Enabling ICT evolution

~ we make sure it happens ~

mauritiustelecom

annualreport 2011

Evolution is not a force but a process. Not a cause but a law.

John Morley

MAJOR LANDMARKS

1883 - 1900

- First telephone installed in Mauritius and first manual exchange inaugurated
- Mauritius connected to Zanzibar and Seychelles by telegraph submarine cable
- Durban connected to Mauritius, Rodrigues and Seychelles by second submarine cable
- First automatic telephone exchange opened

1901 - 1999

- Telex service introduced
- Digital E10B telephone exchange installed
- Internet Services launched commercially by Telecom Plus
- Mobile GSM services introduced commercially by Cellplus Mobile Communications

2000 - 2004

- Strategic equity partnership with France Telecom signed in November 2000
- SAFE fibre-optic cable system inaugurated
- First Teleshop launched in Curepipe
- Wi-Fi offered by Telecom Plus commercially

2005 - 2012

- Cellplus' 3G Network launched
- My.T, Mauritius Telecom's Multiplay-IPTV services, launched
- ADSL launched in Rodrigues
- The LION submarine cable came into service in November 2009

OUR VISION

To be a Premier World Class
Infocom Services Provider

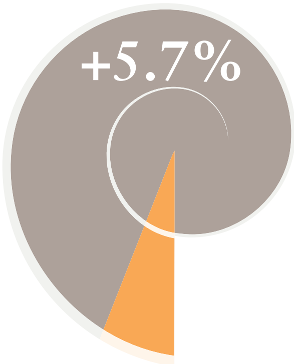
OUR CORE VALUES

Innovation & Creativity,
Quality, Professionalism,
Customer Service,
Competitiveness

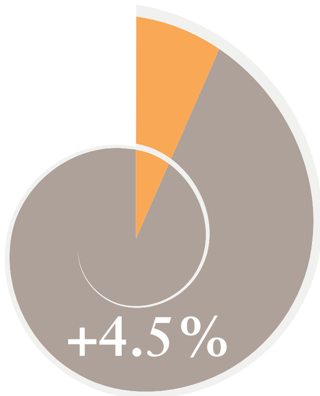
CONTENTS

FINANCIAL HIGHLIGHTS

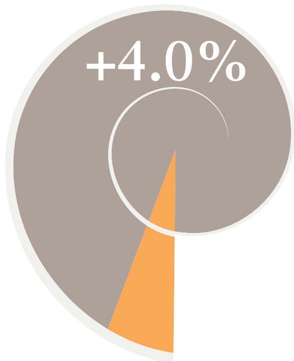
for the year ended 31 December 2011



Growth 2010-2011
Group Operating Revenue



Growth 2010-2011
Profit from Operations



Growth 2010-2011
Profit before Tax

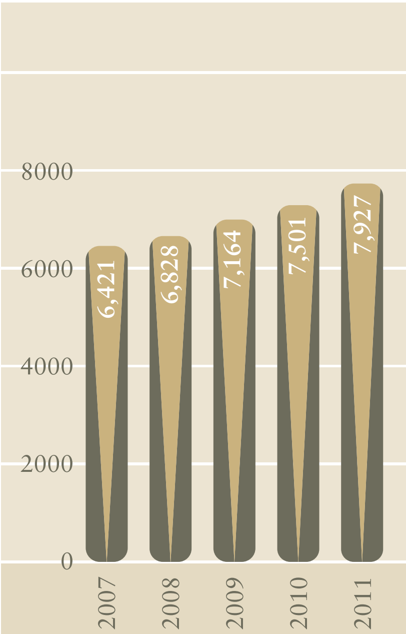
Key Results for 2011 compared with year 2010

- **Operating revenue for the Group** progressed by 5.7% during the year, nearing the Rs7.9 billion mark.
- **Group Profit from Operations** which was at Rs2.3 billion, grew by 4.5%.
- **Profit before Tax** increased by 4.0% to reach Rs2.5 billion.
- **Profit for the year** which stood at Rs1.8 billion, grew by 8.8%.
- **Group Capital Expenditure** has been maintained at Rs1.5 billion, that is 19.5% of operating revenue.
- **Earnings per share** which was at Rs9.77, increased by 8.8%.
- **Return on net assets** was at 21.1% compared to 22.2% in 2010.
- **Return on equity** is in line with last year, at 20%.

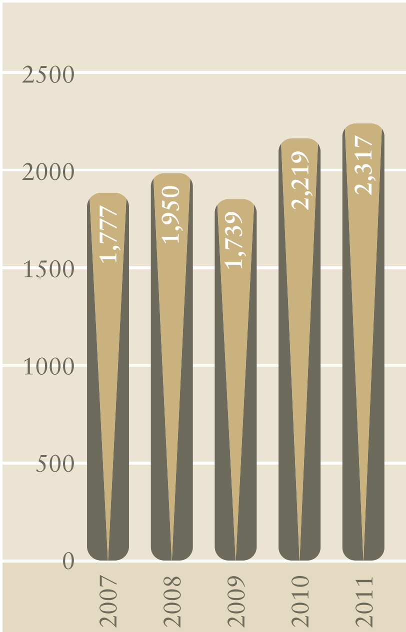
FINANCIAL HIGHLIGHTS *[CONT'D]*

for the year ended 31 December 2011

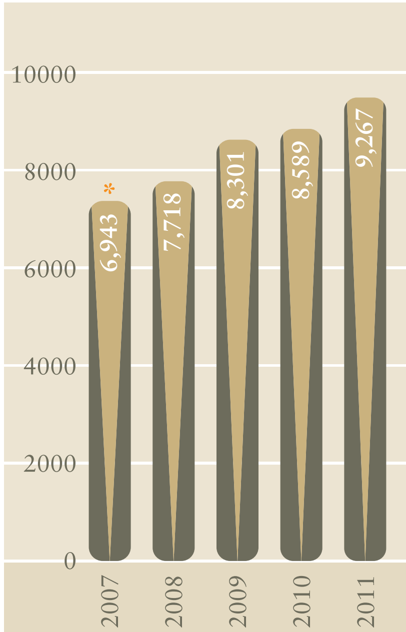
Evolution Consolidated Revenues (Rs M)



Evolution in Group Profit from Operations (Rs M)



Evolution in Consolidated Shareholder's Equity (Rs M)



**special dividend distribution of Rs3 billion in 2007*

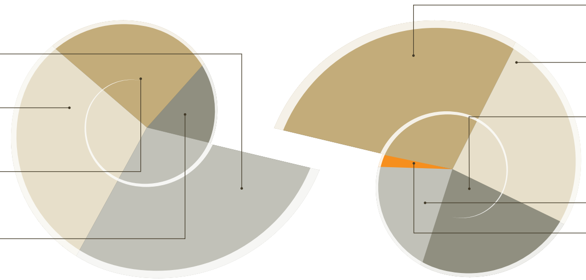
Financial Key Figures For The Group

Income Statement	2011 (MILLION RS)	2010 (MILLION RS)
Operating Revenue	7,895	7,468
Profit Before Tax	2,550	2,452
Profit After Tax	1,856	1,706
Earnings Per Share (Rs)	9.77	8.98
Balance Sheet		
Total Assets	16,028	15,020
Total Liabilities	6,761	6,431
Debt Interest Bearing	36	77
Shareholders' funds	9,267	8,589
Net asset Value per share (Rs)	48.78	45.21

FINANCIAL HIGHLIGHTS *[CONT'D]*

for the year ended 31 December 2011

Value added statement



Value Added Statement for year ended 31 December 2011

	THE GROUP		THE COMPANY	
	Rs 'm	%	Rs 'm	%
Revenue	7,895		4,725	
Value Added Tax	1,079		641	
Total revenue	8,974		5,366	
Payment to suppliers of goods and services	-2,491		-1,966	
Value added by operations	6,483		3,400	
Investment and other income	245		1,775	
Total Value created during the year	6,728	100%	5,175	100%
Employees				
Salaries, wages and benefits	1,657	25%	1,515	29%
Government				
Taxes, levy, USF, CSR, licences, leases, social security charges	1,982	29%	1,074	21%
Company (re-invested to maintain / develop operations)				
Depreciation/ amortisation and retained earnings to be re-invested	1,916	28%	1,274	25%
Providers of capital				
Dividends	1,170	17%	1,170	23%
Other providers of capital				
Interest expenses	3	0.0%	142	2.7%
Total value distributed during the year	6,728	100%	5,175	100%

Certificate by Company Secretary

Certificate by Secretary required under 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 2011.

P.C. Colimalay
Company Secretary

29 March 2012

The joyful get-together
of people from all walks of life
~ we make sure it takes place ~

connect

feelings

communicate

love

All the time, people are feeling the need to get closer: to share their emotions; to learn, to have fun; for business or for leisure. Today, not a second goes without thousands of spoken, written and audiovisual messages bridging people across our land and abroad. With over 714,000 GSM mobile and 117,000 broadband subscribers in 2011, not to mention landline subscribers, Mauritius Telecom endows Mauritians with the freedom to be together virtually, as and when they want.

CORPORATE PROFILE

Mauritius Telecom (MT) is the leading telecommunications operator and service provider in Mauritius. Incorporated in 1988 as Mauritius Telecommunications Services (MTS), it acquired the assets of Overseas Telecommunications Services (OTS) in 1992 and became Mauritius Telecom. The company has since enjoyed a phenomenal rate of development and it is now one of the top enterprises in the country, with revenue of Rs7.9 billion in 2011.

The company, which is ISO 9001:2008 certified, operates in accordance with the requirements of good corporate governance practices, 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 1,600 employees to enhance their skills to better serve its customers.

Shareholding

The Government of Mauritius, the State Bank of Mauritius (through its wholly owned subsidiary SBM Investments Managers Ltd) and the National Pensions Fund hold 59% of the shares in the company. 1% of Mauritius Telecom shares were sold to eligible employees and pensioners in 2007 at a discounted rate under an Employee Share Participation Scheme. The remaining 40% are held by France Telecom, through its investment vehicle RIMCOM.

Investment in other entities

Mauritius Telecom has a regional presence through its investments in Orange Madagascar. MT has acquired a 50% share in Vanuatu Telecom Ltd through its investment vehicle, Mauritius Telecom International Ventures, set up in 2011.

Products & services

Mauritius Telecom provides a full spectrum of voice and data services using fixed, mobile and internet platforms. MT additionally offers convergent services through My.T, its Multiplay-IPTV service. Internet and TV services are provided for mobile users. MT also provides call centre and directory services. 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. FTTC, GPON, ADSL, SHDSL are the technologies we are investing in, while offering TelePresence and Cloud Computing solutions.

Customers

By the end of December 2011, 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.

MT continues to improve broadband access through lower tariffs for both business and residential customers, as part of MT's commitment to aligning its strategy with that of the Government's vision of Broadband Mauritius. Indeed, to make ICT available and affordable to as many people as possible in Mauritius, the Company launched the NetPC in June 2008.

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

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). In 2011, MT's Network Operations Centre (NOC) relocated to state-of-the-art premises in Orange Tower at Ebène.

As the provider of international bandwidth services, Mauritius Telecom continuously 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 upon an advanced globally interconnected infrastructure, linked by submarine fibre-optic cables as well as satellite. The company, in addition to providing continuous upgrades on these cable systems, is also investing in other submarine fibre-optic cable projects such as the LION, LION 2, the Europe-India Gateway (EIG) and the West Africa Cable System (WACS), all set to enter service in 2012. The two existing cable landing stations at Baie Jacotet and Le Goulet and the investment in cable projects allow Mauritius to further increase the reliability, resiliency and bandwidth capacity of its international connectivity.

CSR

Mauritius Telecom fully engages in its Corporate Social Responsibility (CSR) role and, through the Mauritius Telecom Foundation (MTF), is actively participating 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. The national campaign, *Je recycle les mobiles et les piles*, launched in 2010, has resulted in the collection of five tons of used batteries and over 2,000 mobile phones, with a first shipment to France for recycling in February 2012. Since the setting up of the MTF, 22% of CSR funds have been allocated to projects which facilitate ICT education and access to vulnerable groups.

Risk management

In terms of risk management, the Group has developed incident management plans for increased preparedness in such situations as vandalism, and tsunami, fire and bomb alerts. In this context, Business Continuity Plans have been prepared by the various departments within the Group. Moreover, MT has been allocated 40 Work Area Recovery seats by Business Continuity Mauritius. The objective is to be able to ensure service continuity to customers in incident situations. In fact, Business Continuity Mauritius is a subsidiary company of MT which also provides disaster recovery services to other companies.

