internet and other information and communication services."

In this context in collaboration with Watchdog International Ltd, an independent internet-filtering specialist company from New Zealand, the ICT Authority held a consultative exercise with Internet Service Providers to address the issue of child sexual abuse online.

Telecom Plus, a subsidiary of Mauritius Telecom, agreed to participate in a pilot phase of proof of concept for the filtering of harmful and illegal content in accordance with the provisions of the laws of Mauritius. The pilot phase will be limited to performing tests with a server hosted in Sweden. After the pilot phase, the ICTA will hold another consultation exercise with ISPs in view of defining parameters and obligations.

## Public consultations

The ICT Authority has published three papers for public consultation:

i. Mobile Communication on Aircraft

The ICTA is proposing to authorise the operation of Aeronautical Mobile Satellite Service (AMSS) on board Mauritian aircraft and for aircraft in flight in Mauritian airspace subject to specific conditions.

ii. Quality of Service Framework

The objective of the ICT Authority is to define a Quality of Service (QoS) framework for ICT services in Mauritius. It is expected that the QoS framework will measure, monitor and improve service performance. The consultation paper proposes different QoS parameters and targets for the fixed-line, mobile and international telephony, and internet services.

iii. Promotional Policy Framework

On 16 September 2010, the ICT Authority issued a consultation paper to review the existing Promotional Policy Framework and to address rigidities within the framework. The existing promotional policy framework provides that:

- for an existing service, a maximum discount of 20% on approved tariffs is allowable for a period of 60 days per year.
- for a new service, any discount level is allowable for a maximum of 3 months per year.

The consultation paper proposes to differentiate between basic services (fixed-line, mobile and international telephony, internet access, & data services) and value added services (premium rate, text messaging and content based services) and to introduce the concept of tariff equivalence in cases where the promotion is not a tariff discount.

## Open Access Policy

On 15 October 2010, the Cabinet decided to adopt an "Open Access Policy" for the operation of undersea cable-landing stations in Mauritius.

The Open Access Policy will allow interested parties, more specifically international long-distance operators (ILD), to have access to cable landing-stations on a transparent, non-discriminatory and fair basis. It is expected that the decision will boost competition and therefore reduce the price of international private leased circuits.

## Review of the NICTSP 2007-2011

The Ministry of Information and Communication Technology has appointed two consultants – Dr Alison Gilwald (Executive Director of Research, ICT Africa) and Dr Baharul Islam (Director of South Asia Development Gateway), to review the National ICT Strategic Plan 2007 – 2011.

## Universal Service Fund Regulations 2010

The Universal Service Fund (USF) Amendment Regulations 2010 came into force on 1 November 2010. The new regulation amends the existing contribution mechanism for ILD-operators. The contribution for mobile operators remains unchanged.

Since 1 November 2010, the contribution from all ILD operators has been US$0.025 on every minute of incoming international traffic. Public Land Mobile Network (PLMN) operators will continue to contribute 5% of gross revenue on incoming international services to the USF.

## Corporate Social Responsibility

The Mauritius Telecom Foundation (MTF) was established in December 2009 to administer Mauritius Telecom's and its subsidiary companies' Corporate Social Responsibility (CSR) projects.

This followed the promulgation of a Finance Act, providing for the setting up of a CSR fund, equivalent to 2% of profit after tax, by every profitable company. Accordingly, the MTF received funding of Rs54 million in 2010.

As from 2011, new provisions require that half of these funds be dedicated to social housing, the eradication of absolute poverty and children in need.

The MTF's priority is the fight against absolute poverty for families lacking financial, social, and educational support in Mauritius and Rodrigues. The MTF's other target sectors include social and economic integration, Education/ICT awareness and training, environmental protection and sports.

## The Environment

The MTF fully supports the Maurice Ile Durable project for the preservation and protection of the environment. One of its main initiatives has been *Je recycle les mobiles et les piles*, launched nationwide in October to minimise the impact on the environment of old batteries and mobile phones.

In collaboration with the Ministry of Environment and Sustainable Development and the Ministry of Local Government and Outer Islands, the MTF organised Collect Days, when collection boxes were placed throughout the main island of Mauritius to gather used batteries and mobiles for recycling purposes. In December, the project was launched in Rodrigues in the presence of the Chief Commissioner of the Rodrigues Regional Assembly and other officials. During the campaign, which had a budget of Rs3.4 million, 2.5 tons of used batteries and 400 used mobiles were collected.

## Education/Ict/ Training

In collaboration with the National Computer Board, relevant ministries and other organisations, the MTF has installed NetPCs in Women's, Community, Social Welfare and Youth centres, to provide internet access to a wider public, spending Rs5, 426,280 on this project.

WiFi hotspots have been installed on 27 ZEP school premises to enable greater internet access to children often from deprived backgrounds. This project required a budget of Rs6,563,349.

The National Computer Board currently provides free ICT Awareness programmes on a regional basis, using two Cyber Caravans. This service is offered to all segments of society unable to access internet facilities for reasons of cost or distance. The MTF has budgeted up to Rs 6 million for the purchase of an additional Cyber Caravan, so that a larger number of people can be trained.

Using a budget of Rs934,000, the MTF has donated 200 NetPCs to the e-Inclusion Foundation and sponsored internet charges. The mission of the e-Inclusion Foundation is to provide NGOs with access to IT resources, refurbished PCs, software and training. This will further democratise free Internet access.

MTF has also donated Rs1.3 million to the Mauritius Scout Association, for the setting-up of a new training centre at Trianon with enhanced amenities. As a result, their training programmes will be able to benefit a larger number of youngsters in Mauritius and Rodrigues.

## Sports

To provide a leisure activity, particularly for youngsters in the 13 to 15 age group who might otherwise be vulnerable to some of society's current ills, the Mauritius Football Federation is engaged in promoting football throughout the country, supported by the MTF to the tune of Rs3 million.

## Social Integration

The Gonzague Pierre Louis Special Learning Centre in Rodrigues is run under the aegis of the Trevor Huddleston Association for the Disabled. 40 children with hearing deficiency, visual impairment or learning difficulties attend this centre daily. The MTF is also sponsoring the development of a pre-primary department. The work of the Special Learning Centre is typical of the commendable work carried out by NGOs for the integration of young handicapped people.

The MTF also contributed Rs500,000 to Care-Co, formerly known as the Rodrigues branch of Craft-Aid, a centre which has been training and providing a source of income to disabled people with hearing, visual, mental and physical disabilities since 1989. The main activities are bee-keeping and handicrafts. 80% of the Care-Co workforce has been trained at the Gonzague Pierre Louis Special Learning Centre.

Meanwhile, the MTF has allocated Rs220,000 to provide a daily meal to children of the ex-squatters of Dubreuil for six months. The project is being monitored by the Arya Sabha Mauritius.

Finally, an amount of Rs8,000 was allocated to needy children in Agalega to buy toys for Christmas.

## Health

The MTF is conscious of the problems associated with thalassemia, an inherited blood disorder leading to mild or severe anaemia. The sum of Rs100,000 was donated to the Thalassemia Society so as to create greater awareness of the disease and encourage the public to donate blood to meet thalassemia patients' special transfusion requirements.

# ..and the green waves of technology will make our lives better...

…because, more and more, our people are exploring ways of providing innovative services with low environmental impact. Where necessary, existing servers are being replaced by NGN servers, which allow savings on energy and space, serving more customers. Studies are being carried out on using solar energy to power base stations which will produce major energy savings. Green options for sustainability include such virtual alternatives as on-line meetings, e-shopping, e-commerce and on-line study.

# 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 and of its subsidiaries** on pages 70 to 115 which comprise the statements of financial position at 31 December 2010 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 information.

### 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 and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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.

## Opinion

In our opinion, the financial statements on pages 70 to 115 give a true and fair view of the financial position of **Mauritius Telecom Ltd and of its subsidiaries** as at 31 December 2010, and of their financial performance and cash f ows 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

M. J. Burgess, ACA

Chartered Accountants

18 March 2011

# STATEMENTS OF FINANCIAL POSITION

*at 31 December 2010*

| | Notes | THE GROUP 31 Dec 2010 (Rs) | THE GROUP 31 Dec 2009 (Rs) | THE GROUP 1 Jan 2009 (Rs) | THE COMPANY 31 Dec 2010 (Rs) | THE COMPANY 31 Dec 2009 (Rs) | THE COMPANY 1 Jan 2009 (Rs) |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 5 | 7,936,839,129 | 7,537,396,476 | 7,194,453,787 | 5,950,326,997 | 5,796,883,193 | 5,613,006,637 |
| Goodwill | 6 | 80,980,030 | 80,980,030 | 80,980,030 | - | - | - |
| Intangible asset | 7 | 23,990,003 | 36,027,720 | 60,346,668 | 12,013,561 | 6,327,312 | 8,027,696 |
| Investments in subsidiaries | 8 | - | - | - | 242,835,000 | 241,135,000 | 241,270,830 |
| Investments in associates | 9 | 280,740,768 | 299,976,070 | 332,640,703 | 79,934,881 | 79,934,881 | 79,934,881 |
| Other investments | 10 | 24,556,359 | 24,296,359 | 21,442,359 | 24,556,359 | 24,296,359 | 21,442,359 |
| **Total non-current assets** | | 8,347,106,289 | 7,978,676,655 | 7,689,863,547 | 6,309,666,798 | 6,148,576,745 | 5,963,682,403 |
| **Current assets** | | | | | | | |
| Stocks | 11 | 285,815,529 | 194,384,679 | 153,520,890 | 240,293,564 | 157,834,197 | 146,728,993 |
| Trade receivables | 12 | 1,497,563,517 | 1,524,413,655 | 1,749,442,916 | 1,138,213,178 | 1,110,533,297 | 1,288,099,510 |
| Other receivables | 13 | 347,304,843 | 348,836,123 | 378,974,161 | 511,173,580 | 234,299,969 | 257,840,627 |
| Held to maturity investments | 14 | 396,339,646 | - | 148,273,250 | 396,339,646 | - | 148,273,250 |
| Cash and cash equivalents | | 4,146,229,388 | 3,939,073,645 | 3,651,526,986 | 4,101,967,166 | 3,876,909,550 | 3,544,506,368 |
| **Total current assets** | | 6,673,252,923 | 6,006,708,102 | 6,081,738,203 | 6,387,987,134 | 5,379,577,013 | 5,385,448,748 |
| **Total assets** | | 15,020,359,212 | 13,985,384,757 | 13,771,601,750 | 12,697,653,932 | 11,528,153,758 | 11,349,131,151 |
| **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 | 2,286,000 | 2,026,000 | 1,466,650 | 2,286,000 | 2,026,000 | 1,472,000 |
| Retained earnings | | 8,397,035,911 | 8,108,481,201 | 7,526,417,641 | 6,304,398,911 | 6,196,456,479 | 5,607,099,828 |
| Equity attributable to owners of the Company | | 8,589,321,912 | 8,300,507,202 | 7,717,884,292 | 6,496,684,912 | 6,388,482,480 | 5,798,571,829 |
| **Non-current liabilities** | | | | | | | |
| Loans | 17 | 38,526,801 | 75,194,869 | 115,335,365 | 38,526,801 | 75,194,869 | 115,335,365 |
| Trade payables | 18 | 424,109,217 | 407,902,780 | 397,106,534 | 424,109,219 | 407,902,780 | 397,106,534 |
| Deferred tax liabilities | 19 | 270,727,704 | 384,572,782 | 444,882,232 | 151,909,571 | 240,499,487 | 274,536,518 |
| Retirement benefit obligations | 20 | 1,050,589,000 | 913,945,000 | 787,444,000 | 1,036,174,000 | 901,700,000 | 776,464,000 |
| **Total non-current liabilities** | | 1,783,952,722 | 1,781,615,431 | 1,744,768,131 | 1,650,719,591 | 1,625,297,136 | 1,563,442,417 |
| **Current liabilities** | | | | | | | |
| Loans | 17 | 38,312,165 | 37,492,413 | 38,373,458 | 38,312,165 | 37,492,413 | 38,373,458 |
| Trade payables | 18 | 620,212,144 | 667,419,443 | 632,860,820 | 469,309,586 | 601,409,114 | 536,443,774 |
| Other payables and accrued expenses | 21 | 2,098,980,441 | 1,817,424,396 | 1,971,361,152 | 2,385,509,717 | 1,698,851,668 | 2,000,672,564 |
| Deferred revenue | 22 | 150,931,896 | 60,736,433 | 65,023,905 | 110,875,729 | 26,915,359 | 29,068,457 |
| Dividend | 23 | 1,121,000,000 | 737,200,000 | 913,900,000 | 1,121,000,000 | 737,200,000 | 913,900,000 |
| Current tax liabilities | | 381,370,751 | 354,675,283 | 425,833,764 | 188,965,051 | 184,191,432 | 212,956,169 |
| Provisions | 24 | 236,277,181 | 228,314,156 | 261,596,228 | 236,277,181 | 228,314,156 | 255,702,483 |
| **Total current liabilities** | | 4,647,084,578 | 3,903,262,124 | 4,308,949,327 | 4,550,249,429 | 3,514,374,142 | 3,987,116,905 |
| Total liabilities | | 6,431,037,300 | 5,684,877,555 | 6,053,717,458 | 6,200,969,020 | 5,139,671,278 | 5,550,559,322 |
| **Total equity and liabilities** | | 15,020,359,212 | 13,985,384,757 | 13,771,601,750 | 12,697,653,932 | 11,528,153,758 | 11,349,131,151 |

Approved by the Board of Directors and authorised for issue on 18 March 2011

Name of Directors signing

S.K. Pather Name of Directors signing

DIRECTORS

DIRECTORS

# STATEMENTS OF COMPREHENSIVE INCOME

*for the year ended 31 December 2010*

| | Notes | THE GROUP 2010 (Rs) | THE GROUP 2009 (Rs) | THE COMPANY 2010 (Rs) | THE COMPANY 2009 (Rs) |
|---|---|---|---|---|---|
| Revenue | 25 | 7,467,729,444 | 7,131,548,212 | 4,497,204,181 | 4,500,386,156 |
| Cost of sales | | (1,196,990,190) | (1,389,844,661) | (921,548,264) | (1,162,290,840) |
| GROSS PROFIT | | 6,270,739,254 | 5,741,703,551 | 3,575,655,917 | 3,338,095,316 |
| Operating expenses | | (4,052,028,071) | (4,002,464,476) | (3,202,960,440) | (3,175,615,305) |
| **PROFIT FROM OPERATIONS** | 26 | 2,218,711,183 | 1,739,239,075 | 372,695,477 | 162,480,011 |
| Other income | 27 | 33,174,725 | 31,995,344 | 457,768,070 | 332,115,182 |
| Other gains and losses | 28 | 55,744,937 | 102,051,159 | 18,938,652 | 75,958,281 |
| Investment income | 29 | 167,007,906 | 210,235,538 | 1,132,980,914 | 1,330,016,871 |
| Finance costs | 30 | (3,664,999) | (9,064,207) | (109,142,219) | (119,081,962) |
| Share of (loss) / profits from associates | 9 | (19,235,301) | 19,236,245 | - | - |
| PROFIT BEFORE TAX | | 2,451,738,451 | 2,093,693,154 | 1,873,240,894 | 1,781,488,383 |
| Income tax expense | 19 (i) | (745,783,741) | (623,382,329) | (347,898,462) | (302,931,732) |
| **PROFIT FOR THE YEAR** | | 1,705,954,710 | 1,470,310,825 | 1,525,342,432 | 1,478,556,651 |
| Other comprehensive income, net of income tax | | | | | |
| Net value gain on available-for-sale-financial asset | 10 | 260,000 | 554,000 | 260,000 | 554,000 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 1,706,214,710 | 1,470,864,825 | 1,525,602,432 | 1,479,110,651 |
| Profit attributable to Owners of the Company | | 1,705,954,710 | 1,470,310,825 | | |
| Total comprehensive income attributable to Owners of the Company | | 1,706,214,710 | 1,470,864,825 | | |
| **Earnings Per Share** | 31 | 8.98 | 7.74 | | |

# STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2010*

| | Notes | Stated capital (Rs) | Fair value reserve (Rs) | Foreign currency translation reserve (Rs) | Retained earnings (Rs) | Attributable to owners of the parent (Rs) |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| At 1 January 2009 | | 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, net of income tax | 10 | - | 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) |
| At 31 December 2009 | | 190,000,001 | 2,026,000 | - | 8,108,481,201 | 8,300,507,202 |
| Profit for the year | | - | - | - | 1,705,954,710 | 1,705,954,710 |
| Other comprehensive income for the year, net of income tax | 10 | - | 260,000 | - | - | 260,000 |
| Total comprehensive income for the year | | - | 260,000 | - | 1,705,954,710 | 1,706,214,710 |
| Dividends | 23 | - | - | - | (1,417,400,000) | (1,417,400,000) |
| At 31 December 2010 | | 190,000,001 | 2,286,000 | - | 8,397,035,911 | 8,589,321,912 |

| | Notes | Stated capital (Rs) | Fair value reserve (Rs) | Retained earnings (Rs) | Total (Rs) |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| At 1 January 2009 | | 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, net of income tax | 10 | - | 554,000 | - | 554,000 |
| Total comprehensive income for the year | | - | 554,000 | 1,478,556,651 | 1,479,110,651 |
| Dividends | 23 | - | - | (889,200,000) | (889,200,000) |
| At 31 December 2009 | | 190,000,001 | 2,026,000 | 6,196,456,479 | 6,388,482,480 |
| Profit for the year | | - | - | 1,525,342,432 | 1,525,342,432 |
| Other comprehensive income for the year, net of income tax | 10 | - | 260,000 | - | 260,000 |
| Total comprehensive income for the year | | - | 260,000 | 1,525,342,432 | 1,525,602,432 |
| Dividends | 23 | - | - | (1,417,400,000) | (1,417,400,000) |
| At 31 December 2010 | | 190,000,001 | 2,286,000 | 6,304,398,911 | 6,496,684,912 |