BOARD OF DIRECTORS

APPALSAMY THOMAS, G.O.S.K. holds a Diploma in Personnel Management, a Diploma in Psychology, 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, where he worked 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 and Group Head of Marketing and Communications 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 since 2009.

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 (G.O.S.K.) for his outstanding contribution in the field of aviation and human resource development.

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

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

He joined France Telecom's International Division in October 2007 as Senior Vice-President in charge of operations in East Africa, Indian Ocean and Pacific. He has been Chairman of Orange Ouganda Limited since October 2008.

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

BOARD OF DIRECTORS *[CONT'D]*

Dheerendra Kumar DABEE , G.O.S.K., SC 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 Air Mauritius Ltd, SBM Ltd and SICOM Financial Services Ltd. He is also a member of the Commonwealth Secretariat Arbitral Tribunal. 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 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. On the occasion of the National Day in March 2012, the award of Grand Officer of the Order of the Star and Key of the Indian Ocean (G.O.S.K.) for long and distinguished service in the public service and the legal field was conferred on Mr Dabee.

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 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).

BOARD OF DIRECTORS *[CONT'D]*


(to 29 April 2011)

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


(from 29 April 2011)

Gérard RIES is currently Senior Vice President International Operations of France Telecom Orange, with a corporate general overview over all the activities of the Group worldwide. In this capacity, he has been appointed member of the Board in several international fixed-line, mobile and internet subsidiaries/minority stakes of France Telecom Orange.

Before joining the Company in October 2010, Mr Ries acted as Senior Vice President at FCC (a Spanish Construction Group based in Madrid) for 4 years, responsible for the strategy and development. His previous experience also includes 15 years with the French Group Vivendi (1991-2005), of which 6 years (2000-2005) serving as Senior Vice President Development Telecom.

He started his career with the U.S. Group Dresser Industries Inc. where he held various financial and controlling positions for 12 years. Mr Ries (57 years old) is a graduate from Ecole Polytechnique Paris and holds a MBA from Institut Supérieur des Affaires (Jouy en Josas) and Keio Business School (Tokyo).

BOARD OF DIRECTORS *[CONT'D]*

Vivek BADRINATH 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 both 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 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 the Ministry of Information and Communication Technology.

BOARD OF DIRECTORS *[CONT'D]*

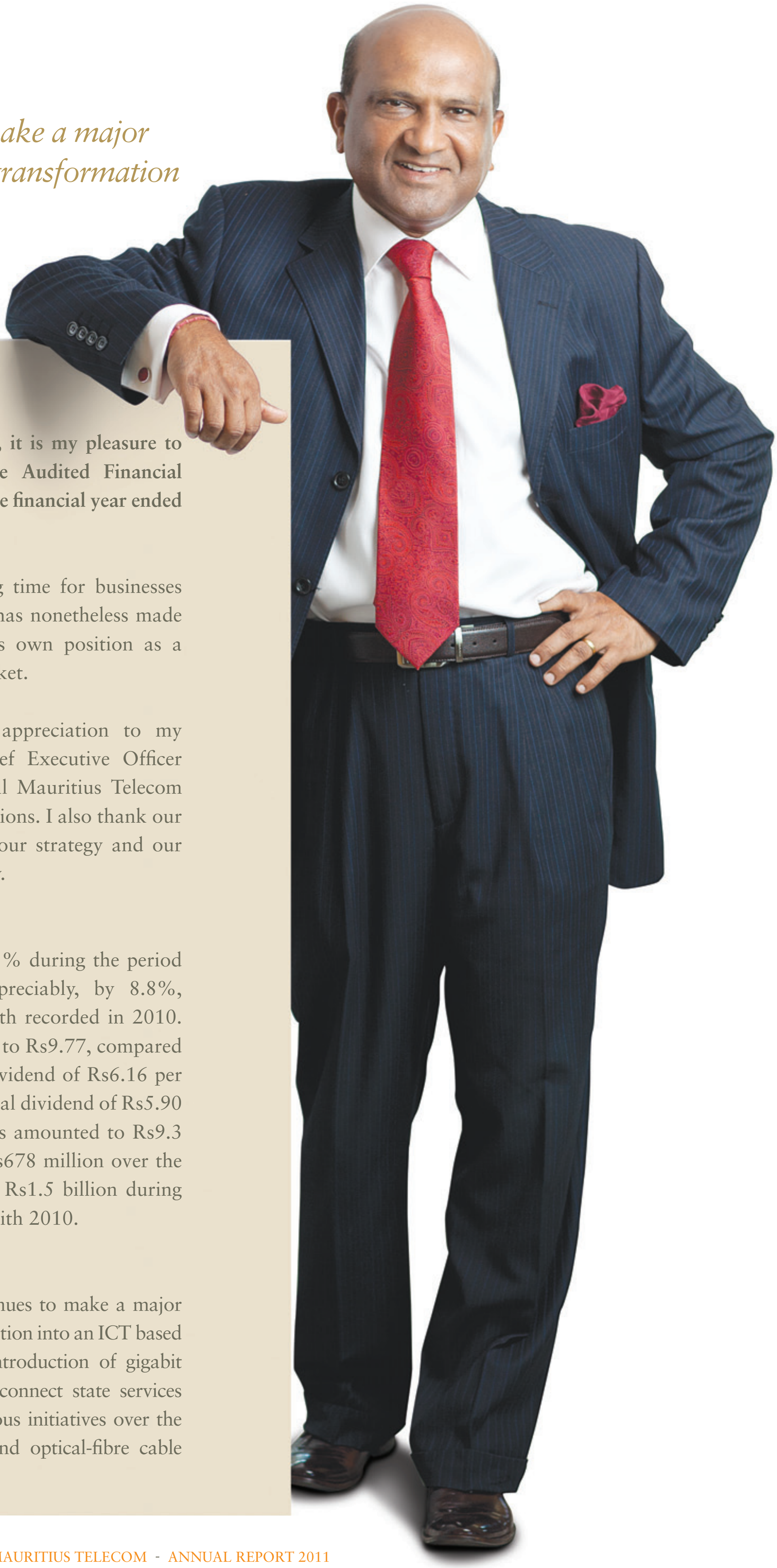
Suresh Chundre SEEBALLUCK, G.O.S.K. is a graduate in Economics from the University of Delhi, a holder of a diploma in Public Administration from the University of Mauritius, a Diploma in Development Administration and Management from Jawaharlal Nehru University in India and another Diploma in Public Management from the Institution of Public Administration in Quebec. He has served in various ministries, including the Ministry of Finance, the Ministry of Housing and Lands, 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 currently the Secretary to Cabinet and Head of the Civil Service. He is also a Director of Air Mauritius and the State Investment Corporation and is the Chairperson of the Mauritius Oceanography Institute.

Mr Suresh Seeballuck has been awarded Distinction of Grand Officer of the Order of the Star and Key of the Indian Ocean (G.O.S.K) in 2010.

COMPANY SECRETARY - 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.

CHAIRMAN'S STATEMENT

The Company continues to make a major contribution to the country's transformation into an ICT based economy



On behalf of the Board of Directors, it is my pleasure to submit the Annual Report and the Audited Financial Statement of Mauritius Telecom for the financial year ended 31 December 2011.

Despite what has been a challenging time for businesses throughout the world, the company has nonetheless made significant progress in reinforcing its own position as a leader in the telecommunications market.

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

Financial review

The Group's gross profit grew by 4.1% during the period under review. Net profit grew appreciably, by 8.8%, after the unprecedented 16.1% growth recorded in 2010. Earnings per share for the period rose to Rs9.77, compared to Rs8.98 in 2010, and an interim dividend of Rs6.16 per share has been paid, compared to a total dividend of Rs5.90 per share in 2010. Capital & reserves amounted to Rs9.3 billion, representing an increase of Rs678 million over the previous year. Capital investment, at Rs1.5 billion during the period under review, was in line with 2010.

Enabler of ICT development

We are proud that the company continues to make a major contribution to the country's transformation into an ICT based economy. A typical example is the introduction of gigabit passive optical networks (GPON) to connect state services for e-government purposes. MT's various initiatives over the years in fixed-line, internet, mobile and optical-fibre cable investments and network modernisation have assisted the country to progress with the Broadband Mauritius project.

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, professionalism and ethics are practised throughout the organisation. Our strategies comply with good corporate governance practices, provide for fair working conditions and offer secure products and services.

Corporate social responsibility (CSR)

Outside the business arena, MT's corporate responsibility programme took a forward leap last year with the prolonged success of its recycling project, *Je recycle les mobiles et les piles*. It also provided significant support to sport projects such as the preparation of local athletes for the Indian Ocean Island Games and in facilitating the access of those from less privileged backgrounds to ICT facilities.

Employee development

In 2011, about Rs50 million were spent on staff development. Each employee spent an average of 25 hours during the year on training or learning, with more than 60 training modules made available on the e-learning platform. Management cadres were able to continue to take advantage of intensive training opportunities at the Orange Campus, the FT-Orange management development school in France.

Sector outlook and strategy

In line with the strategy announced in my previous year's statement regarding infrastructure sharing, I have been particularly pleased with the agreement concluded in 2011 with a competing operator for sharing of telecommunication towers. This is a landmark initiative and will benefit both operators in terms of cost savings and in terms of extending coverage.

One of the key objectives in MT's Strategic Plan for 2011-2015 is to further its growth and create new revenue streams through acquisitions in the telecommunications' field. For this purpose, in 2011 MT created a Business Development Entity, which has already successfully reached an agreement for a 50% equity stake in Vanuatu Telecom Ltd. Other potential agreements are expected to be concluded with other Telecom entities within and outside the region.

For the next 3 years Mauritius Telecom is planning important investments in the transformation of its network infrastructure. MT will bring Fibre to the Home to our citizens and will introduce the "black swan" in mobile technology that is Long Term Evolution (LTE), commonly referred to as 4G. The deployment of "Fibre Everywhere" for fixed services and evolution to LTE for mobile services, will bring a range of innovative services to our customers including Ultra-High definition TV, Home Videoconferencing, more Cloud Based computing, increased teleworking, telemedicine, digital classroom and home automated services.

Board membership

I express my gratitude to Marc Rennard, who retired after a seven-year term on the board of Mauritius Telecom. His objective contribution and sound advice were instrumental to the company's continued progress. In turn the Board has the pleasure of welcoming Gérard Ries of France Telecom who has an impressive experience in the telecommunications sector. I look forward to working with him for the long-term benefit of the company.

Conclusion

The prolonged period of global financial uncertainty will certainly affect our business even more in 2012. We need to continue to capitalise on the opportunities that the prevailing world economic situation will nevertheless provide. I am confident that, with the commitment and motivation demonstrated by all of us in recent years, our strategy should continue to generate growth for our shareholders in the years ahead.

Appalsamy Thomas, G.O.S.K.
Chairman of the Board of Directors

June 2012

CHIEF EXECUTIVE OFFICER'S REVIEW

We continued to pursue our efforts to facilitate ICT development in the country and to pave the way for Broadband Mauritius.

The Mauritius Telecom Group continued to grow in 2011, despite the prevailing global economic difficulties and uncertainty.

The company was able to report overall operating revenue of Rs7.9 billion, which represents an increase of Rs426 million over 2010.

The mobile segment maintained its growth and was again the Group's most important revenue segment, with operating revenue of Rs3.5 billion. This represented a growth rate of 4.3% over 2010. Revenue from the internet segment also grew, from Rs673 million to Rs766 million, an increase of 13.82%. Gross profit increased by Rs40.3 million, while net profit after tax increased by Rs29.3 million.

Performance of subsidiaries

The subsidiaries performed well with CSL achieving the highest growth rate of 25.2%, as compared to 6% in 2010. The year under review turned out to be a very eventful year for this subsidiary as, apart from its remarkable performance, the company was rebranded from Call services Ltd to CSL. It also relocated from Cassis to Ebène, welcomed a new general manager and developed a new strategy targeting the international market.

Telecom Plus recorded a growth rate of 13.82% which, although less than in 2010, still reflected the continued success of the broadband promotion strategy. In fact, broadband (including My.T) subscribers increased by 23,300 during the year, compared to 21,400 in 2010. Cellplus Mobile Communications' revenue grew by 4.3% and the number of its subscribers increased by 35,000, as compared to 2010. Meanwhile, revenue from Teleservices grew by 2.9%.

Fifteen years of innovation

One of the major highlight of 2011 was the celebration of the 15th anniversary of the introduction of mobile GSM and internet services in Mauritius. It was an opportune moment to remind people, including the business community, of the complete transformation that the launch of these services has had on the way we communicate, learn, work and derive entertainment. It has also had a tremendous economic and social impact.