# STATEMENTS OF CASH FLOWS

*for the year ended 31 December 2010*

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2010 (Rs) | 2009 (Rs) | 2010 (Rs) | 2009 (Rs) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **Profit before taxation** | 2,451,738,451 | 2,093,693,154 | 1,873,240,894 | 1,781,488,383 |
| Adjustments for:- | | | | |
| Profit on disposal of property, plant and equipment | (1,070,766) | (9,735,989) | (1,070,766) | (8,866,534) |
| Loss on disposal of investment in a subsidiary | - | - | - | 135,830 |
| Interest expense | 3,664,999 | 9,064,207 | 109,142,219 | 119,081,962 |
| Interest income | (163,356,030) | (208,594,055) | (165,448,169) | (211,224,511) |
| Dividend income | (3,651,876) | (1,641,483) | (967,170,456) | (1,118,792,360) |
| Retirement benefit obligations | 136,644,000 | 126,501,000 | 134,474,000 | 125,236,000 |
| Share of loss/(profits) of associates | 19,235,301 | (19,236,245) | - | - |
| Depreciation and amortisation | 1,164,145,154 | 1,186,087,325 | 868,910,067 | 900,789,610 |
| Reversal of provision for impairment of investment in a subsidiary | - | - | (1,500,000) | - |
| Unrealised exchange (gain)/loss | (30,210,036) | 34,838,658 | 6,918,513 | 30,364,878 |
| **Operating profit before working capital changes** | 3,577,139,197 | 3,210,976,572 | 1,857,496,302 | 1,618,213,258 |
| Decrease/(increase) in trade receivables | 31,958,651 | 225,091,417 | (22,571,368) | 177,628,368 |
| Decrease/(increase) in other receivables | 31,890,125 | 62,904,881 | (254,514,766) | 45,676,939 |
| Increase in stocks | (91,430,849) | (40,863,790) | (82,459,367) | (11,105,204) |
| (Decrease)/increase in trade payables | (47,207,299) | 34,558,623 | (132,099,528) | (132,287,915) |
| (Decrease)/increase in other payables and accrued expenses | (440,373,362) | (610,897,985) | 86,081,930 | (377,410,470) |
| Increase/(decrease) in deferred revenue | 90,195,463 | (4,287,472) | 83,960,370 | (2,153,098) |
| Increase/(decrease) in provisions | 7,963,025 | (33,282,072) | 7,963,025 | (27,388,327) |
| **Cash generated from operations** | 3,160,134,951 | 2,844,200,174 | 1,543,856,598 | 1,291,173,551 |
| Interest paid | (3,480,400) | (8,793,483) | (108,957,620) | (118,811,241) |
| Taxation paid | (832,933,350) | (754,850,257) | (431,714,757) | (365,733,500) |
| **Net cash flows from operating activities** | 2,323,721,201 | 2,080,556,434 | 1,003,184,221 | 806,628,810 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Investment in a subsidiary | - | - | (200,000) | - |
| Purchase of property, plant and equipment | (788,164,208) | (1,060,286,881) | (408,259,577) | (793,955,032) |
| Purchase of intangible assets | (16,211,941) | (12,129,897) | (15,175,717) | (12,126,983) |
| Proceeds from sale of property, plant and equipment | 1,070,766 | 9,735,989 | 1,070,766 | 8,866,534 |
| Proceeds from maturity of held-to-maturity investments | 124,000,000 | 150,000,000 | 124,000,000 | 150,000,000 |
| Purchase of held-to-maturity investments | (508,351,417) | - | (508,351,417) | - |
| Purchase of other investments | - | (2,300,000) | - | (2,300,000) |
| Interest received | 121,008,956 | 174,100,571 | 123,101,101 | 179,361,479 |
| Dividend received | 3,651,876 | 53,542,360 | 967,170,456 | 1,118,792,360 |
| **Net cash (used in)/generated from investing activities** | (1,062,995,968) | (687,337,858) | 283,355,612 | 648,638,358 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Repayment of loans | (49,787,916) | (49,787,917) | (49,787,916) | (49,787,917) |
| Loan repaid by a subsidiary | - | - | 8,000,000 | 8,000,000 |
| Increase in trade payables after one year | 16,206,436 | 10,796,246 | 16,206,439 | 10,796,246 |
| Dividend paid | (1,033,600,000) | (1,065,900,000) | (1,033,600,000) | (1,065,900,000) |
| **Net cash used in financing activities** | (1,067,181,480) | (1,104,891,671) | (1,059,181,477) | (1,096,891,671) |
| **Net increase in cash and cash equivalents** | 193,543,753 | 288,326,905 | 227,358,356 | 358,375,497 |
| **Cash and cash equivalents at beginning of the year** | 3,939,073,645 | 3,651,526,986 | 3,876,909,550 | 3,544,506,368 |
| **Effect of exchange rate changes on the balance of cash held in foreign currencies** | 13,611,990 | (780,246) | (2,300,740) | (25,972,315) |
| **Cash and cash equivalents at end of the year** | 4,146,229,388 | 3,939,073,645 | 4,101,967,166 | 3,876,909,550 |

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

In the current year, the group and the company have applied 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 2010.

### 2.1 New and revised IFRSs and IFRICs applied with no material effect on financial statements

The following relevant new and revised Standards and Interpretations have also been applied in these financial statements. Their application 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 - Amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 7
Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 17
Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 27
Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3

IAS 28
Investments in Associates - Consequential amendments arising from amendments to IFRS 3

IAS 36
Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 38
Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs

IAS 39
Financial Instruments: Recognition and Measurement -Amendments for eligible hedged items

IAS 39
Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs

IFRS 3
Business Combinations - Comprehensive revision on applying the acquisition method

IFRIC 17
Distributions of Non-Cash Assets to Owners

IFRIC 18
Transfers of Assets from Customers

### 2.2 New and revised IFRSs and IFRICs in issue but not yet effective

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

IAS 1
Presentation of Financial Statement - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)

IAS 12
Income Taxes - Limited scope amendment (recovery of underlying assets) (effective 1 January 2012)

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

IAS 27
Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 July 2010)

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

### 2.2 New and revised IFRSs and IFRICs in issue but not yet effective (cont'd)

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

IFRS 3
Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 July 2010)

IFRS 7
Financial Instruments: Disclosures - Amendments resulting from May2010 Annual Improvements to IFRSs (effective 1 January 2011)

IFRS 7
Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011)

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

IFRIC 13
Customer Loyalty Programmes – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)

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)

The directors anticipate that these amendments will be applied 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 application 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 incorporate the financial statements 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

### (b) Investments in subsidiaries

In the company's financial statements, investments in subsidiaries are accounted for at cost less any impairment loss. Subsidiaries are those companies over which the company has the power to govern the financial and operating policies of an entity and can exercise control.

### (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 inf uence 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 ref ects 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.

### (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.

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

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

**Sales of goods and services rendered (cont'd)**

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.

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.

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

### (g) Intangible assets (cont'd)

**Goodwill (cont'd)**

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.

### (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.

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

### (j) Foreign currencies transactions (cont'd)

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.

### (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 end of the reporting period.

*(ii) Deferred tax*

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

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

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

The carrying amount of deferred tax assets is reviewed at 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 year*

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.

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

### (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.

### (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*

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

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

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

*(iii) AFS financial assets*

Listed shares held by the group and the company that are traded in an active market are classified as being AFS and are stated at fair value. 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.

*(iv) Loans and receivables*

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

*(v) Impairment of financial assets*

Financial assets are assessed for indicators of impairment at 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 f ows 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.

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

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

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

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.

### (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

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

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

*(iv) Financial liabilities at FVTPL (cont'd)*

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

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

*(v) Other financial liabilities*

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

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

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

*(vi) Derecognition of financial liabilities*

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

### (p) Provisions

Provisions are recognised when the group and the company 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 year 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.

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

### (s) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

## 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 inf ation rate in respect of the pension plans.

### *(v) Segment information*

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

## 5. Property, plant and equipment

### (a) THE GROUP

| | Freehold Land 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 2009 | 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 |
| Additions | - | 783,719,720 | 485,404,660 | 244,761,188 | 18,868,464 | 2,584,117 | 1,535,338,149 |
| Disposals | - | (1,971,050) | - | - | - | (2,480,090) | (4,451,140) |
| Transfer | - | 203,528,918 | (203,722,695) | 152,025 | 41,752 | - | - |
| At 31 December 2010 | 23,748,617 | 19,542,029,981 | 805,343,006 | 816,128,013 | 1,379,472,035 | 87,308,144 | 22,654,029,796 |
| DEPRECIATION | | | | | | | |
| At 1 January 2009 | 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 |
| Charge for the year | - | 1,094,230,361 | - | 26,383,542 | 7,669,003 | 7,612,590 | 1,135,895,496 |
| Disposals | - | (1,971,050) | - | - | - | (2,480,090) | (4,451,140) |
| At 31 December 2010 | 4,727,719 | 13,393,254,194 | - | 397,871,269 | 844,146,167 | 77,191,318 | 14,717,190,667 |
| NET BOOK VALUE | | | | | | | |
| At 31 December 2010 | 19,020,898 | 6,148,775,787 | 805,343,006 | 418,256,744 | 535,325,868 | 10,116,826 | 7,936,839,129 |
| 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 1 January 2009 | 19,020,898 | 5,463,655,572 | 954,757,856 | 210,261,852 | 525,382,479 | 21,375,130 | 7,194,453,787 |

## 5. Property, plant and equipment (cont'd)

### (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 2009 | 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 |
| Additions | - | 523,281,775 | 485,404,660 | 242,813 | 897,038 | 3,038,117 | 1,012,864,403 |
| Disposals | - | (1,971,050) | - | - | - | (2,480,090) | (4,451,140) |
| Transfer | - | 203,528,918 | (203,722,695) | 152,025 | 41,752 | - | - |
| | | | | | | | |
| At 31 December 2010 | 23,748,617 | 15,401,460,886 | 805,343,006 | 567,298,215 | 1,244,764,696 | 80,441,795 | 18,123,057,215 |
| | | | | | | | |
| DEPRECIATION | | | | | | | |
| At 1 January 2009 | 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 |
| Charge for the year | - | 824,624,590 | - | 26,204,710 | 978,709 | 7,612,590 | 859,420,599 |
| Disposals | - | (1,971,050) | - | - | - | (2,480,090) | (4,451,140) |
| | | | | | | | |
| At 31 December 2010 | 4,727,719 | 11,148,108,965 | - | 396,339,176 | 553,442,596 | 70,111,762 | 12,172,730,218 |
| | | | | | | | |
| NET BOOK VALUE | | | | | | | |
| | | | | | | | |
| At 31 December 2010 | 19,020,898 | 4,253,351,921 | 805,343,006 | 170,959,039 | 691,322,100 | 10,330,033 | 5,950,326,997 |
| | | | | | | | |
| 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 1 January 2009 | 19,020,898 | 3,718,844,412 | 954,757,856 | 207,124,699 | 692,124,435 | 21,134,337 | 5,613,006,637 |

During the year the group and the company carried out a review of the useful lives of their plant and equipment. The review did not require the recognition of additional depreciation charge for 2010 for the group and the company (2009: Rs68,603,841).

## 6. Goodwill

The goodwill arose on the acquisition of an additional 30% equity interest 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 2010, 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. Intangible asset

| | THE GROUP | THE COMPANY |
|---|---|---|
| | Computer software | |
| | (Rs) | (Rs) |
| COST | | |
| At 1 January 2009 | 647,747,943 | 535,061,041 |
| Additions | 12,129,897 | 12,126,983 |
| At 31 December 2009 | 659,877,840 | 547,188,024 |
| Additions | 16,211,941 | 15,175,717 |
| At 31 December 2010 | 676,089,781 | 562,363,741 |
| AMORTISATION | | |
| At 1 January 2009 | 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 |
| Charge for the year | 28,249,658 | 9,489,468 |
| At 31 December 2010 | 652,099,778 | 550,350,180 |
| NET BOOK VALUE | | |
| At 31 December 2010 | 23,990,003 | 12,013,561 |
| At 31 December 2009 | 36,027,720 | 6,327,312 |
| At 1 January 2009 | 60,346,668 | 8,027,696 |

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 Rs23,990,003 and Rs12,013,561 for the group and company respectively will be fully amortised in 1 year (2008: 2 years).

## 8. Investments in subsidiaries

| | THE COMPANY | |
|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| At cost, unquoted | | |
| At beginning of year | 242,635,000 | 242,770,830 |
| Addition | 200,000 | - |
| Written off | - | (135,830) |
| At end of year | 242,835,000 | 242,635,000 |
| Movement in provision for impairment loss | | |
| At beginning of year | 1,500,000 | 1,500,000 |
| Amount reversed | (1,500,000) | - |
| At end of year | - | (1,500,000) |
| | 242,835,000 | 241,135,000 |

The directors have assessed at 31 December 2010 whether there has been any indication that the impairment loss of Rs1,500,000 recognised in prior periods relating to the investment in a subsidiary may no longer be required. Following the results of this assessment, the directors have noted that there is no indication of impairment as the subsidiary has been making profits and therefore, the provision has been reversed in the current year.

During the year, a wholly owned subsidiary has been set up to manage the property activities of the group.

The subsidiaries of Mauritius Telecom Ltd are as follows:

| Name of company | Country of incorporation | Class of shares | Proportion of ownership interest 2010 | Proportion of ownership interest 2009 | Principal activity |
|---|---|---|---|---|---|
| Teleservices (Mauritius) Ltd | Mauritius | Ordinary | 100% | 100% | Directory publication |
| Cellplus Mobile Communications Ltd | Mauritius | Ordinary | 100% | 100% | Mobile phone operator |
| Call Services Ltd | Mauritius | Ordinary | 100% | 100% | Call centre services |
| Telecom Plus Ltd | Mauritius | Ordinary | 100% | 100% | Internet service provider |
| Mauritius Telecom Foundation | Mauritius | Ordinary | 100% | 100% | Social activities |
| MT Properties Ltd | Mauritius | Ordinary | 100% | - | Real estates |

## 9. Investments in associates

THE GROUP

| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
|---|---|---|---|
| Costs of investment in associates | 85,346,173 | 85,346,173 | 85,346,173 |
| Provision for impairment loss | (5,411,292) | (5,411,292) | (5,411,292) |
| Share of post-acquisition profits, net of dividend received | 200,805,887 | 220,041,189 | 252,705,822 |
| | 280,740,768 | 299,976,070 | 332,640,703 |

THE COMPANY

| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
|---|---|---|---|
| Costs of investment in associates | 85,346,173 | 85,346,173 | 85,346,173 |
| Provision for impairment loss | (5,411,292) | (5,411,292) | (5,411,292) |
| | 79,934,881 | 79,934,881 | 79,934,881 |

The associates of Mauritius Telecom Ltd are as follows:

| Name of company | Country of incorporation | Class of shares | Proportion of ownership interest | | Principal activity |
|---|---|---|---|---|---|
| | | | 2010 | 2009 | |
| 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 2010 (Rs) | 31 Dec 2009 (Rs) |
|---|---|---|
| Total assets | 2,984,767,999 | 3,599,380,297 |
| Total liabilities | 2,225,907,265 | 2,681,127,977 |
| Net assets | 758,860,734 | 918,252,320 |
| Group's share of associates' net assets | 280,740,768 | 299,976,070 |
| Revenue | 2,864,418,752 | 3,861,830,381 |
| (Loss)/Profit for the year | (69,789,605) | 89,890,514 |
| Group's share of associates' (loss) / profit for the year | (19,235,301) | 19,236,245 |

## 10. Other investments

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| (a) Other Investments | | |
| At cost (1) | | |
| At beginning of year | 60,270,359 | 57,970,359 |
| Addition | - | 2,300,000 |
| At end of year | 60,270,359 | 60,270,359 |
| Impairment | | |
| At beginning and end of year | 40,000,000 | 40,000,000 |
| Carrying amount | 20,270,359 | 20,270,359 |

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

| | THE GROUP AND THE COMPANY | | |
|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| At fair value (2) | | | |
| At beginning of year | 4,026,000 | 3,472,000 | 4,234,000 |
| Change in fair value | 260,000 | 554,000 | (762,000) |
| At end of year | 4,286,000 | 4,026,000 | 3,472,000 |
| Total | 24,556,359 | 24,296,359 | 21,442,359 |

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

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

## 11. Stocks

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Stocks, at net realisable value | 285,815,529 | 194,384,679 | 153,520,890 | 240,293,564 | 157,834,197 | 146,728,993 |

## 12. Trade receivables

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Trade receivables | 2,462,582,901 | 2,281,905,862 | 2,423,960,558 | 1,880,632,221 | 1,776,997,799 | 1,873,047,950 |
| Provision for doubtful debts | (965,019,384) | (757,492,207) | (674,517,642) | (742,419,043) | (666,464,502) | (584,948,440) |
| | 1,497,563,517 | 1,524,413,655 | 1,749,442,916 | 1,138,213,178 | 1,110,533,297 | 1,288,099,510 |

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 Rs487,919,800 (2009: Rs513,251,835) and Rs380,126,653 (2009: Rs340,489,622) respectively 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.

## 12. Trade receivables (cont'd)

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 32.8

### Movement in provision for doubtful debts

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| At beginning of year | 757,492,207 | 674,517,642 | 596,603,213 | 666,464,502 | 584,948,440 | 524,285,942 |
| Impairment losses recognised on trade receivables | 262,630,987 | 92,535,169 | 101,150,289 | 131,058,351 | 91,263,287 | 83,898,358 |
| Amounts written off | (55,103,810) | (9,560,604) | (23,235,860) | (55,103,810) | (9,747,225) | (23,235,860) |
| At end of year | 965,019,384 | 757,492,207 | 674,517,642 | 742,419,043 | 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 70.4m (2009: Rs 28.8m) 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 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Under 180 days | 63,004,246 | 49,784,124 | 37,740,375 | 38,913,967 |
| 180 to 360 days | 85,926,745 | 34,727,220 | 54,111,558 | 29,130,547 |
| > 360 days | 816,088,393 | 672,980,863 | 650,567,110 | 598,419,988 |
| Total | 965,019,384 | 757,492,207 | 742,419,043 | 666,464,502 |

## 12. Trade receivables (cont'd)

### Trade receivables past due but not impaired

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Under 180 days | 346,652,909 | 240,137,007 | 247,618,442 | 171,592,524 |
| 180 to 360 days | 73,726,321 | 83,231,689 | 65,197,249 | 58,279,691 |
| > 360 days | 67,540,570 | 189,883,139 | 67,310,962 | 110,617,407 |
| Total | 487,919,800 | 513,251,835 | 380,126,653 | 340,489,622 |

## 13. Other receivables

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Outside parties | 337,864,749 | 343,400,848 | 327,531,481 | 179,810,372 | 179,439,072 | 189,252,019 |
| Subsidiaries | - | - | - | 305,981,005 | 25,425,622 | 35,445,564 |
| Associates | 7,472,228 | 5,435,275 | 1,124,681 | 7,472,228 | 5,435,275 | 1,143,044 |
| Related party | 1,967,866 | - | 50,317,999 | 1,909,975 | - | - |
| Loan to a subsidiary | - | - | - | 16,000,000 | 24,000,000 | 32,000,000 |
| | 347,304,843 | 348,836,123 | 378,974,161 | 511,173,580 | 234,299,969 | 257,840,627 |

The amounts due from subsidiaries and associates are unsecured, have no fixed terms of repayment. Amounts due from subsidiaries bear interest at rates which varied between 6.00% and 9.25% per annum (2009: between 9.25% and 10.25% per annum and 2008: between 10.5% and 12.75% per annum). The group and the company do not hold collaterals over these balances.

The loan of a subsidiary is unsecured, do not have any repayment terms and bears interest at rates which varied between 8.35% and 9.25% per annum (2009: between 9.25% and 12.75% per annum and 2008: between 10.25% and 12.75% per annum).

## 14. Held to maturity investments

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| At amortised cost | | |
| At beginning of year | - | 148,273,250 |
| Additions | 508,351,417 | - |
| Interest income | 11,988,229 | 1,726,750 |
| Proceeds on maturity | (124,000,000) | (150,000,000) |
| At end of year | 396,339,646 | - |

Held-to-maturity investment relates to investment in Treasury Bills maturing between 14 January 2011 and 13 May 2011.

## 15. Stated capital

| | THE GROUP AND THE COMPANY | | |
|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (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.

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 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| At beginning of year | 2,026,000 | 1,466,650 | 2,026,000 | 1,472,000 |
| Movement for the year | 260,000 | 559,350 | 260,000 | 554,000 |
| At end of year | 2,286,000 | 2,026,000 | 2,286,000 | 2,026,000 |

## 17. Loans

Loans are repayable by instalments with fixed rates of interest ranging between 3.52% and 4.39% per annum (2009: 3.52% and 4.39% per annum) as follows:-

| | THE GROUP AND THE COMPANY | | |
|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Within one year | 38,312,165 | 37,492,413 | 38,373,458 |
| Between two and five years | 38,526,801 | 75,194,869 | 115,335,365 |
| | 76,838,966 | 112,687,282 | 153,708,823 |

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 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Amounts falling due within one year | | | | | | |
| Outside parties | 544,894,934 | 580,196,836 | 489,424,667 | 220,492,065 | 351,808,934 | 225,355,282 |
| Subsidiaries | - | - | - | 246,007,592 | 230,560,034 | 195,093,027 |
| Shareholder | 73,413,100 | 85,291,779 | 133,642,825 | 905,819 | 17,109,318 | 106,202,137 |
| Related party | 1,904,110 | 1,930,828 | 9,793,328 | 1,904,110 | 1,930,828 | 9,793,328 |
| | 620,212,144 | 667,419,443 | 632,860,820 | 469,309,586 | 601,409,114 | 536,443,774 |
| Amounts falling due after one year | | | | | | |
| Outside parties | 424,109,217 | 407,902,780 | 397,106,534 | 424,109,219 | 407,902,780 | 397,106,534 |

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 8.35% and 9.25% per annum (2009: between 9.25% and 10.25% per annum).