The Orange brand, with its slogan of "Today changes with Orange", continued to attract people through further innovative offers and successful events like the Orange Expo and Orange Marathon & Fun Run. A new competition, Orange Street Dance, met with a very good response and allowed talented youngsters from different parts of the country to express themselves. Brand development continued, with the rebranding of more shops as well as the opening of two new ones in the Bagatelle and Cascavelle shopping centres, raising the total number of Orange shops to 18.

Networks

In 2011 we continued to pursue our efforts to facilitate ICT development in the country and to pave the way for Broadband Mauritius. The major event for our network operations was the relocation of the Network Operations Centre (NOC) from Cassis to state-of-the-art premises in Orange Tower in Ebène. The NOC's new location has the strategic advantage of being close to many major businesses and ICT companies in the area.

The investment in such technologies as FTTC, GPON, ADSL, and SHDSL was pursued in 2011 to increase the range of bandwidth options and innovative offers that MT can offer customers. The GPON network was further expanded in 2011 to give fibre connection to more government offices. Fibre connectivity was also provided to the shopping mall projects at Cascavelle and Bagatelle and the Dynamic Line Management (DLM) project, which begun in 2010, was completed.

The demand for international bandwidth increased from 3 to 10 Gbps between January and December 2011. To meet this, MT continued its focus on cable projects. The Europe India Gateway (EIG) network was completed in 2011. The second phase of the LION cable project, for interconnection to other cable systems such as TEAMS, EASSy and SEACOM, progressed in 2011. Meanwhile, the installation of the WACS cable system was begun in 2011. EIG, LION 2 and WACS are all set to enter service in 2012.

IP Core network resiliency was enhanced and the network upgraded from 10 to 20 Gbps to cope with expected traffic growth. The capacity between Mauritius and Rodrigues was further increased to cater for increasing demand for internet service in Rodrigues.

The mobile network was upgraded and 3G network coverage was increased. To further improve the quality of the mobile network service, a new Service Manager tool was introduced during the year. 2011 also saw a new spirit of collaboration between competing operators. Mauritius Telecom and Emtel signed an agreement for the co-sharing of telecommunication towers to limit the proliferation of towers for both environmental reasons and also to extend respective network coverage.

Moreover, to support open-access policies, capacity on the SAFE and LION cables was sold during the year to other telecom operators.

Business development

In seeking opportunities outside Mauritius, to market MT's telecommunications know-how and to invest in ventures offering interesting prospects, in 2011 the Group set up an investment vehicle, MT International Ventures Ltd (MTIV). In the course of the year, MTIV acquired a 50% share in Vanuatu Telecom Ltd. Other such opportunities are now being explored in various regions, including Africa and the Indian Ocean.

Tariffs

The company continued to promote broadband access and its other services through tariff reductions. In January, MT lowered international private leased circuit (IPLC) and internet protocol virtual private network (IP VPN) tariffs by an average of 20%. Reductions of 8% in mobile tariffs for calls from Orange to other operators followed in July and fixed-line to mobile tariffs were reduced by 17% in September. Moreover, My.T rates were reduced by 17% and broadband charges by up to 13% in November, while internet costs for SMEs were dropped by up to 51%.

People management

In 2011, in addition to the implementation of the Performance Management (PMS) and the Annual Salary Progression (ASP) systems, the key modules of the Human Resources Management System (HRMS) became fully operational. MT also embarked on a review of pay, grading structures and conditions of employment for the 2012-2016 period.

Risk management

The company moved further ahead in strengthening its Business Continuity (BC) measures. In line with the requirements of its Business Continuity Plans (BCP), MT successfully carried out an unannounced test to evaluate the capability of the company to respond to a denial of access exercise to Telecom tower, its main operations centre.

The test results translated the progress achieved by the company in ensuring business resilience. We also strengthened our physical security, with CCTV deployment and remote monitoring, and our information security, through the revisiting of our maintenance, system enhancement and confidentiality policies as well as with continued monitoring.

Corporate social responsibility

MT provided the Mauritius Telecom Foundation with Rs45 million in 2011. The Foundation supported major national projects promoting social integration, economic empowerment and poverty alleviation. The key initiatives for the year included support to community ICT, educational, sporting and environmental projects. More than 250,000 people have benefitted directly or indirectly from the funding of 34 projects. The 135 Computer Clubs launched by the National Computer Board have been funded by MTF. The *Je recycle les mobiles et les piles* initiative attracted widespread support, resulting in the collection of five tons of batteries and 2,300 mobile phones. Since the setting up of the MTF, by the end of 2011 Rs22 million of CSR funds have been allocated to ICT projects.

Green activities

The Group continued its internal campaign to reduce paper usage, energy consumption and carbon emissions, with more than ten tons of papers sent for recycling and new power-saving features being tested on equipment. To further reinforce the commitment of the Group and its employees, MT launched a Green Policy and the "Green Pledge". 600 employees committed themselves to the pledge, while all staff were encouraged to "go green" at home and at work.

Recognition

The Group was the recipient of several awards during the year, including the Brand Leadership Award at the Africa-India Partnership Summit, Best Voice Operator in Southern and Eastern Africa at the 7th edition of the Africa Telecom Event in Abidjan and, the Innovation award at the ITN Awards 2011 for the Emerginov project. The Group also received 11 awards at the HR Excellence Awards organised by the Human Resource Development Council and the *Je recycle les mobiles et les piles* initiative was a prize-winner at the Green Awards Mauritius and Indian Ocean Region (GAM) 2011.

Outlook

Looking ahead, MT will continue to focus on broadband internet penetration, in line with the Government's vision for Broadband Mauritius.

In fact, we have already set the pace in the first four months of 2012 with the launch, at Bagatelle Mall, of the Orange Concept Store, a completely new customer experience in the region. In the same period, we also launched Orange Money and *Les Rendez-vous Orange*, with focus on innovations for customers.

In 2012, MT intends to launch a series of new cloud-based services and will continue to equip government premises with GPON connectivity, accelerate fibre-optic deployment to the business community and offer enhanced managed services via the Service Management Centre (SMC) at Ebène Tower.

Three optical-fibre cable projects (EIG, LION 2 and WACS) will be operational in the course of 2012, to further reinforce international connectivity resilience.

CSL is set to transform itself from a call centre to a multi-channel contact centre and BPO company so that it can also serve the international BPO market, with the objective of becoming the Mauritian BPO market leader by 2015.

On the personnel side, the new collective agreement on pay, grading structures and conditions of employment is scheduled for application from July 2012.

After MT's good performance of 2011 we look forward to crossing the Rs8 billion operating revenue threshold in 2012.

Sarat Dutt Lallah
Chief Executive Officer

June 2012

The fruitful partnership among
businesses from all fields of activity
~ we make sure it grows ~

results

efficiency

edge

speed

At no point in time has the invaluable role of the communications sector to economic growth and productivity been as much emphasized. Within the global village concept, where geographical barriers are invisible, business competitiveness hinges on the ability to act and react in next to no time. Mauritius Telecom empowers local organisations with a full range of state-of-the-art technologies to facilitate fast decision making through real time communication. The considerable investment in high-speed broadband infrastructure, fibre cable projects and dedicated services and solutions bear witness to the commitment of Mauritius Telecom to the prosperity of the Mauritian business community.

STRATEGIC EXECUTIVE COMMITTEE

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.

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 (September 2006 – 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 holds a Bachelor's degree in Electronics Engineering and is registered with the Council of Registered Professional Engineers (Mauritius). He joined the telecommunications sector in 1984 and has acquired experience in both international and national operations. He has participated in several international courses, workshops and forums in the fields of telecommunications technology and management. He holds various diplomas in these subjects from different institutions including TEMIC (Canada) and OPMAN (Sweden), as well as the ITU.

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

STRATEGIC EXECUTIVE COMMITTEE *[CONT'D]*


(to 31 August 2011)

Cyprien MATEOS was the Chief Financial Officer of Mauritius Telecom up to 31 August 2011. 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.


(from 01 September 2011)

Louis CELIER was appointed Chief Financial Officer of Mauritius Telecom on 1 September 2011. He was Financial Director of Orange Madagascar before joining Mauritius Telecom.

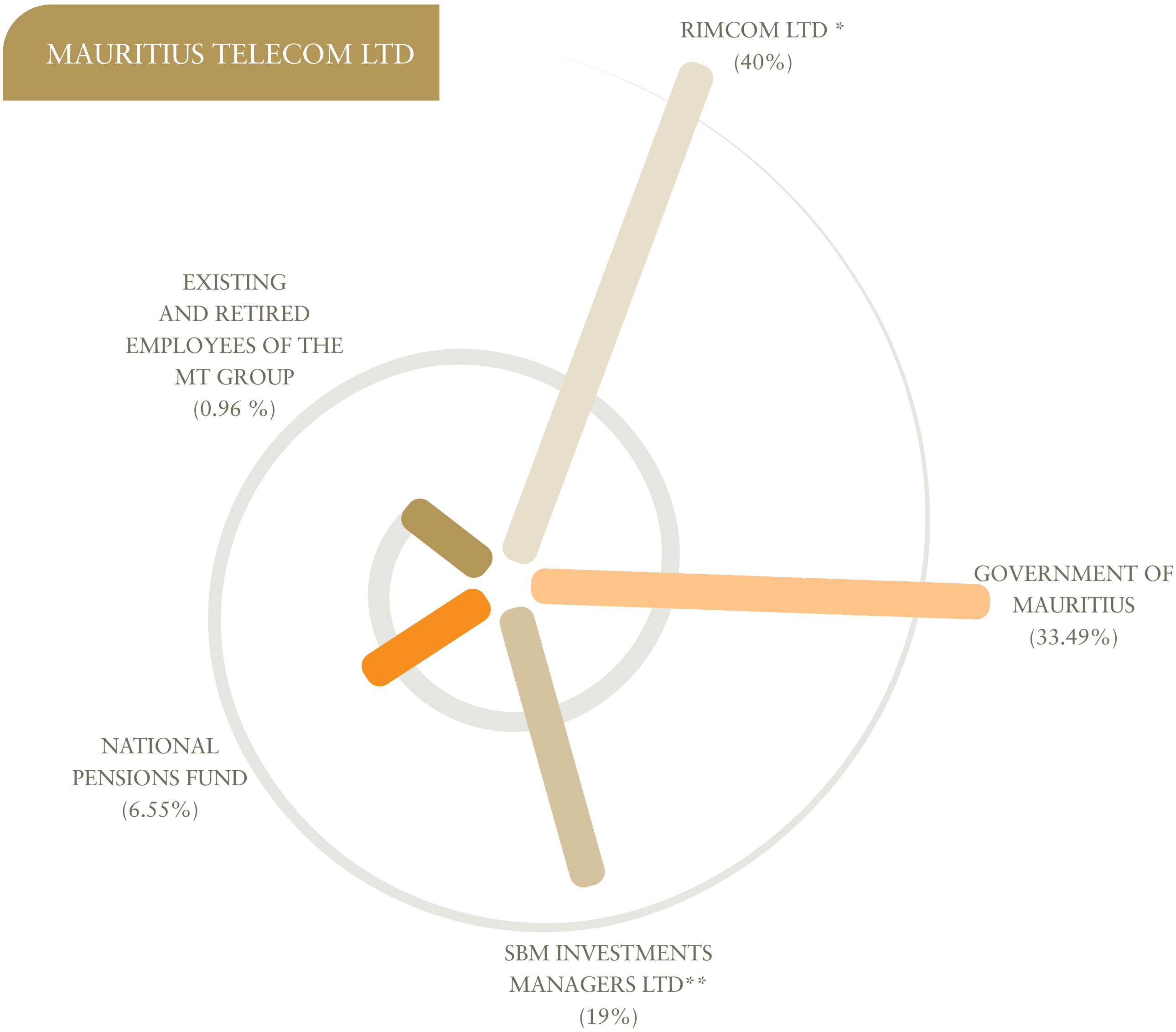
Louis Celier graduated from the School of Commerce in France in 1994. He started his career as Financial Controller in BTP of Bouygues Group for five years. He joined the France Telecom Group in year 2000 at Pages Jaunes for the financial follow up of internet activity and was involved with the introduction of Pages Jaunes at the stock exchange. In 2005 he shouldered the responsibility of Director of Mission at the Audit and Risk Management Direction of France Telecom-Orange Group. In May 2008 he was promoted Financial Director of Orange Madagascar, subsidiary of Mauritius Telecom. He has also participated in humanitarian missions with the Orange Foundation in Rumania, Burkina, Kenya and Madagascar.