## 19. Income taxes

### (i) Income tax

The group and the company are subject to income tax at the statutory rate of 15% (2009: 15%) on the profit for the year as adjusted for tax purposes.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Current tax liabilities | 450,409,949 | 278,928,281 | 182,845,032 | 102,028,155 |
| Deferred tax income | (113,845,078) | (60,309,450) | (88,589,916) | (34,037,031) |
| Tax assessment | 6,489,786 | 23,183,591 | 1,656,527 | 12,159,296 |
| | 343,054,657 | 241,802,422 | 95,911,643 | 80,150,420 |
| Solidarity Levy | | | | |
| Current year | 345,402,098 | 381,579,907 | 218,569,622 | 222,781,312 |
| Underprovision in previous year | 57,326,986 | - | 33,417,197 | - |
| Tax expense | 745,783,741 | 623,382,329 | 347,898,462 | 302,931,732 |

## 19. Income taxes (cont'd)

### (ii) Tax reconciliation

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2010 (Rs) | 2009 (Rs) | 2010 (Rs) | 2009 (Rs) |
| Profit before tax | 2,451,738,451 | 2,093,693,154 | 1,873,240,894 | 1,781,488,383 |
| Tax at the rate of 15% (2009: 15%) | 367,760,768 | 314,053,973 | 280,986,134 | 267,223,257 |
| Tax effect of: | | | | |
| - Non allowable expenses | 27,604,651 | 7,218,884 | 9,096,594 | 3,896,636 |
| - Allowable expenses | - | (57,236,986) | - | (33,417,196) |
| - Expenses eligible for 200% deduction | (3,183,231) | (2,928,164) | (3,183,231) | (2,928,164) |
| - Exempt income | (673,683) | (4,549,033) | (145,236,183) | (169,128,460) |
| - (Over)/under provision of deferred tax in prior years | (47,616,592) | (21,885,857) | (47,408,198) | 2,345,051 |
| - Over provision of current tax in prior years | (10,137,326) | (16,053,986) | - | - |
| - Additional tax assessment | 6,489,786 | 23,183,591 | 1,656,527 | 12,159,296 |
| - Tax loss of a subsidiary | 2,810,284 | - | - | - |
| | (24,706,111) | (72,251,551) | (185,074,491) | (187,072,837) |
| | 343,054,657 | 241,802,422 | 95,911,643 | 80,150,420 |

### (iii) Deferred tax liabilities

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| At beginning of year | 384,572,782 | 444,882,232 | 240,499,487 | 274,536,518 |
| Deferred tax income | (113,845,078) | (60,309,450) | (88,589,916) | (34,037,031) |
| At end of year | 270,727,704 | 384,572,782 | 151,909,571 | 240,499,487 |

Deferred tax liabilities arise from the following:

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Temporary differences | | | | | | |
| Property, plant and equipment | 638,057,843 | 682,058,822 | 704,759,122 | 472,128,336 | 518,749,317 | 522,137,195 |
| Other temporary differences | (367,330,139) | (297,486,040) | (259,876,890) | (320,218,765) | (278,249,830) | (247,600,677) |
| | 270,727,704 | 384,572,782 | 444,882,232 | 151,909,571 | 240,499,487 | 274,536,518 |

## 20. Retirement benefit obligations

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

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Present value of funded obligations | 3,869,999,000 | 2,930,990,000 | 2,555,361,000 | 3,821,324,000 | 2,893,039,000 | 2,526,465,000 |
| Fair value of plan assets | (1,657,387,000) | (1,553,730,000) | (1,269,798,000) | (1,625,851,000) | (1,527,144,000) | (1,249,701,000) |
| | | | | | | |
| | 2,212,612,000 | 1,377,260,000 | 1,285,563,000 | 2,195,473,000 | 1,365,895,000 | 1,276,764,000 |
| Unrecognised actuarial loss | (1,162,023,000) | (463,315,000) | (498,119,000) | (1,159,299,000) | (464,195,000) | (500,300,000) |
| | | | | | | |
| Liabilities recognised in statements of financial position at end of year | 1,050,589,000 | 913,945,000 | 787,444,000 | 1,036,174,000 | 901,700,000 | 776,464,000 |

### Amounts recognised in statements of comprehensive income:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Current net service cost | 110,121,000 | 95,276,000 | 105,153,000 | 91,593,000 |
| Interest cost | 295,250,000 | 263,726,000 | 291,375,000 | 260,699,000 |
| Expected return on plan assets | (172,184,000) | (140,633,000) | (169,127,000) | (138,290,000) |
| Actuarial loss recognised | 11,668,000 | 15,463,000 | 11,668,000 | - |
| | | | | |
| Total included in staff costs | 244,855,000 | 233,832,000 | 239,069,000 | 214,002,000 |
| | | | | |
| Actual return on plan assets | 110,846,000 | 291,298,000 | 107,213,000 | 287,748,000 |

### Key assumptions:

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2010 | 2009 |
| **Used to determine benefit obligation at end of year and pension cost for financial year** | | |
| Discount rate for obligations | 10.00% | 10.25% |
| Underlying consumer price inf ation | 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 | 10.00% | 11.00% |
| Retirement age | 60 years | 60 years |
| **Used to determine net periodic pension cost for financial year** | | |
| Discount rate for expense | 10.25% | 10.50% |
| Underlying consumer price inf ation | 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:

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Defined benefit obligation at beginning of year | 2,930,990,000 | 2,555,361,000 | 2,893,039,000 | 2,526,465,000 |
| Net service cost | 110,121,000 | 95,276,000 | 105,153,000 | 91,593,000 |
| Interest cost | 295,250,000 | 263,726,000 | 291,375,000 | 260,699,000 |
| Employee contributions | 4,841,000 | 5,424,000 | 4,841,000 | 5,424,000 |
| Benefits paid | (120,433,000) | (120,121,000) | (120,134,000) | (119,983,000) |
| Experience loss | 507,846,000 | 18,272,000 | 507,846,000 | 18,273,000 |
| Liability loss due to assumption changes | 141,384,000 | 113,052,000 | 139,204,000 | 110,568,000 |
| Defined benefit obligation at end of year | 3,869,999,000 | 2,930,990,000 | 3,821,324,000 | 2,893,039,000 |

### Change in plan assets during year:

| | | | | |
|---|---|---|---|---|
| Fair value of plan assets at beginning of year | 1,553,730,000 | 1,269,798,000 | 1,527,144,000 | 1,249,701,000 |
| Employer contributions | 108,521,000 | 107,331,000 | 104,905,000 | 104,254,000 |
| Employee contributions | 4,841,000 | 5,424,000 | 4,841,000 | 5,424,000 |
| Benefits paid | (120,433,000) | (120,121,000) | (120,134,000) | (119,983,000) |
| Expected return on plan assets | 172,184,000 | 140,633,000 | 169,127,000 | 138,290,000 |
| Actuarial gains on plan assets | (61,456,000) | 150,665,000 | (60,032,000) | 149,458,000 |
| Fair value of plan assets at end of year | 1,657,387,000 | 1,553,730,000 | 1,625,851,000 | 1,527,144,000 |

### 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 | 2010 | 2009 | 2008 | 2007 |
| Equity Securities/Local equity | 23% | 23% | 20% | 35% |
| Overseas equity and Bond | 14% | 14% | 13% | - |
| Government securities and cash | 40% | 44% | 57% | - |
| Loan | - | 18% | 9% | - |
| Property | - | 1% | 1% | - |
| Debt Securities | - | - | - | 41% |
| Real Estate | 1% | - | - | 1% |
| Other | 22% | - | - | 23% |
| Total | 100% | 100% | 100% | 100% |

## 20. Retirement benefit obligations (cont'd)

### History of obligations, assets and experience adjustments

### THE GROUP

| | 2010 (Rs) | 2009 (Rs) | 2008 (Rs) | 2007 (Rs) |
|---|---|---|---|---|
| Fair value of plan assets | 1,301,334,000 | 1,553,730,000 | 1,269,798,000 | 1,378,375,000 |
| Present value of defined benefit obligation | (2,604,036,000) | (2,930,990,000) | (2,555,361,000) | (2,307,678,000) |
| | | | | |
| Deficit | (1,302,702,000) | (1,377,260,000) | (1,285,563,000) | (929,303,000) |
| | | | | |
| Asset experience gain during the year | 61,456,000 | 150,665,000 | 278,494,000 | 44,639,000 |
| Liability experience loss/(gain) during the year | 507,846,000 | 18,273,000 | - | 195,194,000 |

### THE COMPANY

| | 2010 (Rs) | 2009 (Rs) | 2008 (Rs) | 2007 (Rs) |
|---|---|---|---|---|
| Fair value of plan assets | 1,625,851,000 | 1,527,144,000 | 1,249,701,000 | 1,359,152,000 |
| Present value of defined benefit obligation | (3,821,324,000) | (2,893,039,000) | (2,526,465,000) | (2,284,481,000) |
| | | | | |
| Deficit | (2,195,473,000) | (1,365,895,000) | (1,276,764,000) | (925,329,000) |
| | | | | |
| Asset experience gain during the year | (60,032,000) | 149,458,000 | 274,911,000 | 43,968,000 |
| Liability experience loss during the year | 507,846,000 | 18,273,000 | - | 198,027,000 |

### Actual Return on Plan Assets

### THE GROUP

| | 2010 (Rs) | 2009 (Rs) | 2008 (Rs) | 2007 (Rs) | 2006 (Rs) |
|---|---|---|---|---|---|
| Expected Return on Plan Assets | 172,184,000 | 140,633,000 | 152,576,000 | 127,857,000 | 99,406,000 |
| Actuarial (Loss)/Gains on Plan Assets | (61,456,000) | 150,665,000 | (278,494,000) | 44,639,000 | 100,196,000 |
| | | | | | |
| Actual Return on Plan Assets | 110,728,000 | 291,298,000 | (125,918,000) | 172,496,000 | 199,602,000 |

### THE COMPANY

| | 2010 (Rs) | 2009 (Rs) | 2008 (Rs) | 2007 (Rs) | 2006 (Rs) |
|---|---|---|---|---|---|
| Expected Return on Plan Assets | 169,127,000 | 138,290,000 | 150,338,000 | 126,204,000 | 98,393,000 |
| Actuarial (Loss)/Gains on Plan Assets | (60,032,000) | 149,458,000 | (274,911,000) | 43,968,000 | 99,257,000 |
| | | | | | |
| Actual Return on Plan Assets | 109,095,000 | 287,748,000 | (124,573,000) | 170,172,000 | 197,650,000 |

### Employer Contributions

The group and the company expect to contribute Rs149,323,000 to their pension plan respectively in 2011.

Retirement benefit obligations have been based on the report from Hewitt Associates dated 28 January 2011.

## 21. Other payables and accrued expenses

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Operating taxes accrued | 7,326,968 | 106,492,049 | 92,153,017 | 246,875 | 77,789,770 | 81,526,742 |
| Subsidiaries | - | - | - | 658,311,619 | 430,695,199 | 467,318,519 |
| Other payables and accrued expenses | 1,328,679,533 | 1,247,930,019 | 1,308,649,531 | 1,106,546,399 | 929,282,933 | 974,801,310 |
| Work in progress | 762,973,940 | 463,002,328 | 570,558,604 | 620,404,824 | 261,083,766 | 477,025,993 |
| | 2,098,980,441 | 1,817,424,396 | 1,971,361,152 | 2,385,509,717 | 1,698,851,668 | 2,000,672,564 |

The amounts due to subsidiaries are unsecured and have no fixed terms of repayment. Amounts due to subsidiaries bear interest at rates which varied between 8.35% and 9.25% per annum (2009: between 9.25% and 10.75% per annum).

## 22. Deferred revenue

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| At beginning of year | 60,736,433 | 65,023,905 | 26,915,359 | 29,068,457 |
| Customer loyalty programme and deferred rental | 106,644,907 | 175,586,323 | 106,644,906 | 24,596,074 |
| Revenue recognised on discharge of obligations for award credits | (11,459,690) | (167,066,787) | (17,694,782) | (13,942,164) |
| Rental consumed | (4,989,754) | (12,807,008) | (4,989,754) | (12,807,008) |
| At end of year | 150,931,896 | 60,736,433 | 110,875,729 | 26,915,359 |

## 23. Dividends

| | THE GROUP AND THE COMPANY | | |
|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Final dividend of Rs0.8 per share for 2008 | - | 152,000,000 | 239,400,001 |
| Interim dividend of Rs3.88 per share for 2009 | - | 737,200,000 | 913,900,000 |
| Final dividend of Rs1.56 per share for 2009 | 296,400,000 | - | - |
| Interim dividend of Rs5.90 per share for 2010 | 1,121,000,000 | - | - |
| | 1,417,400,000 | 889,200,000 | 1,153,300,001 |

Final dividend of Rs1.56 per share amounting to Rs296,400,000 in respect of year 2009 was declared by the directors on 15 April 2010 and paid in year 2010.

Interim dividend of Rs5.90 per share amounting to Rs1,121,000,000 in respect of the current year was declared by the directors on 30 December 2010 and accrued in the financial statements in year 2010.

## 24. Provisions

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Employee benefits | 229,585,231 | 221,622,206 | 218,950,047 | 229,585,231 | 221,622,206 | 213,056,302 |
| Dismantling costs | 6,691,950 | 6,691,950 | 6,691,950 | 6,691,950 | 6,691,950 | 6,691,950 |
| Restructuring costs | - | - | 35,954,231 | - | - | 35,954,231 |
| | | | | | | |
| | 236,277,181 | 228,314,156 | 261,596,228 | 236,277,181 | 228,314,156 | 255,702,483 |

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) |
| At 1 January 2009 | 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 | - | - |
| Reversal | - | - | (35,954,231) | - | - | (35,954,231) |
| | | | | | | |
| At 31 December 2009 | 221,622,206 | 6,691,950 | - | 221,622,206 | 6,691,950 | - |
| Additional provisions recognised | 37,814,191 | - | - | 37,814,191 | - | - |
| Payment | (29,851,166) | - | - | (29,851,166) | - | - |
| | | | | | | |
| At 31 December 2010 | 229,585,231 | 6,691,950 | - | 229,585,231 | 6,691,950 | - |

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

(ii) The provision for dismantling costs represents an estimate of the future outf ow 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.

## 25. Revenue

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Sale of goods | 252,764,748 | 288,210,897 | 122,335,915 | 206,974,517 |
| Rendering of services | 7,214,964,696 | 6,843,337,315 | 4,374,868,266 | 4,293,411,639 |
| | 7,467,729,444 | 7,131,548,212 | 4,497,204,181 | 4,500,386,156 |

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 2010 was 61.4 million minutes (2009: 41.5 million minutes).

## 26. Profit from operations

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

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| - Depreciation of property, plant and equipment | 1,135,895,496 | 1,149,638,480 | 859,420,599 | 886,962,243 |
| - Staff costs | 1,410,366,822 | 1,391,425,132 | 1,300,071,046 | 1,185,993,827 |
| - Costs of stocks recognised as expense | 259,670,633 | 298,793,955 | 111,704,493 | 182,988,969 |
| - Amortisation of intangible assets | 28,249,658 | 36,448,845 | 9,489,468 | 13,827,367 |
| - Provision for slow moving stock | 11,325,420 | 1,898,249 | 11,325,420 | 1,898,249 |
| - Reversal of provision for impairment of | | | | |
| investment in a subsidiary | - | - | 1,500,000 | - |
| - Impairment loss recognised on trade receivables | 262,630,987 | 92,535,169 | 131,058,351 | 91,263,287 |
| - Loss on disposal of investment in subsidiary | - | - | - | 135,830 |
| - Termination benefits | 13,754,929 | 8,268,647 | 13,754,929 | 8,268,647 |
| - Directors' emoluments (part time) | 4,736,298 | 3,853,113 | 4,736,298 | 3,853,113 |
| - Auditors' remuneration: | | | | |
| - Audit fees | 2,100,000 | 2,090,000 | 1,500,500 | 1,370,000 |
| - Fees for other services | - | 112,500 | - | - |
| - Donations | 75,050 | 1,785,099 | 75,050 | 1,263,064 |
| - Profit on disposal of property, plant and equipment | (1,070,766) | (9,735,989) | (1,070,766) | (8,866,534) |

## 27. Other income

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Rental income | - | - | 75,410,857 | 15,840,402 |
| Management fees | - | - | 368,935,986 | 272,715,755 |
| Other income | 33,174,725 | 31,995,344 | 13,421,227 | 43,559,025 |
| | | | | |
| | 33,174,725 | 31,995,344 | 457,768,070 | 332,115,182 |

## 28. Other gains and losses

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Profit on disposal of property, plant and equipment | 1,070,766 | 9,735,989 | 1,070,766 | 8,866,534 |
| Loss on disposal of a subsidiary | - | - | - | (135,830) |
| Net exchange gains | 54,674,171 | 92,315,170 | 17,867,886 | 67,227,577 |
| | | | | |
| | 55,744,937 | 102,051,159 | 18,938,652 | 75,958,281 |

Net exchange gains of Rs17,867,886 for the company (2009: Rs67,227,577) comprises Rs95,325,001 of exchange gain and Rs77,457,115 of exchange loss (2009: Rs102,405,043 of exchange gain and Rs35,177,466 of exchange loss).

Net exchange gains of Rs54,674,171 for the group (2009: Rs92,315,170) comprises Rs135,416,744 of exchange gain and Rs80,742,573 of exchange loss (2009: Rs155,215,609 of exchange gain and Rs62,900,439 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 | |
|---|---|---|---|---|
| | 2010 (Rs) | 2009 (Rs) | 2010 (Rs) | 2009 (Rs) |
| Dividend income | 3,651,876 | 1,641,483 | 967,532,745 | 1,118,792,360 |
| Interest income | | | | |
| - Bank deposits | 146,774,561 | 200,789,701 | 141,050,527 | 201,399,803 |
| - Held-to-maturity investments | 11,988,230 | - | 11,988,230 | - |
| - Current accounts with subsidiaries | - | - | 8,470,201 | 6,709,569 |
| - Others | 4,593,239 | 7,804,354 | 3,939,211 | 3,115,139 |
| | 167,007,906 | 210,235,538 | 1,132,980,914 | 1,330,016,871 |

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

| | 2010 (Rs) | 2009 (Rs) | 2010 (Rs) | 2009 (Rs) |
|---|---|---|---|---|
| Non-financial Investment | 3,651,876 | 1,641,483 | 976,002,946 | 1,125,501,929 |
| Loans and receivables (including cash and bank balances) | 151,367,800 | 208,594,055 | 144,989,738 | 204,514,942 |
| Held-to-maturity investments | 11,988,230 | - | 11,988,230 | - |
| | 167,007,906 | 210,235,538 | 1,132,980,914 | 1,330,016,871 |

## 30. Finance costs

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 2010 (Rs) | 2009 (Rs) | 2010 (Rs) | 2009 (Rs) |
| Interest expense | | | | |
| - Bank borrowings | 3,664,999 | 6,157,478 | 3,664,999 | 6,157,478 |
| - Current accounts with subsidiaries | - | - | 105,477,220 | 112,924,484 |
| - Others | | 2,906,729 | - | - |
| | 3,664,999 | 9,064,207 | 109,142,219 | 119,081,962 |

## 31. Earnings per share

The calculation of earnings per share is based on profit for the year after taxation of Rs1,705,954,710 (2009: Rs1,470,310,825) and on 190,000,001 shares in issue for the two years ended 31 December 2010.