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

CORPORATE GOVERNANCE

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

Holding structure



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

*** Note: On 12 December 2011, in the course of an internal re-organisation further to the requirements of the Bank of Mauritius, the sector regulator, State Bank of Mauritius Ltd transferred all of its shares held in Mauritius Telecom to SBM Investments Managers Ltd, a wholly owned subsidiary of the State Bank of Mauritius Ltd.*

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

Board of Directors

The detailed composition of the Board of Directors can be found at pages 13 to 17 of the Annual Report, together with a profile of each director. The profiles also include details of other directorships of each Board member, where applicable.

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

The Chairman heads the Board of Directors which is composed of nine members. The Government of Mauritius nominates five directors for appointment and Rimcom Ltd nominates 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 investments budgets, and any other capital expenses.

The Board is responsible for the monitoring of the Company's internal control mechanisms and its management information systems. To ensure their proper and effective implementation, the Company has separate Risk Management, Audit and Remuneration committees.

Senior management

The profiles of members of Senior Management can be found on pages 25 and 26.

Company secretary

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

Related-party transactions

Related-party transactions are disclosed in note 33 to 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 agreements

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

Share-option plans

The company has no share-option plans.

Remuneration of directors

On the grounds of commercial sensitivity and confidentiality requirements, remuneration of directors is not disclosed individually.

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

Remuneration policy

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

Board committees

The following Board Committees operate:

Remuneration committee

In Year 2011, the Remuneration Committee was composed of the following Board members:

- A. Thomas, G.O.S.K. - Chairman
- M. Barré
- D. K. Dabee, G.O.S.K.
- S. C. Seeballuck, G.O.S.K. (to 16 June 2011)
- S. K. Pather (from 17 June 2011)
- M. Rennard (to 29 April 2011)
- G. Ries (from 29 April 2011)

The Remuneration committee reviews all aspects of the terms and conditions of service of managerial and non-managerial staff. 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 possibility of excellent reward for excellent performance.

The Remuneration committee also reviews the remuneration of directors.

The following are part of the Remuneration Committee's terms of reference:

- To examine reward packages as a whole, with a view to ensuring overall competitiveness
- To maintain an effective system of job evaluation so as to ensure that the grade structure is maintained at Management level
- To deal with selection, appointment and appraisal of Senior Management including approval of service contracts and performance objectives.

Audit committee

As at 31 December 2011, the Audit Committee was composed of the following Board members:

- C. Eouzan – Chairman
- A. Mansoor
- M. Barré
- S. K. Pather

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:

- To review the company's financial statements and other financial documents to be submitted for Board approval
- To review the financial reporting process to ensure compliance with accounting standards and relevant legislation
- To review the company's internal audit function and its relationship with external auditors, ensure that internal control procedures are in place and assess their adequacy and effectiveness
- To ensure 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
- To make 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. Corporate governance duties are discharged by the Audit Committee.

Risk management committee

At 31 December 2011, the Risk committee was composed of the following Board members:

- C. Eouzan – Chairman
- A. Mansoor
- M. Barré
- S. K. Pather

The Risk management committee:

- Reviews and approves risk policy on an annual basis
- Establishes the systematic and continuous identification, evaluation, measurement and mitigation practices of operational risks as they pertain to the Group
- Defines and approves clear risk-management practices and prudential limits, and its strategy covering risk management philosophy and responsibilities throughout the Group
- Reduces and mitigates identified risks to an acceptable level or considers their transfer
- 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

To promote the adequacy and effectiveness of internal controls within the Group, the following mechanisms are used to ensure 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 Group's major activities. He investigates and examines the effectiveness of the use of Company resources and compliance with established and new policies, and 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 through the Mauritius Telecom Foundation, which implements CSR projects on behalf of the Group in consultation with the CSR committee of the Government of Mauritius.

Mauritius Telecom Foundation actively participates in funding major national projects promoting social integration, economic empowerment and poverty alleviation. Other CSR initiatives include support to community projects in the fields of ICT, socio economic development, social housing, education, health, leisure & sports and environment.

Health and safety

Mauritius Telecom complies with the requirements of health and safety legislation. Related Company activities, including internal awareness campaigns, are detailed in this Report's Human Resources section.

Annual shareholder meetings

The Company is not currently listed. It therefore does not set the advance timetables for reporting and for the meetings required under the rules for listed companies.

A formal annual general meeting of shareholders is held every year. Advance notice, in line with the provisions of the Companies Act, is issued to directors and all shareholders.

Donations

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

On behalf of the Board of Directors

P. C. Colimalay
Company Secretary

29 March 2012

BOARD AND BOARD COMMITTEE ATTENDANCE DURING 2011

The table below details the record of attendance at Board and Committee meetings during the 2011 Financial Year.

	BOARD OF DIRECTORS	REMUNERATION COMMITTEE	AUDIT COMMITTEE	RISK MANAGEMENT COMMITTEE
NO OF MEETINGS HELD	5	4	5	1
Directors				
A. Thomas, G.O.S.K. (Chairman)	5	4	n/a	n/a
S. C. Seeballuck, G.O.S.K.	3	-	n/a	n/a
A Mansoor	2 in person + 1 by alternate	n/a	1	-
D. K. Dabee, G.O.S.K.	4	3	n/a	n/a
S. K. Pather	5	3	5	1
M. Rennard (to 29 April 2011)	2 by alternate	1 by alternate	n/a	n/a
M. Barré	5	4	5	1
C. Eouzan	4 in person +1 by alternate	n/a	5	1
V. Badrinath	2 in person + 3 by alternate	n/a	n/a	n/a
G. Ries (from 29 April 2011)	2 in person +1 by alternate	2 in person + 1 by alternate	n/a	n/a

n/a: Not applicable - where the Director is not a member of the committee

The sharing of knowledge
enriching our promise to serve
~ we make sure it is nurtured ~

exchange

learn

experience

service

Sparing time to ensure the regular training of our people speaks of our commitment to total customer satisfaction. Our management team has access to prestigious international training institutions like Orange University to sharpen their skills, broaden their exposure and update themselves on the latest in the ICT world. In its relentless pursuit to lead the way in its field, Mauritius Telecom brings together the strengths of marketing and engineering experts to guide strategic development.

DIRECTOR'S ANNUAL REPORT

The Directors are pleased to present the annual report and audited Financial Statements of the company and of the Group for the year ended 31 December 2011.

Nature of business

The Group's main activity is the provision of telecommunication services. Mauritius Telecom provides fixed telecommunication services, products and related services.

The main activities of its subsidiaries, all wholly owned by Mauritius Telecom, 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 (Mauritius) Ltd is engaged in the publication of directories and media-planning services
- Call Services Ltd provides call-centre services which include directory enquiry and Customer Relationship Management (CRM) services
- MT Properties Ltd offers property management and syndic services
- Mauritius Telecom Foundation undertakes corporate social responsibility (CSR) activities for the Group
- MT International Ventures Ltd holds MT's investments in other entities.

Results for the year

Group and Company profit after tax, attributable to equity holders, for the financial year was Rs1,856,292,851 (2010: Rs1,705,954,710) and Rs1,558,933,742 (2010: Rs1,525,342,432) respectively.

Earnings per share for the year was Rs9.77 (2010: Rs8.98 per share).

The audited financial statements of the group and company for the year ended 31 December 2011 are annexed.

Boards of Directors

The directors of all boards within the Group are non-executive.

The following held office as directors of companies within the Group during 2011:

Mauritius Telecom Ltd

Messrs

- A. Thomas, G.O.S.K. - Chairman
- S. C. Seeballuck, G.O.S.K.
- A. Mansoor
- D. K. Dabee, G.O.S.K.
- S. K. Pather
- C. Eouzan
- M. Barré
- V. Badrinath
- M. Rennard (to 29 April 2011)
- G. Ries (from 29 April 2011)

Cellplus Mobile Communications Ltd

Messrs

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

Telecom Plus Ltd

Messrs

- S. D. Lallah – Chairman
- D. Utchanah
- J. F. Thomas
- M. Barré
- V. Dosieah (to 28 September 2011)
- R. Basgeet (from 12 December 2011)

Teleservices (Mauritius) Ltd
Messrs
- S. D. Lallah – Chairman
- T. Cowaloosur
- J. F. Thomas

Call Services Ltd
Messrs
- S. D. Lallah – Chairman
- J. F. Thomas
- T. Cowaloosur

MT Properties Ltd
Messrs
- S. D. Lallah – Chairman
- M. Barré
- T. Cowaloosur
- C. Mateos (to 31 August 2011)
- L. Celier (from 1 September 2011)

Mauritius Telecom Foundation
Messrs
- S. D. Lallah – Chairman
- J. F. Thomas

MT International Ventures Ltd
Messrs
- S. D. Lallah – Chairman
- J. F. Thomas
- R. Basgeet
- P. C. Colimalay: Alternate to Mr Lallah

Directors' remuneration
Total remuneration and benefits paid to Board directors by the company during the year are disclosed in note 26 (Director's Emoluments) of the Financial Statements. These include directors' fees and benefits such as, in cases where such benefits are applicable, provision of company car, telecommunication facilities, and allowances. No fees or benefits are paid to directors of MT subsidiary companies.

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

Statement of Directors' 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 consisting of the Group's and the company's balance sheets, income statements, statements of changes in equity and cashflow statements, together with 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 positions for each financial year.

The directors are responsible for the integrity of these annual financial statements and for the objectivity of any other information presented therein.

In preparing the 2011 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
- safeguarded 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
- prepared the financial statements on an-on-going concern basis.

Declaration of Interest

Investment in Telecom Vanuatu Ltd (TVL)

At the 129th and 130th Board of Directors' Meetings held on 28 April 2011 and 23 June 2011, Mr Barré declared his interest as director of TVL and withdrew from all discussions and deliberations on matters relating to investment in TVL.

Internal control

The directors have 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. Systems are in place to provide the directors' with such reasonable assurance.

The systems are designed to ensure that all transactions are authorised, recorded and any material irregularities detected and rectified in a timely manner.

The Group has 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 and which reviews business controls on an on-going basis.

Risk management

The Risk Management Committee ensures that directors are made fully aware of the various risks that may affect Group activities. The directors are responsible for taking appropriate measures to mitigate these risks through policies, procedures and other controls.

Governance

The Code of Corporate Governance has been closely followed (see the Corporate Governance Report).

Dividends

Total dividends of Rs1,170,400,006 were declared and paid during the year (2010: Rs1, 417,400,000).

Dividend paid in 2011 represent an interim dividend of Rs6.16 per share.

DIRECTOR'S ANNUAL REPORT *[CONT'D]*

Donations

The Group made donations of Rs10,000 during the year (2010: Rs75,050) broken down by entities as follows:

	2011 (RS)	2010 (RS)
Mauritius Telecom Ltd	10,000	75,050
	10,000	75,050

No political donations were made during the year.

Auditors

The fees paid to the auditors for audit and other services in the year ending of 31 December 2011 were:

	GROUP		COMPANY	
	2011 (RS)	2010 (RS)	2011 (RS)	2010 (RS)
Audit services	2,441,200	2,100,000	1,500,700	1,500,500

The 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 on the results achieved.

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

A. Thomas, G.O.S.K.
Director

29 March 2012

S. C. Seeballuck, G.O.S.K.
Director

29 March 2012

The spirit of constant discovery
transcending generations
~ we make sure it lives on ~

innovate

fresh

tomorrow

discovery

Moving with the times is a critical feature of Mauritius Telecom's strategy to guarantee service excellence that matches international standards. Innovative products and solutions are spotted in time and brought into the limelight to eventually satisfy the ever-changing needs of our heterogeneous customer base. Through services like IPTV or products like the latest iPhone, we bring the future to our customers today to enhance their business and life experiences.