## 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 net of 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 liabilities and equity instrument are disclosed in note 3 to the financial statements.

### 32.3 Categories of financial instruments

#### Financial assets

| | THE GROUP | | | THE COMPANY | | |
|---|---|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
| Loans and receivables | | | | | | |
| (including cash and cash equivalents) | 5,764,117,426 | 5,457,304,268 | 5,604,142,862 | 5,565,082,414 | 4,970,958,718 | 4,933,715,289 |
| Available for sale financial assets | 24,556,359 | 24,296,359 | 21,442,359 | 24,556,359 | 24,296,359 | 21,442,359 |
| Held to maturity investments | 396,339,646 | - | 148,273,250 | 396,339,646 | - | 148,273,250 |
| | | | | | | |
| | 6,185,013,431 | 5,481,600,627 | 5,773,858,471 | 5,985,978,419 | 4,995,255,077 | 5,103,430,898 |

#### Financial liabilities

| | | | | | | |
|---|---|---|---|---|---|---|
| Amortised cost | 3,957,696,296 | 3,883,608,144 | 4,258,421,763 | 4,072,163,187 | 3,296,422,361 | 4,217,753,327 |

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

## 32. Financial instruments (cont'd)

### 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.

Currency risks on transactions are managed through matching of inflows and outflows of foreign currencies. As the group and the company have more outf ows than inf ows 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:

## The Group

**Currency profile**

| | 31 December 2010 | | 31 December 2009 | | 1 January 2009 | |
|---|---|---|---|---|---|---|
| Currency | Financial Assets (Rs) | Financial liabilities (Rs) | Financial assets (Rs) | Financial liabilities (Rs) | Financial assets (Rs) | Financial liabilities (Rs) |
| EUR | 408,372,992 | 284,316,671 | 291,264,840 | 258,536,324 | 404,084,886 | 159,045,750 |
| GBP | 85,867,075 | 76,843,663 | 127,846,756 | 113,287,256 | 169,351,672 | 155,378,759 |
| MUR | 5,329,586,032 | 3,435,244,943 | 4,839,184,614 | 3,235,383,857 | 4,688,889,843 | 3,666,753,866 |
| USD | 236,314,232 | 114,479,045 | 113,617,112 | 225,950,557 | 325,863,278 | 208,027,314 |
| Others | 124,873,100 | 46,811,974 | 109,687,305 | 50,450,150 | 185,668,792 | 69,216,074 |
| | 6,185,013,431 | 3,957,696,296 | 5,481,600,627 | 3,883,608,144 | 5,773,858,471 | 4,258,421,763 |

## 32. Financial instruments (cont'd)

### 32.6 Currency risk management (cont'd)

### The Company

**Currency profile**

| Currency | 31 December 2010 Financial Assets (Rs) | 31 December 2010 Financial liabilities (Rs) | 31 December 2009 Financial assets (Rs) | 31 December 2009 Financial liabilities (Rs) | 1 January 2009 Financial assets (Rs) | 1 January 2009 Financial liabilities (Rs) |
|---|---|---|---|---|---|---|
| EUR | 310,293,943 | 15,896,048 | 139,624,370 | 32,087,441 | 168,322,634 | 38,140,316 |
| GBP | 85,660,370 | 76,843,663 | 127,474,751 | 113,287,256 | 168,947,286 | 155,378,759 |
| MUR | 5,250,511,605 | 3,904,850,597 | 4,576,926,978 | 3,081,613,780 | 4,390,130,618 | 3,762,775,985 |
| USD | 214,639,401 | 27,760,905 | 41,541,673 | 18,983,734 | 190,361,568 | 192,242,193 |
| Others | 124,873,100 | 46,811,974 | 109,687,305 | 50,450,150 | 185,668,792 | 69,216,074 |
| | | | | | | |
| | 5,985,978,419 | 4,072,163,187 | 4,995,255,077 | 3,296,422,361 | 5,103,430,898 | 4,217,753,327 |

### 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 2010 (Rs) | Euro Impact 2009 (Rs) | USD Impact 2010 (Rs) | USD Impact 2009 (Rs) |
|---|---|---|---|---|
| Profit or loss on equity | 12,405,632 | 3,272,852 | 12,183,519 | 11,233,345 |

### 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.

## 32. Financial instruments (cont'd)

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | 2010 | 2009 |
| Currency | % Interest Rate p.a. | % Interest Rate p.a. |
| MUR | 2.25-5.70 | 4.0- 8.0 |
| USD | 0.05-1.44 | 0.1 - 0.2 |
| GBP | 0.10-0.70 | 0.3 – 2.0 |
| EUR | 0.10-1.63 | 0.15 – 2.0 |

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 Rs0.7M (2009: Rs1.5M).

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.

### 32.8 Credit risk management

The group and company are 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.

Except for amounts due from related parties, 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.

## 32. Financial instruments (cont'd)

### 32.8 Credit risk management (cont'd)

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 2010 amounted to Rs1,497,563,517 (2009: Rs1,524,413,655) and Rs1,138,213,178 (2009: Rs1,110,533,297) respectively. An ageing of the trade receivables at end of 2010 and movement in provision for bad debts during 2010 is disclosed under note 13.

Any variation in future recovery ratio of trade receivables by 0.5% will affect profit of the company by Rs4.8m (2009: Rs4.7m).

### 32.9 Liquidity risk management

The group and company's liquidity management are 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 f ow 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 risk management (cont'd)

### Maturities of Financial Assets and Financial Liabilities

### 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) |
|---|---|---|---|---|---|---|---|---|
| 2010 | | | | | | | | |
| FINANCIAL ASSETS | Fixed Interest Rate Instruments | 0.40% - 4.25% | 3,493,056,609 | 73,012,750 | 396,339,646 | - | - | 3,962,409,005 |
| | Fixed Interest Rate Instruments | 7.50% - 10% | 79,633,637 | 333,773,565 | - | 65,909,110 | - | 479,316,312 |
| | Non Interest Bearing | 0% | 194,703,639 | 270,244,835 | 175,321,310 | 134,487,071 | - | 774,756,855 |
| | Variable Interest Rate Instruments | 0.87% - 4% | 405,385,510 | - | - | - | - | 405,385,510 |
| | Variable Interest Rate Instruments | 8.8% | 364,110,737 | - | - | - | - | 364,110,737 |
| | | | 4,536,890,132 | 677,031,150 | 571,660,956 | 200,396,181 | - | 5,985,978,419 |
| FINANCIAL LIABILITIES | Fixed Interest Rate Instruments | 4.18% | - | - | 38,312,165 | 38,526,801 | - | 76,838,966 |
| | Non Interest Bearing | 0% | 1,288,456,822 | 1,101,043,579 | 138,343,469 | 6,489,724 | 423,986,710 | 2,958,320,304 |
| | Variable Interest Rate Instruments | 4% - 8.8% | 936,653,005 | - | - | 100,350,912 | - | 1,037,003,917 |
| | | | 2,225,109,827 | 1,101,043,579 | 176,655,634 | 145,367,437 | 423,986,710 | 4,072,163,187 |
| 2009 | | | | | | | | |
| FINANCIAL ASSETS | Fixed Interest Rate Instruments | 7.5% - 10% | 3,192,021,946 | 334,117,321 | - | 47,457,179 | - | 3,573,596,446 |
| | Non Interest Bearing | | 289,855,320 | 204,973,088 | 209,720,630 | 150,218,313 | - | 854,767,351 |
| | Variable Interest Rate Instruments | 6.13% - 1.63% | 542,891,280 | - | - | 24,000,000 | - | 566,891,280 |
| | | | 4,024,768,546 | 539,090,409 | 209,720,630 | 221,675,492 | - | 4,995,255,077 |
| FINANCIAL LIABILITIES | Fixed Interest Rate Instruments | 4.18% | - | - | 37,492,413 | 75,194,869 | - | 112,687,282 |
| | Variable Interest Rate Instruments | 0% - 4% | - | - | - | 96,730,517 | - | 96,730,517 |
| | Variable Interest Rate Instruments | 11.63% | 681,953,684 | - | - | - | - | 681,953,684 |
| | Non Interest Bearing | 0% | 762,070,684 | 1,017,305,817 | 133,788,215 | 6,529,724 | 485,356,438 | 2,405,050,878 |
| | | | 1,444,024,368 | 1,017,305,817 | 171,280,628 | 178,455,110 | 485,356,438 | 3,296,422,361 |

## 32. Financial instruments (cont'd)

### 32.9 Liquidity risk management (cont'd)

### Maturities of Financial Assets and Financial Liabilities

### Group

| | ITEM | Weighted average effective Interest rate % | Less than 1 month (Rs) | 1-3 months (Rs) | 3 Months to 1 year (Rs) | 1-5 years (Rs) | 5+years (Rs) | Total (Rs) |
|---|---|---|---|---|---|---|---|---|
| 2010 | | | | | | | | |
| FINANCIAL ASSETS | Fixed Interest Rate Instruments | 0% - 4.25% | 3,531,013,276 | 73,012,750 | 396,339,646 | - | - | 4,000,365,672 |
| | Fixed Interest Rate Instruments | 7.25% - 10% | 91,071,162 | 379,228,055 | 90,000 | 50,079,877 | | 520,469,094 |
| | Non Interest Bearing | | 197,583,995 | 525,802,904 | 178,040,526 | 134,948,907 | - | 1,036,376,332 |
| | Variable Interest Rate Instruments | 0.87% - 4% | 453,973,201 | - | - | - | | 453,973,201 |
| | | 8.80% | 137,212,086 | 1,198,695 | 35,416,576 | 1,775 | | 173,829,132 |
| | | | | | | | | |
| | | | 4,410,853,720 | 979,242,404 | 609,886,748 | 185,030,559 | - | 6,185,013,431 |
| | | | | | | | | |
| FINANCIAL LIABILITIES | Fixed Interest Rate Instruments | 0% - 4.18% | 394,340 | - | 38,312,165 | 38,526,801 | - | 77,233,306 |
| | Non Interest Bearing | | 1,328,712,721 | 1,769,925,906 | 150,550,953 | 7,202,366 | 423,986,709 | 3,680,378,655 |
| | Variable Interest Rate Instruments | 4% - 8.8% | 40,678,087 | - | - | 100,350,912 | - | 141,028,999 |
| | Variable Interest Rate Instruments | 10% | - | 57,648,918 | 1,406,418 | - | - | 59,055,336 |
| | | | | | | | | |
| | | | 1,369,785,148 | 1,827,574,824 | 190,269,536 | 146,080,079 | 423,986,709 | 3,957,696,296 |
| 2009 | | | | | | | | |
| FINANCIAL ASSETS | Fixed Interest Rate Instruments | 6% - 7.50% | 3,543,063,964 | 116,312,250 | 16,574,247 | 47,457,179 | - | 3,723,407,640 |
| | Fixed Interest Rate Instruments | 10% - 11.63% | 44,251,758 | 234,632,403 | - | - | - | 278,884,161 |
| | Non Interest Bearing | | 502,496,414 | 279,804,657 | 241,878,292 | 153,130,610 | - | 1,177,309,973 |
| | Variable Interest Rate Instruments | 4.75% - 6.13% | 300,908,219 | - | 90,000 | 1,000,634 | - | 301,998,853 |
| | | | | | | | | |
| | | | 4,390,720,355 | 630,749,310 | 258,542,539 | 201,588,423 | - | 5,481,600,627 |
| | | | | | | | | |
| FINANCIAL LIABILITIES | Fixed Interest Rate Instruments | 0% - 4.18% | 5,380,598 | 210,814 | 37,492,413 | 171,925,387 | - | 215,009,212 |
| | Variable Interest Rate Instruments | 10% | 20,522,813 | - | - | - | - | 20,522,813 |
| | Non Interest Bearing | | 823,525,570 | 1,937,792,406 | 394,993,373 | 6,529,724 | 485,235,046 | 3,648,076,119 |
| | | | | | | | | |
| | | | 849,428,981 | 1,938,003,220 | 432,485,786 | 178,455,111 | 485,235,046 | 3,883,608,144 |

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) | Level 1 (Rs) |
|---|---|---|
| Available-for-sale financial assets | 4,286,000 | 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 2010, the company and group entered into the following transactions with related parties.

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| (i) Sales of services | | | | |
| - Subsidiaries | - | - | 863,417,132 | 885,913,784 |
| - Shareholders | 313,211,001 | 288,089,485 | 265,435,037 | 234,006,211 |
| (ii) Purchases of services | | | | |
| - Subsidiaries | - | - | 410,965,578 | 364,858,516 |
| - Shareholders | 84,056,651 | 99,423,463 | 35,747,518 | 58,681,668 |
| (iii) Dividend income | | | | |
| - Subsidiaries | - | - | 963,750,000 | 1,065,250,000 |
| - Associates and related parties | 3,651,876 | 1,641,483 | 3,651,876 | 53,542,360 |
| (iv) Other income and management fees | | | | |
| - Subsidiaries | - | - | 440,961,137 | 307,663,344 |
| - Shareholders | 7,136,317 | - | - | - |
| (v) Interest expense | | | | |
| - Subsidiaries | - | - | 105,477,220 | 112,924,484 |
| (vi) Interest income | | | | |
| - Subsidiaries | - | - | 8,470,201 | 6,709,569 |
| (vii) Emoluments of Key management personnel | | | | |
| - Short term benefits | 58,569,631 | 65,969,813 | 58,569,631 | 65,969,813 |

## 33. Related party transactions (cont'd)

| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 1 Jan 2009 (Rs) |
|---|---|---|---|---|---|---|
| (viii) Outstanding balances receivable from related parties | | | | | | |
| - Subsidiaries | - | - | | 321,981,005 | 49,425,621 | |
| - Associates | 7,472,228 | 5,435,275 | - | 7,472,228 | 5,435,275 | 67,610,209 |
| - Shareholders | 152,597,533 | 111,736,133 | 1,143,044 | 149,992,592 | 103,847,365 | 1,143,044 |
| - Related Parties | 1,967,866 | - | 79,703,983 | 1,909,975 | - | 79,703,983 |
| (ix) Outstanding balances payable to related parties | | | | | | |
| - Subsidiaries | - | - | - | 904,319,211 | 661,255,233 | 662,576,192 |
| - Shareholders | 73,413,100 | 85,291,779 | 133,642,825 | 905,819 | 17,109,318 | 106,202,137 |
| - Other | 1,904,110 | 1,930,828 | 9,793,328 | 1,904,110 | 1,930,828 | 9,793,328 |

## 34. Commitments for expenditure

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Commitments for the acquisition of property, plant and equipment | 457,088,072 | 182,296,292 | 360,350,567 | 150,096,195 |

## 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 | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Within one year | 115,059,082 | 88,034,211 | 128,325,572 | 87,518,548 |
| Between two and five years | 182,253,278 | 282,553,274 | 204,501,084 | 262,767,904 |
| After five years | 117,725,236 | 99,707,512 | 12,332,870 | 36,287,766 |
| | 415,037,596 | 470,294,997 | 345,159,526 | 386,574,218 |

## 35. Operating lease arrangements (cont'd)

### Payments recognised as an expense

| | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
| Minimum lease payments | 146,045,328 | 114,832,850 | 125,652,643 | 90,766,274 |

### 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**

| | 31 Dec 2010 (Rs) | 31 Dec 2009 (Rs) |
|---|---|---|
| Within one year | 46,944,041 | 35,930,081 |
| Between two and five years | 46,272,290 | 55,484,672 |
| | 93,216,331 | 91,414,753 |

## 36. Contingent liabilities

There are contingent liabilities not provided for in the financial statements in respect of guarantees amounting to Rs63,490,191 (2009: Rs37,357,979) for the group and Rs 37,898,014 (2009: Rs 36,927,800) for the company respectively. The directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

# MILESTONES

1876 • Telephone invented by Alexander Graham Bell
1883 • First telephone installed in Mauritius and first manual exchange inaugurated
1893 • Mauritius connected to Za nzibar 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
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-sponsor ship 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 f eet 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

2010
- Installation of panic alarm systems and CCTV cameras in Orange shops
- Launch of Blackberry service in Rodrigues
- The LION submarine cable, which came into service in November 2009 officially launched at the Terre Rouge landing station by the Prime minister in March 2010
- Drawing up of MT incident plans for the management of tsunamis, torrential rain and landslides
- Drawing up of MT incident plans for the management of fires, bomb alerts, thefts and vandalism
- Allocation to MT of 40 work-area recovery seats by Business Continuity Mauritius
- Implementation of a new call-centre management system using an Altitude software engine at Call Services Limited
- The EASSy submarine cable system in operation in July 2010
- Introduction of the Gigabit Passive Optical Network (GPON) project in Mauritius providing fibre-optic access of over 100Mbps per customer
- 622 Mbps internet bandwidth added on to the EASSy submarine cable system to provide redundancy for internet traffic for Mauritius
- Increase of international bandwidth for internet from 3Gbps in January to 4.8Gbps in December
- Migration of all mobile customers in Rodrigues to new HLR in Mauritius for faster customer service provisioning
- Introduction of fibre-to-the-cabinet access to 50 Mobile sites
- DLM in service island wide
- Opening of two new Orange shops in Quatre Bornes and Vacoas
- Introduction of a new wholesale bandwidth offer, High Speed IP Transit Service, for telecommunications operators offering internet Services
- Improvement of data-roaming footprint with 3G service opened with 60 countries and 93 operators as compared to 32 countries and 36 operators in December 2009.

**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

**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

**CCMS** - Call Centre Management System

**CCTV** - Closed Circuit Television

**CLI** - Caller Line Identification

**CRBT** - Caller Ring Back Tone

**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

**DWDM** - Dense Wavelength Division Multiplexing

**EASSy (EASTERN AFRICA SUBMARINE SYSTEM)** - It is an undersea fiber optic cable that will link the countries of East Africa and Madagascar between themselves and to the to the rest of the world

**EBITDA** - Earnings Before Interest, Taxes, Depreciation and Amortization

**EDGE** - (Enhanced Data GSM Environment) is a faster version of the Global System for Mobile (GSM) wireless service designed to deliver data at rates up to 384 Kbps and enable the delivery of multimedia and other broadband applications to mobile phone and computer users

**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

**GPON/BPON** - Gigabit Passive Optical Network/Broadband Passive Optical Network

**GPRS (GENERAL PACKET RADIO SERVICE)** - A packet based wireless service that allows connection to the Internet and access to multimedia services

**GSM (GLOBAL STANDARD FOR MOBILE TELEPHONY)** - A digital mobile telephone system, which uses a variation of time division multiple access.

It operates at either the 900 MHz or 1800 MHz frequency band

**HRMS** - Human Resources Management System

**HSPA** - High Speed Mobile Packet Access

**IMEI** - International Mobile Equipment Identity

**IP (INTERNET PROTOCOL)** - The method by which data is sent between computers on the Internet iPhone 3GS - A third generation iPhone with a fast wireless 3G technology

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

**ISAM** - Integrated Services Access Multiplexer

**IVR** - Interactive Voice Response

**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.

**ODM** - Original Design Manufacturer

**PSTN/MSC** - Public Switch Telephone Network / Mobile Switching Centre

**RBT** - Ring Back Tone

**SAFE** - South Africa Far East submarine cable system

**SECOM** - South Africa East Africa Optic Cable

**SDH** - Synchronous Digital Hierarchy

**SHDSL** - Single Line - High-bit-rate Digital Subscriber Line

**SLD** - Synchronous Link Dynamic

**SMSC** - Short Message Centre

**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

**WACS** - West Africa Cable System

**WLL** - Wireless Local Loop

This document is printed on recycled paper.

www.mauritiustelecom.com

www.orange.mu

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