HIGHLIGHTS 2011

January

- International private leased circuit (IPLC) and Internet protocol virtual private network (IP VPN) tariffs decreased by an average of 20%

- MoU signed between Mauritius Post Ltd and the Mauritius Telecom Foundation (MTF) for the collection of used mobile phones and batteries in 105 Post Office branches in Mauritius, Rodrigues and Agalega

February

- Medical and blood lead-level tests conducted on employees performing soldering work and repairs to mobile handsets

March

- Orange TV offer enriched with the launch of 3 new channels for Orange mobile phones (Headlines Today, MCM Top and Motors TV)

- 8-aside football tournament at the Rose-Hill *(photo 1)*

- Bollywood WAP portal launched

- MoU signed with Espitalier-Noel Ltd to provide telecommunications services for the Bagatelle Mall project *(photo 2)*

- An E-inclusion Foundation programme launched, with the distribution of 200 NetPCs (donated by the Mauritius Telecom Foundation) to less privileged families

- MT Properties acquired a plot of land in the Rose Hill Business Park for the construction of a warehouse

- B&S Tower at Ebène renamed and rebranded to Orange Tower *(photo 3)*


1


2


3

April

- Orange Expo 2011 took place at the Swami Vivekananda International Convention Centre *(photo 4)*
- First Computer Club launched at L'Escalier Social Welfare Centre
- Risk-assessment exercise carried out by Business Continuity & Security at various key MT sites

May

- *Je recycle les mobiles et les piles* campaign launched within the public sector at Sir Harilall Vaghjee Hall, Port Louis
- Cheque for Rs2 million presented to Club Maurice and the Ministry of Youth & Sports for the Indian Ocean Island Games 2011
- A Cyber Caravan, donated by MTF to the National Computer Board, inaugurated at Bois Cheri *(photo 5)*
- Testing of 40 work-area recovery seats completed at the Disaster Recovery site as part of MT's Business Continuity plans

June

- MT received recognition at the second edition of Green Awards Mauritius in the Corporate (Green) Citizenship Endeavours category for the *Je recycle les mobiles et les piles* project *(photo 6)*
- MT's Green Policy and Green Pledge launched on the occasion of World Environment Day
- MT's Network Operations Centre relocated from Cassis to Orange Tower at Ebène *(photo 7)*

July

- Fingerprint access systems introduced in Telecom Tower in Port Louis and Orange Tower in Ebène
- Mobile prepaid tariffs for calls from the Orange network to other operators lowered by 8%

August

8

- MT awarded Best Voice Operator in Southern and Eastern Africa at the 7th edition of the Africa Telecom Event in Abidjan
- Agreement signed with Emtel Ltd for co-sharing of telecommunication towers *(photo 8)*
- MT obtained the Innovation award at the ITN Awards 2011 for the Emerginov project

September

- Fourth presentation ceremony of CSR cheques of MTF amounting to Rs11.8 million to 13 NGOs
- Orange Shop opened at Bagatelle *(photo 9)*
- Orange Street Dance contest organised in different parts of the island and in Rodrigues *(photo 10)*

10

9

October


11

- A Denial of Access to Telecom Tower exercise, as part of Business Continuity management plans, held with officers of the Incident Recovery Team reporting to work at the MT Candos Disaster Recovery Site *(photo 11)*
- MT celebrates 15 years of mobile GSM and internet in Mauritius
- A 50% shareholding in the leading telecommunications operator in Vanuatu, Telecom Vanuatu Ltd, purchased by MT through its investment vehicle, MT International Ventures Ltd

November

- Call Services relocated to Orange Tower, Ebène *(photo 12)*
- SME internet tariffs reduced by up to 51%, My.T tariffs by up to 17% and broadband tariffs by up to 13%
- MT Orange shop at Cascavelle Shopping Village opened
- As part of an energy-saving campaign, 12 remote exchange buildings painted with heat reflective paint
- Cheque presentation ceremony held in Rodrigues, during which the MTF distributed Rs3 million amongst seven NGOs *(photo 13)*
- Technical team from Comores Telecom visited Mauritius in connection with Comores Telecom's planned 3G network deployment
- Cheque for Rs12 million presented to the National Empowerment Foundation for the Prepaid Electricity Service project and Rs1 million to the SSR National Crickets Grounds Trust for the training of 200 youngsters, both projects targeted to assist less privileged groups


13


12

December

- MT received the Brand Leadership Award at the Africa-India Partnership Summit *(photo 14)*
- Call Services rebranded to CSL *(photo 15)*
- Partnership deal signed by Telecom Plus with Walt Disney, adding 80 new VOD titles to the My.T and Sony Pictures packages
- Job portal launched on orange.mu
- MT Group received 12 trophies at the HRDC Excellence Award 2011, including the HR Professional of the Year award presented to the Senior Executive Human Resources *(photo 16)*


16

15


14

The reason for everyone
to believe in a brighter future
~ we make sure it is real ~

support

hope

equality

give

As a Mauritian company, taking time and resources to help the less fortunate across the island remains a priority. The installation of NetPCs in community, youth and women centres by the Mauritius Telecom Foundation makes free Internet accessible to one and all. Several students from poor backgrounds are also among the beneficiaries of this initiative. Besides, the National Computer Board's Cyber Caravans, one of which was financed by Mauritius Telecom Foundation, take the experience of new technologies at the heart of the community, making sure no one is left out.

Commercial

The Commercial Department of Mauritius Telecom consists of the Marketing, Mass Market, Business Market and Wholesale Market Divisions, united by three common objectives: achieving sustainable growth, the "WoW experience" of our customers and putting people at the heart of all their initiatives.

Wholesale & International connectivity

Enabling ICT development

The ICT-sector share of Mauritian GDP was 6.8% in 2011, largely facilitated by MT's support to consolidate the ICT pillar with additional investments in new submarine cable systems. Indeed, enhancing international bandwidth capacity, the lifeblood of the ICT sector, was one of the main elements in MT capital expenditure.

MT spearheaded three key strategies on international bandwidth: Abundance, Affordability and Reliability through Diversity

Abundance

MT increased its bandwidth capacity from 6GBps to 10GBps (+40%) during 2011, the main driver being sales of broadband lines (ADSL and My.T) and the Company's commitment to further improving the customer experience when surfing the net.

Affordability

Given the difficult world economic context, MT's quest to assist Mauritius in retaining its competitive edge in the ITES/ BPO sector, by decreasing its IPLC and IPVPN tariffs by an average of 20% in January 2011, was welcomed by the business community as a positive contribution to fuelling growth and employment in the ITES sector.

Other consumers also benefited from broadband price reductions; MT's bulk IP capacity activation enabled the Company to reduce its own costs and savings were passed on to customers.

Reliability and diversity

With MT's investments in diverse cable systems, such as EIG, WACS and LION in 2011, Mauritius Telecom has laid the foundation for a robust and resilient network towards Europe, Asia and Africa.

Mauritius can now connect to Madagascar on the Eassy and LION cable systems, Reunion on SAFE and LION, and the Comoros on the Eassy cable, consolidating Mauritius' position as a primary hub in the region.

Infrastructure sharing

The growth in 3G mobile data-on-data, boosted by the emergence of smartphones and customer use of social networks, made it urgent to install more base stations. Operators had been finding it more and more complicated to open new sites due to stringent Building and Land Use Permit (BLUP) regulations. MT and its competitors therefore agreed to share their telecommunication towers to mutual benefit, providing advantages to each operator's customers whilst enabling operators to meet environmental norms. Similarly, MT sold capacity on IRU basis on both SAFE and LION to other operators in the spirit of Open Access.

Global multi-protocol label-switching virtual private network service (GMPLS)

MT responded to the request of business customers, with mission critical applications, who wanted a better service level than that provided by existing international bandwidth services. Wholesale Market introduced a global multi-protocol label-switching virtual private network service that addresses their requirements in terms of service availability, automatic protection and scalability at short notice.

Business customers

Through its technical expertise and privileged business relationships with the world's leading suppliers of state-of-the-art telecommunications equipment, the Business Market Division has been instrumental in realising some of the country's most ambitious projects.

MT implemented CCTV projects for Grand Bay and Port Louis, enhancing national security by deploying, through fibre as well as SHDSL links, 337 surveillance cameras which had been donated by the People's Republic of China. The CCTV system was inaugurated in October 2011 by the Prime Minister and the Chinese Ambassador.

The Division also provided the Ministry of ICT and the National Computer Board with the first Gigabit Passive Optical Fibre Network (GPON), for very high speed connection of four key office blocks in Port Louis (Air Mauritius Building, New Government House, Emmanuel

Anquetil Building and Renganaden Seeneevassen Building) where the majority of ministries are housed. This will contribute to e-government initiatives. In addition, 53 of the top 100 companies are now connected on MT's fibre-optic network.

To help bridge the digital divide, MT provided the Ministry of Education with equipment and set up high-speed Wi-Fi hotspots in 27 ZEP schools, which are located in areas with special educational needs.

The Division also won several prestigious contracts in 2011, including the setting up at Bagatelle Mall of Mauritius of an Intelligent Business Centre, unique in the Indian Ocean, based on a converged network (voice, data and video) using fibre-to-the-business (FTTB) technology; IP networking systems for Lux Island Resorts, Sun Resorts and Constance Hotels using fibre technology (single clustering); and the implementation of an innovative Cisco hospitality solution including Wi-Fi for Long Beach Hotel.

Meanwhile, MT was asked to establish a fibre ring network linking the Mauritius Commercial Bank main offices in Sir William Newton, Pailles and St. Jean, in addition to supplying and implementing an innovative Cisco PABX network to link the main offices and branches.

The Company also set up a Public TelePresence room at Telecom Tower and Orange Tower enabling HD-quality video conference with life-size video, and launched its first cloud-technology service based on Microsoft Hosted Exchange in December 2011 for enterprises. Looking ahead, MT intends to build on this by launching a series of new cloud-based services. The Company will also continue the roll out of GPON connectivity to other government premises, accelerate fibre-optic deployment to most business customers and offer them enhanced service-level agreement and managed services via the Service Management Centre (SMC) at Ebène Tower, which operates around the clock.

Service to consumers

The Mass Market Division has focused on what MT has termed the "WoW experience", with the aim of offering customers solutions that exceed their expectations.

Service delivery reached new heights through a number of strategic initiatives centring on the well-being and motivation of its employees, Staff is one of the main assets of a company like MT and the Company pays special attention to the quality of the working environment.

MT seeks to achieve a positive impact when customers walk into any of its 18 MT Orange Shops and, to this end, it revamped existing Orange Shops in Curepipe, Plaine Verte, Rose Hill and Mahebourg. In addition, the Orange Shop in Terre Rouge was relocated to more spacious and comfortable premises.

The Company also extended its retail network in its continuous quest to provide facilities closer to customers. Two new Orange Shops were opened, the first in Bagatelle Mall of Mauritius in September and, two months later, in the Cascavelle Shopping Village.

Moreover, regular seminars and in-house training were held for frontline staff, to continue developing a positive and common mind set for our valued customers.

To optimise the use of resources, MT grouped its Orange Shops into four clusters, a move also designed to strengthen the spirit of working as a team.

Customers visiting MT shops were offered the opportunity of finding out about a number of innovative services, such as the Mobile Multimedia Corner, where they can explore the characteristics of MT's range of smartphones by swiping a touch screen.

The efforts undertaken by the Mass Market Division did not go unrecognised. In October 2011, during the Orange Customer Champions event in which more than 20 countries participated, two of the staff of MT's Mass Market Division emerged with the top awards.

Marketing & Communication

MT's Marketing Division was the driving force behind strategic thinking, the holding of highly successful events and the introduction of innovative products and services.
In pursuit of the "WoW experience", MT has enriched the contents of both My.T and Orange TV to respond to the diversity of users' film and programme interests. MT added 3 new TV channels (Headlines Today, MCM Top and Motors TV) to the existing 15 available through 'Orange TV' on Orange mobile phones, whilst on My.T, the total

number of TV channels was increased to 30. The number of TV channels in the Bollywood package was also extended and Walt Disney cartoons and blockbusters were added to My.T's video-on-demand catalogue.

The Division was also active in bringing to the market the latest in technological innovation, with the launch of the Orange Hosted Exchange, MT's first cloud-computing offer, developed for the business market in partnership with Microsoft. This new service enables companies to outsource the management of their messaging systems to Mauritius Telecom, while reaping the advantages of broader functionality in a tightly secured environment - all MT's servers are hosted in Mauritius.

The cloud offer has made a positive contribution to the development of local enterprises of all sizes, from small home offices and SMEs to conglomerates.

In December of the year under review, MT proudly celebrated the 15th anniversary of the company introducing Internet and Mobile Telephony (GSM) into Mauritius. These two major technologies have deeply and positively changed the way Mauritians communicate, learn and derive entertainment.

MT reduced its broadband tariffs by up to 13% and its My.T offers by as much as 17%, so as to further democratise home broadband internet access. A new package, Orange Découverte was launched, enabling the price-sensitive residential market segment to receive 256 K broadband for only Rs 349 per month, inclusive of VAT. Moreover, to cater for the needs of those households requiring greater speeds and higher download capacity, MT introduced 2 and 4Mbit/s broadband packages in its Orange ADSL portfolio.

Furthermore, to boost mobile internet usage rates, MT also reduced pay-as-you-go tariffs in 2011. Meanwhile, the implementation of a new mobile internet platform has enhanced customer satisfaction on this service.

The Marketing Division has also been instrumental in the organisation of crowd-pulling events aimed at bringing MT into contact with its customers. They all proved popular, increasing the visibility of the Orange brand.

In April, the annual Orange Expo attracted 52 600 visitors to the Swami Vivekananda International Convention Centre, a 15% increase compared to 2010. The main attraction, the Learn Cube, showcased the Digital Classroom of Tomorrow and new, digital ways of learning. The event also gave the opportunity to launch high definition (HD) voice, enabling mobile customers to enjoy sound quality never experienced before in Mauritius, with crystal-clear conversation and a further "WoW experience".

The Division also organised the 4th edition of the Orange International Marathon, as well as the Orange Street Dance, a cultural event acclaimed for uniting the youth of the country through music and dance.

Cellplus Mobile Communications

Cellplus Mobile Communications, the leader in the mobile sector in Mauritius, was set up in 1996, so that 2011 marked the 15th anniversary of GSM mobile services. One of the key milestones in recent years was the rebranding to Orange of the company's products and services in 2008, which has led to many new and innovative offers being made available such as Mobile TV, CRBT and Internet Everywhere.

The company had 714,000 customers as at the end of December 2011, an increase of 5.1% over the previous year. Revenue for the year rose to Rs3.5 billion, representing growth of 4.3% over the 2010 figure.

In order to improve the quality of the mobile network service, a new Service Manager tool was implemented in 2011. 3G network coverage was increased with the addition of 30 new sites. The Orange platform was revamped to enable the uploading of full-track songs and the games library was enriched with new contents.

Regarding the One Network project for Mauritius and Rodrigues, over 50% of works were completed in the year under review.

Meanwhile, to boost mobile internet usage, MT reduced pay-as-you-go tariffs in 2011 and increased the number of channels on Orange TV available to mobile users to 18.

Telecom Plus

Telecom Plus is a fully-owned MT subsidiary, set up in 1996 and today enjoying a market leadership position in internet and value-added services. The Company's mandate since 2007 has been to expand the content base of the Group and strengthen new revenue streams in line with customer needs.

2011, in fact, proved to be an eventful year with some key initiatives, including the conclusion of agreements with some established content providers and the launch of new offers.

For the year, the company registered turnover of Rs766 million, which represents growth of 13.8% over 2010. The broadband subscription base grew by 24.7%, from 93,800 to 117,000.

TV packages

Having launched the Basic and Bollywood TV packages on My.T in previous years, Telecom Plus improved these offers in 2011, to strengthen its position as a major Content Provider. The number of channels in the Basic package was doubled from 15 to 30 channels to cater for a broader market. The Bollywood package was enhanced with the addition of the famous Star Gold movie channel to respond to the growing interest in Bollywood films.

These additions contributed to boosting interest in My.T offers, with a direct impact on the number of subscribers. The subscriber base for the Basic TV package grew by 65%, from 25,123 in December 2010 to reach 41,559 in December 2011, while for the Bollywood package there was a 73% increase to 3,110 in December 2011 compared to 1,795 in December 2010. The total number of subscribers to the My.T service stood at 59,626 at the end of the year under review.

Video on demand (VOD)

The Video-on-Demand service experienced a major boost after major partnerships were concluded, the latest one being with Walt Disney in the last quarter of 2011. Revenue from VOD increased from Rs6.4 million in 2010 to Rs10.2 million in 2011, an increase of 58%. The VOD catalogue was continuously enriched with the latest films from Bollywood Providers, such as EROS and Mont Ida Films, and new releases from Sony Pictures, Gaumont and Walt Disney. Local content also captured an important share of viewings in 2011.

Value-added services

In 2011, the range of value-added services (Audiotex, premium text-messaging services, mobile content downloads and applications, and "Fun tones") was further enhanced. The unit's turnover reached Rs41.9 million, representing 15% growth over 2010.

Orange.mu

The Orange portal hosted and operated by Telecom Plus maintained its position as the leading Mauritian portal, with an average of 278,000 visitors and 4.6 million pages viewed per month. Considerable efforts were made to enhance content, with launches in 2011 including a tourism channel, a Bollywood section, and a job portal.

Web development

The Web Development team was also very much behind the July launch of the job portal. Generally, the team was a support centre for MT Group activities in areas like events management (Orange Expo) and digital marketing (banner advertising) and social media campaigns. Meanwhile, maintenance contracts for web portals were secured at international level with Orange Botswana and Cable and Wireless (Seychelles).

Teleservices

Teleservices Ltd is another wholly-owned subsidiary of the Mauritius Telecom Group and the leader in the directory business in Mauritius. In 2011 the company performed well, achieving a turnover of Rs141 million as compared to Rs137 million in 2010, which represents a growth of 2.9%.

Directories

Its core activity is the production of directories in multiple formats (print, on-line, CDRom & mobile). Its portfolio includes the main directories – MT Phonebook (Residential & Business Listings) and MT Yellow Pages (Classified Businesses) – produced annually and distributed free throughout the island. The company also produces MT Rodrigues and MT Business (B2B), a comprehensive business reference directory. Others are in the pipeline.

Teleservices offers a wide array of digital media offerings in its Internet directory on its interactive website, http://www.teleservices.mu. Bearing in mind the changing operational landscape, Teleservices continues to leverage its core assets: its comprehensive database and established MT Phonebook and MT Yellow Pages.

Advertising services

Originally just a directory publisher, Teleservices is nowadays also a registered advertising agency, providing media planning and booking services for a range of advertising supports such as press, television, radio, and billboard and other outdoor media. Teleservices itself handles a wide billboard network and is therefore able to guarantee its customers visibility throughout the main island.

Call Services (rebranded CSL)

After twelve years of existence, Call Services underwent a rebranding exercise in December 2011 and is now known as CSL. Wholly owned by MT, CSL was established in 1999 to provide call centre services primarily to MT itself and to the local market. CSL was the pioneer in Telebusiness, a sector which has grown and now occupies a major place in the country's ICT activities. A new general manager was appointed to CSL in 2011 and its offices relocated from Cassis to brand-new premises in Orange Tower in Ebène.

Financial and operational achievements

Revenue in 2011 totalled Rs142 million against Rs111 million in 2010. Net profit increased from Rs36.1 million in 2010 to Rs39 million in 2011, an increase of 8%. In 2011, CSL handled an average of 830,000 calls a month compared to 780,000 in 2010.

Business process outsourcing (BPO) and other services

CSL handles the helpdesk of the MT Group's fixed line, mobile and internet services. The Group itself is CSL's major customer, to whom it also provides such services as telephone surveys, appointment setting, data capture and data maintenance. Major external BPO customers include the CEB, the CWA, Booksystem, the National Empowerment Foundation and the Ministry of Business, Enterprise, Cooperatives and Consumer Protection. Amongst the local business community, the most popular services are reception-desk functions, helpdesk handling and telesurveys.

Other than BPO services, CSL handles the 150 service, the telephone national directory service for MT subscribers as well as the subscribers of Orange and Emtel. The Telmet service, an automated service providing information on cyclones or natural disasters, is also handled by CSL.

The 152 service, a telephone business directory service, is owned by CSL and operates on a 24-hour basis. The service can provide all contact details for Mauritian and Rodrigues businesses, as well inter alia as cinema programme details, flight schedules, foreign exchange rates and horoscope predictions.

Human Resources

CSL has commissioned Core Services, an HR consultancy company, to conduct a salary benchmarking exercise in the BPO industry in Mauritius. This exercise will enable CSL to work out a new salary structure so as to attract and retain talented individuals.

IT development

The relocation project from Cassis to Ebène enabled CSL to install Cisco servers based on IPT solutions, voice gateways and new data centres, and acquire new equipment and monitors. These investments have been necessary in order for enable CSL to remain in the technological forefront.

Training

CSL pursued its Call Centre Operations training and placement programme, with the financial support of the National Empowerment Foundation. Since the start of the programme in March 2010, 313 unemployed participants have already been equipped to pursue a career in the call-centre/BPO sector. Many of these candidates were retained by CSL as customer service agents.

Two batches of trainees also followed a training and placement programme giving an introduction to the maintenance and repair of telephony networks. The programme equips participants for employment in the telecommunications industry.

CSL moves forward into 2012 with a new vision, "To be the leading and first choice Business Process Outsourcing (BPO) company in the region."

Business Development

Enhancing value to our stakeholders is key to our future. Building on our local achievements and experiences, MT needs to look overseas to advance the next stage of its development. These days, the trend is towards the consolidation of telecom-related activities and the time is right for MT to grow further through acquisitions and external ventures.

One of the key objectives in MT's Strategic Plan for 2011-2015 is to further the growth of MT and create new revenue streams through acquisitions in the telecommunications' field. In that spirit a Business Development Division was set-up in February 2011 to identify potential new revenue streams to sustain our future growth.

The focus of the Business Development Division is on international telecom operation acquisitions, as well as on investment in local and international enterprises in telecom-oriented fields. To facilitate new ventures, an investment vehicle (MTIV Ltd) was set up in the Mauritian offshore sector.

Acquiring equity stakes and participating in external ventures will also give MT employees the opportunity to consider embracing international careers with exposure to different environments, thereby greatly enhancing their professional capabilities and helping them to advance their careers. All this will contribute to increasing the human capital and potential within MT.

In line with the above objectives, MT used its MTIV vehicle to purchase 50% of the shareholding of the leading telecommunications operator in Vanuatu, Telecom Vanuatu Ltd (TVL), on 12 October 2011. The 50% shareholding was purchased from Cable & Wireless (CWC) after a due-diligence exercise carried out in Vanuatu. TVL is the only operator in Vanuatu offering fixed-line services along with mobile and broadband services.

Looking ahead, the Business Development Division is actively pursuing a number of leads, with the potential to achieve telecom-related acquisitions in Africa, the Indian Ocean and elsewhere.

ContinuityMauritius

ContinuityMauritius Ltd (CMU) is a specialist Business Continuity Management (BCM) and Disaster Recovery (DR) company, set up in 2008 with Mauritius Telecom, Blanche Birger, and Continuity SA, a South African company with in-depth experience in the field, as shareholders.

With the strengthening of facilities undertaken during the year under review, CMU can now offer its customers complete end-to-end Business Continuity Management (BCM) solutions to internationally recognised standards. It aims to prepare companies to deal with events that can affect business operations and interrupt services to clients, which would otherwise risk putting their business and reputation at stake. CMU's main services include IT Recovery, Work Area Recovery, Hosting Services, and Training and Consultancy services on BCM.

It has a fully-equipped and functional Recovery Centre located in Candos, Quatre Bornes. The facilities include a Data Centre which meets all industry standards and follows best practices established in the field, so that critical components can be operated in redundant mode (through back-up systems). The Centre has 100 fully-equipped Work Area Recovery seats with desktop-computer, telephony and telecommunications provision immediately available. A number of subscriber options is available to meet specific needs and budgets, with a fully-customised solution deployed in each case.

CMU's client base is diverse and includes companies in the banking and insurance, asset management and offshore, financial exchange, telecommunications, logistics, and BPO/call centre sectors, as well as international companies based outside Mauritius.

Looking ahead for the next two years, CMU intends to consolidate its position locally, whilst pursuing opportunities in the region. CMU's infrastructure at Candos recovery Centre will be upgraded as well as reinforced and the company intends to set up DR sites, strategically located in La Flora and Phoenix, boasting the most advanced and modern recovery facilities in the region.

Networks

Mauritius Telecom provides a high-performance network infrastructure built on simplicity, security, openness, and scalability. The Company keeps abreast with new product and technological developments, to give customers in general the best connectivity possible and the business community the possibility to create value and accelerate business success within the new, rapidly changing global marketplace. Customers include all the top companies in Mauritius, as well as government agencies and organisations.

MT offers a wide portfolio of products that spans routing, switching, security, application acceleration, identity policy and control, and management, designed to provide unmatched performance, greater choice, and true flexibility, while reducing overall total costs. In addition, the Company works with strong industry partners to foster innovation across the network and to build new networks. To do this, the following major projects were implemented during 2011:

Fibre deployment

MT supported the opening of two major shopping malls at Bagatelle and Cascavelle, by providing fibre connectivity together with the conventional network. Government offices were also moved to fibre connectivity through the GPON service, allowing them faster access to internet as well as value-added services for teleconferencing between offices. Fibre was extended to more than thirty businesses in all, allowing them improved bandwidth, a more reliable service and reduced operating costs.

Mobile network

MT continued the upgrade and renewal of its 2G and 3G/3G+ network. 3G network coverage was increased with the addition of 30 new 3G+ (Node B) sites.

The year's major achievement was the launch of site and tower collocation with a competing mobile operator, Emtel. The contract was signed in July and five collocated sites were brought into operation during 2011. Collocation will greatly help to reduce the time taken over new sites and avoid the lengthy process of site acquisition and construction. The objective of this initiative is to reduce the environmental and visual impact of operator networks, in line with the national effort towards *Maurice Ile Durable*. Further, tower sharing has proven to be an effective way of reducing network coverage costs. Instead of deploying new towers, Orange and Emtel will be in a position to optimise existing infrastructure.

In parallel with the deployment of 3G Node Bs, the last mile backhaul, previously dependent on low-capacity radios or copper lines, has been upgraded to fibre since 2010. 30 additional sites were connected with fibre, to make a total of 80 sites so connected by the end of the year.

To further improve data traffic flow over the network, a new on-line charging ecosystem and a Data Billing System were implemented in 2011, which immensely improved customer experience and network usage for both users of mobile phone and HSPA modems (mobile USB internet keys).

Internet and broadband

MT continued to play a key role in the deployment of high-speed broadband services. The network is being modernised to increase customer bandwidth options, by investing in a wide range of technologies, such as Fibre-to-the-Cabinet (FTTC), GPON, ADSL, and SHDSL.

MT installed additional FTTC sites in 2011, extending broadband services to customers located in 32 community areas distant from telecom exchanges. This is in line with MT's commitment to playing a leading role in the Broadband Mauritius project, designed to transform Mauritius into a Cyber Island.

16,000 additional ADSL ports were installed in MT exchanges under Phases 5 and 6 of the ISAM Expansion Project, which enables new broadband subscribers to be connected. By the end of the year, the broadband customer base exceeded 117,000.

Capacity between Mauritius and Rodrigues was further increased to cater for increasing demand for internet service in Rodrigues.

To contribute towards the advent of Broadband Mauritius as part of its Corporate Social Responsibility policies, MT further upgraded the NetPC system to cater for new customers.

In MT's quest to enhance its service to customers, Phase I of the Dynamic Line Management (DLM) project, started in 2010, was completed. DLM consists of line diagnosis and dynamic line management features, which allow MT to proactively monitor and remotely manage broadband lines. As such, broadband-subscriber Customer Premises Equipment (CPEs) can be identified within the existing MT CPE pool, faults on subscriber lines can be detected without on-site physical intervention and broadband subscriber profiles can be automatically adjusted to deliver best-fit service. The system currently manages all lines on the DSL Access Multiplexers in the network. A second phase was initiated in 2011 to cover outdoor FTTC models and is expected to be completed in 2012.

The IP Core network was re-engineered in a resilient mesh topology and also upgraded from 10 Gbps to 20 Gbps to cope with forecast traffic growth. The contract for a second IP Core network was awarded in late 2011 and will be implemented in 2012 to provide increased resiliency and redundancy in the network.

The GPON network, introduced in 2010 in Port Louis and Ebène Cybercity, was further expanded in 2011 to provide fibre-based service to new customers in these two areas. Many existing customers were also moved successfully on to the new Gigabit Passive Optical Network (GPON) network. MT's GPON provides high reliability via resilient network architecture and customers can experience bandwidths of up to 1 Gbps.

MT's single-pair high-speed digital subscriber line (SHDSL) system provides a technology popular among business customers and banks for the setting up of virtual private networks (VPN). SHDSL links were also used to implement the CCTV project.

Value-added services

A High-Definition (HD) Voice service was launched, which had required an upgrade of the core network to the latest version and expert network parameter configuration and monitoring. The service was launched during Orange Expo 2011. HD voice compatible phones are available on the market and Orange customers can now experience high-fidelity voice communication over the Orange mobile network.

Orange platform revamping

Now that content providers have the possibility of uploading full-track songs, the existing platform, which hosts local content such as ring tones and wallpapers, was upgraded to be able to host full-track songs in MP3 format. The game library was enriched with additional content from a new service provider, EA sports. Orange customers can visit the new website on the following link: http://www.orangeworld.mu/index.html

On-line charging system (OCS)

The traditional Intelligent Network (IN) was replaced by the On-line Charging System (OCS). The OCS can handle all subscriber and service types, offers unified on-line charging and control capabilities, and can be used as a unified charging engine for all network services.

Quality of service

In order to improve the quality of the mobile network service, a new Service Manager was implemented in 2011. This tool provides end-to-end service management, processed to provide useful key performance indicators (KPI) in visual mode on user-defined dashboards and therefore better network visibility for observing any degradation. It is also used as an operational tool for monitoring equipment in the Network Operation Centre.

Data billing system

With the exponential growth in mobile data due to the launch of High Speed Packet Access (HSPA) and internet data packages, the existing data charging system had to be replaced. A new on-line data billing system (DBS) was therefore put in place, providing fast, reliable, flexible offers to customers. The DBS was commissioned and set on line in August 2011 and, since then, a net improvement in the end-user quality of service has been experienced, which has resulted in an increase in mobile data traffic on the network.

International connectivity

The demand for international bandwidth increased from 3 Gbps in January to 10 Gbps by December 2011. In order to meet the rising demand and market requirements in terms of quantity and quality, MT continued its investment in international bandwidth capacity. Since 2008, it has been engaged in several regional cable projects, namely LION, EASSy, EIG and WACS.

East Africa submarine cable system (EASSy)

The EASSy submarine cable had become operational in July 2010, allowing MT to provide an additional capacity of 622 Mbps international bandwidth from Mauritius to Europe through this alternate route. The cable runs from Mauritius 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 MT, are partners within a consortium to run this project.

The investment in the cable provided connectivity with the Comoros Islands and Madagascar, with the result that satellite capacity earmarked for these two countries could be decommissioned.

The cable provides increased international bandwidth connectivity and at the same time reduces the hazards associated with dependency on only one cable system.

LION submarine cable system

The Lower Indian Ocean Network (LION) optical-fibre submarine cable had become operational in 2010 following an initial investment of €8 million. The first phase of the project provided connectivity from Mauritius to Reunion and Madagascar. For the second phase, MT has invested an additional sum of €8 million. From Madagascar, the existing system is being extended to Mombassa in Kenya for onward interconnection to other cable systems such as TEAMS, EASSy and SEACOM. The whole system is scheduled to be operational by March 2012.

Europe-India Gateway submarine cable system

MT signed an agreement with Telkom South Africa, investing US$5 million in the Europe-India Gateway (EIG) submarine cable system project. The EIG network, including the segment crossing Egypt, was completed in 2011, to become operational in January 2012. The system now provides MT with direct connectivity to Europe and India via Djibouti, which is reached via EASSy and LION/LION2.

Western African countries (WACS) cable system

The Board of MT approved a US$8 million investment in a new optical-fibre cable initiative, WACS, for Western African countries. The installation of the WACS cable system started in 2011 and is scheduled to enter into service by May 2012. The system will increase the bandwidth available to MT along the West Coast of Africa and terminating in Europe, and will supplement the SAT-3/WASC/SAFE cable system.

Global Multi-Protocol Label Switching Virtual (GMPLSV) Private Networks (VPN) service

MT's global MPLS VPN service is an international virtual private network solution, built on a resilient network architecture that uses multi-protocol label switching (IP MPLS) technology. This solution is designed to help global businesses enjoy the benefits of converged voice, video and data on a single network.

MT currently has network-to-network interface (NNI) interconnection with global MPLS partner carriers – Level 3, previously known as Global Crossing and Tata Communications Ltd (TCL) – at its point-of-presence (PoP) in Telehouse 1, Paris. Now that the NNI with TCL in India has also been completed, the next connection will be with TCL in South Africa. The upcoming London PoP will see further NNIs with Level 3, TCL and other potential carriers.

All this allows MT to provide customers with robust and protected MPLS connectivity worldwide. Through its existing diverse cable connectivity using the SAFE/SAT-3/WASC, LION and EASSY submarine cables, plus the advantages of the additional investments in the EIG and WACS cable systems, MT is well positioned to act as a world-class MPLS service provider.

Green Initiatives

MT continued with its initiative to have all its BTS container sites painted with heat reflective paint, which has produced energy savings, as well as contributing to a greener environment. A new power-saving feature available in B11 software release on 2G Base Station has been installed in 2011 and is presently being tested on the 2G network. This feature will shutdown transmitters during low traffic hours and hence reduce power consumption of the base station. For similar reasons, air conditioning systems were equipped with temperature controls, thereby reducing carbon emissions.

For aesthetic reasons, palm-tree towers were erected at several locations instead of lattice towers, as they blend better with the environment.

Network Operations Centre (NOC)

A state-of-the-art NOC with a large high-performance monitoring screen was brought into operation on 1 July 2011 at Orange Tower Ebène. The NOC has two main functions, as a Technology Management Centre (TMC) that can observe all the technologies being used by the MT network and a Service Management Centre (SMC) that monitors end-to-end quality of service from a customer perspective.

Service and Technology Management Centres

Services, especially mobile data services, are becoming increasingly intricate, making troubleshooting harder. In addition, MT's emphasis is increasingly on what the customer actually experiences rather than relying solely on a traditional technical Quality of Service (QoS) approach. The TMC alone cannot guarantee the service quality customers require.

Accordingly, an SMC was set up within Networks & IS to ensure customers receive the best available end-to-end quality of service.

The SMC implementation guidelines, based on international standards, give the Centre a key role in achieving the Group's ambition to be first for (QoS) of all Orange countries by 2015.

Services currently being monitored are Mobile Internet, MMS and WAP, with SMS and Roaming to follow.

Quality and Support

Business Continuity

MT successfully carried out an unannounced test on Denial of Access to Telecom Tower under its Business Continuity Programme (BCP). During the exercise, officers of the Incident Recovery Teams (IRT), from the various departments normally operating at Telecom Tower, reported for work to the Disaster Recovery Centre (DRC).

Through this exercise, MT tested the following:

- Capability to respond to a denial of access to Telecom Tower in a crisis situation
- The readiness of the DRC and Work Area Recovery (WAR) to take over operations within an agreed Recovery Time Objective (RTO)
- Shortcomings, for remedial action to ensure business continuity during crisis situations
- That IRT and other officers involved in BCPs are fully prepared to meet set objectives and are fully conversant with the recovery system put in place at the DRC.

Physical security

MT continued to pursue the strengthening of physical security measures at all levels. In addition to the implementation of CCTV and remote monitoring, new measures implemented included rapid intervention, introduction of biometric access control and access on demand. Close collaboration with the Police continued in order to better prevent the theft of copper on MT's network infrastructure.

Information security

Policies relating to the maintenance and enhancement of information security were revisited and continue to be monitored; these policies are also tested through audits, and intrusion and vulnerability tests.

Access rights are regularly reviewed for major applications. Measures relating to confidentiality, management of passwords, integrity and review of audit logs are continuously being monitored and tightened.

Building and property management

MT Properties Ltd, a fully-owned MT subsidiary, manages the Group's property assets. It completed the fit-out of three levels at Orange Tower, enabling the first occupants to move in. These included the NOC and Call Services Limited (CSL), as utmost priorities for the business continuity reasons.

Meanwhile, MT Orange shops in Quatre Bornes and Vacoas were relocated to more prominent locations, the shops in Curepipe, Rose Hill and Mahebourg renovated and new shops opened at Mall of Mauritius-Bagatelle, Cascavelle Shopping Village and Trianon Shopping Complex.

A new exchange hub was constructed at Bagatelle to provide fixed-line and mobile services to the Bagatelle Mall and its neighbourhood.

The Company acquired a plot of land at the Business Park in Rose Belle, which will be used for the construction of a centralised warehouse.

The Company continued to implement energy-saving measures during the year:

- The most recent batch of 50 vehicles was fitted with the Automatic Vehicle Location/Global Positioning System (AVL/GPS) system, which has shown encouraging results in substantially reducing overall fuel consumption.
- Following conclusive results from tests carried out with heat reflective paints, the Company treated twelve remote-exchange buildings with the specialised paint.

Quality and process improvement

MT continued its drive towards enhancing its quality of service in 2011. Group quality strategy is set and shared through its Business Excellence Council. Quality activities are coordinated within the group and quality of service is monitored at departmental level for improving the Customer's experience.

The Smart Processes for Improved Customer Experience (SPICE) initiative was nearly completed, with 99% of complex processes reviewed to ensure that processes are lean and effective.

MT also ensured that performance action plans and processes are implemented and reviewed. Improvement plans were set-up and monitored through a programme developed for the purpose. Internal communication campaigns were held on the importance of quality, and e-learning modules on Quality have been developed and shared within the organisation. To make certain that quality audit programs are geared towards identifying improvement opportunities, a group of 10 Quality Auditors entered for and obtained certification from the International Register of Certified Auditors.

Process reviews were also held fortnightly with Management and operational teams. Key performance indicators were analysed so that Company performance benefits from lessons learnt.

Substantial improvements were noted at points of sales, in relation to products, accessibility, complaints and after-sales service. MT was also successfully re-certified ISO 9001:2008, a standard for quality management systems.

Green initiatives

MT continued its commitment towards promoting green activity in line with the *Maurice Ile Durable (MID)* project. It launched its Green Policy and Green Pledge on the occasion of World Environment Day, and around 600 employees committed themselves to the Green Pledge.

A Green Bin was designed internally for waste separation at source of paper for recycling. Green Bins were installed throughout the Company and more than 10 tons of papers were sent for recycling in the year under review.

Regulatory Affairs

Towards i-Mauritius: Policy reforms & regulatory developments

In 2011, the government, together with the various regulatory bodies, took a number of initiatives aimed at making the ICT sector the fifth pillar of the economy and furthering the interests of consumers. Government's initiatives took the form of strategic policy measures elaborated in strategic and policy documents aimed at transforming Mauritius into an intelligent Mauritius (i-Mauritius) and promoting competition.

The National ICT Strategic Plan 2011-2014

The National Information and Communication Technology Strategic Plan (NICTSP) 2011-2014 – Towards i-Mauritius, was released in June 2011. It identifies new strategies to increase the contribution of the ICT sector to GDP to a double-digit percentage in the short term.

The NICTSP 2011-2014's roadmap highlights strategic areas of intervention:

- Policy and legal review
- Regulatory review, to ensure a competitive market and the welfare of consumers
- Institutional reform
- Network development to meet growing demands for telecommunications services, to enhance the competitiveness of BPO and IT-enabled services
- E-government services and applications to redefine strategic areas based on user needs
- Community empowerment programme
- Information security
- Human capital development

National Broadband Policy 2011

In line with the National ICT Strategic Plan, the government also formulated a National Broadband Policy. It outlines the overall policy objectives for a Broadband i-Mauritius and spells out the strategies to be adopted for successful broadband development.

The main target is on achieving at least 60% of homes having affordable access to actual download speeds of at least 10Mbps and actual upload speeds of at least 5Mbps by 2014, and almost 100% of homes having affordable access to actual download speeds of 100Mbps by 2020. Other targets include Mauritius becoming a leader in the region in mobile innovation, with the fastest and most extensive wireless networks of any nation and affordable access to at least 100Mbps broadband service in every public institution such as schools, hospitals and government buildings.

Other Policy Measures

Given the objective to democratise access to the internet, the Government and the ICT Authority launched a tender process for WiFi deployment in Mauritius and Rodrigues. The project will be funded through the Universal Service Fund.

On 15 December 2011, Government amended the ICT Act 2001, reviewing the Tariff Approval procedures and imposing additional obligations on operators who have been identified as having Significant Market Power.

Directives & Regulations

The ICT Authority, the national regulatory authority, issued the following directives:

- **Telecommunication Directive 1 of 2011**
  This requires international long distance (ILD) operators to give the ICT Authority or its agent full access to their premises for the installation of tracking equipment, to detect fraud on the incoming international market.
- **Telecommunication Directive 2 of 2011**
  This prescribes a decrease in interconnection usage charges (IUC) from Rs0.90/min to Rs0.60/min for calls originating or terminating on the mobile network.
- Radio communication Infrastructure Technical and Administrative Standards for Electromagnetic Field (EMF) Safety

The Standard makes it imperative for operators to adopt forward planning for the installation of RF infrastructure, to meet the rise in the number of antennas, due to the expected growth in demand for mobile telephony services and good network coverage in Mauritius.

Human Resources

Building the talent pool

In the course of the year, 100 new recruits in key positions have brought their expertise and experience to further enrich the Company's talent pool.

With the rapid changes in technology and the need to be innovative and creative, employees have to continuously upgrade their skills and competencies. The Company has pursued its policy of investing in human capital development by providing learning opportunities to employees, thus equipping employees to deliver the best customer experience.

Overall, employees had an average of 25 hours of learning during the year. More specifically, the in-house training team continued to enhance the e-learning platform, which offers training to employees wherever they are. E-learning facilities enable employees to access training material at their own convenience and complement the face-to-face training delivered by the Training Academy. In the year under review, 65 training modules were made available to employees on the e-learning platform.

Specialised training was provided to more than 100 key staff in technical and commercial functions, under the aegis of the Commonwealth Telecommunications Organisation's Programme for Development and Training (CTO PDT).

So as to allow managers in MT to develop people management and coaching skills, to drive performance and productivity of their team, MT acquired a Coaching Skills Development Programme with the support of the University of Mauritius. 75 management cadres and young talents participated in the programme to engage and support employees better.

Management cadres, including some in middle management positions, were given the opportunity to follow intensive courses at Orange Campus, the FT-Orange management development school. At another level, a Young Graduates scheme was introduced to develop management capabilities.

Management also embarked on an ambitious programme to provide Cisco training to 300 technical employees over a 3-year period. The training of engineers and technicians is critical to meeting the demands of rapid technological evolution.

Organisational effectiveness

The Performance Management System (PMS) is now well established and reaches all employees. The PMS is a powerful tool in securing employee engagement, as it ensures that everyone is aware of the Company's strategic objectives.

The Annual Salary Progression (ASP) system, which replaced the fixed annual increment in 2009, is based on assessment of behavioural criteria and has proved to contribute effectively to shaping organisational culture.

The key modules of the new Human Resources Management System (HRMS), PeopleConnect, became fully operational and helped to boost employee productivity. The PMS and the ASP are run on a self-service module, which also gives employees direct secured access to personal information.

Following major organisational development initiatives which led the company to evolve into an Integrated Operator, it became imperative to carry out a complete company-wide job-evaluation exercise, so as to re-establish internal job relativities. The exercise, which will require the full involvement of all stakeholders, was assigned to the Hay Group.

Employee welfare and social relations

Employee health and safety remained high on the Company's agenda, as MT is committed to ensuring that employees can work at all times in a hazard-free and healthy environment. A comprehensive risk assessment was carried out on all sites, including MT-Orange shops in Mauritius and Rodrigues.

Employees were given appropriate training in risk assessment, so that they can be active partners in identifying and dealing effectively with risks.

800 employees participated in a Health Promotion programme, during which they underwent medical checks. The Company provides special medical assistance to employees at risk.

The Company also organised social and recreational activities, as part of its staff welfare programme. Moreover, Management held regular consultations with trade unions and remained attentive to employees' expectations with aim of achieving a harmonious working environment.

In accordance with the collective agreement with the three unions, MT embarked on a Review of Pay, Grading Structures and Conditions of Employment for the 2012-2016 period. The new collective agreement will be applicable as from July 2012.

Recognition

The HR team received the Human Resources Development Council (HRDC)'s prestigious HR Excellence Award in 2011.

Corporate Social Responsibility (CSR)

The Mauritius Telecom Foundation (MTF) was set up in December 2009, adding a new dimension to the MT Group's CSR activities. MTF received funding of Rs44.99 million in 2011.

MTF actively participates in funding major national projects promoting social integration, economic empowerment and poverty alleviation. Other CSR initiatives include support to community projects in the fields of ICT, socio-economic development, social housing, education, health, leisure & sports, and the environment.

More than 250,000 people benefited directly and indirectly from the 34 projects financed by the MTF in Mauritius and Rodrigues. The Foundation collaborated with 45 NGOs and institutions, seven of which are in Rodrigues.

The Foundation financed the implementation of a prepaid electricity service by the CEB to the tune of Rs12 million. The service gives vulnerable families who subscribe the possibility of monitoring their electricity consumption and controlling their budget. They can thus be spared the risk of disconnection for late payment and of being deprived of electricity supply for a period. The first phase concerned 2,000 families.

The MTF contributed Rs6.2 million on towards sports development, Rs3 million of which was given to the Fondation pour la Formation au Football, for the coaching of 8,000 youngsters. It also gave Rs2 million to Club Maurice, to prepare athletes for the 8th Indian Ocean Island Games. The SSR National Cricket Grounds Trust benefited from Rs1 million to help give cricket training to 200 children from vulnerable groups. Finally, Rs169,520 was donated to the Mangalkhan Sports Club to encourage local youngsters to excel in sports.

Je recycle les mobiles et les piles was a winner at the 2nd edition of the Green Awards Mauritius and Indian Ocean Region (GAM) 2011 in the Corporate (Green) Citizenship Endeavours category. More than 8,000 collection boxes for used mobiles and batteries were distributed in Mauritius and Rodrigues, with five tons of used batteries and 2,300 used mobiles collected from the public for recycling. The budget for this initiative was Rs3.4 million.

To help provide a sound environment and best care to children, the MTF financed the setting up and the day-to-day operational costs of four nurseries, at a total cost of Rs3,797,560. The nurseries are situated at Residence Mangalkhan (operated by L'Union pour le Développement Communautaire de Mangalkhan), Poste de Flacq (operated by Terre Durable), Vallée Pitot (operated by SOS Poverty) and Pailles (operated by Civic Action Teams).

Rs3 million was allocated to seven NGOs in Rodrigues and in particular Rs1.4 million to L'association des Ecoles Maternelles de Rodrigues to continue the renovation of and improvements to 30 pre-primary schools. The other support was to NGOs involved in the education and training of children and women from the vulnerable groups.

Since the MTF came into existence, 22% of its total CSR funds which represented Rs22 million have been allocated in the field of ICT to diversify access to computers and the internet. In the year under review, the Foundation continued to support 135 computer clubs, 23 youth centres and 16 women centres. The clubs and centres are managed by the National Computer Board (NCB). The MTF also spent Rs1.5 million in renewing its support to the E-inclusion Foundation for the provision of NetPC service with free internet access to 200 needy families.

Rs2.7 million was contributed to socio-economic development projects run by seven NGOs. The projects included the integration and reinsertion of drugs addicts; care, education and lodging for abandoned children; empowerment of women; alternative education for CPE dropouts and providing women and children shelters. Rs1.4 million was allocated to health projects, including Link to Life, which organises screening and awareness campaigns on cancer throughout the island. The SSR Disability Services Centre received support to provide care and medical follow-up to disabled people. Lupus Alert received a contribution for the setting up of an empowerment programme for Lupus patients and the Thalassemia Society a contribution to the purchase of deferral pumps for patients.

MTF also participated in 4 national exhibitions which allowed interactions with the public and increased awareness on MTF initiatives, as well as provided opportunities for project proposals by NGO's.

The open-mindedness
to make our world a better place
~ we make sure it thrives ~

preserve

live

responsible

nature

Contributing to the preservation of our planet over time as we participate actively in the creation of "Maurice – Ile Durable" shapes the way we tackle technological development. Over and above green initiatives implemented to cut down paper usage and recycle mobile phones and batteries, Mauritius Telecom is joining hands with the mobile operator Emtel to optimise and share their respective telecommunication towers. Such a move safeguards the beauty of our blue sky.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAURITIUS TELECOM LTD

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

Report on the Financial Statements

We have audited the financial statements of Mauritius Telecom Ltd (the "company") and of its subsidiaries (collectively referred to as the "group") on pages 66 to 113 which comprise the statements of financial position at 31 December 2011 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 66 to 113 give a true and fair view of the financial position of the group and the company as at 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Report on other legal requirements

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

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

The Financial Reporting Act 2004

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

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

Deloitte

M.J. Burgess, ACA
Licensed by FRC

Chartered Accountants
29 March 2012

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	Notes	THE GROUP			THE COMPANY		
		31 DEC 2011 (Rs)	31 DEC 2010 (Rs)	1 JAN 2010 (Rs)	31 DEC 2011 (Rs)	31 DEC 2010 (Rs)	1 JAN 2010 (Rs)
ASSETS							
Non-current assets							
Property, plant and equipment	5	8,164,912,384	7,843,230,221	7,535,924,890	6,186,880,322	5,950,326,997	5,796,883,193
Goodwill	6	80,980,030	80,980,030	80,980,030	-	-	-
Intangible asset	7	130,573,038	117,598,911	37,499,306	71,505,153	12,013,561	6,327,312
Investments in subsidiaries	8		-	-	242,862,325	242,835,000	241,135,000
Investments in associates	9	248,491,621	280,740,768	299,976,070	40,934,881	79,934,881	79,934,881
Other investments	10	24,296,359	24,556,359	24,296,359	24,296,359	24,556,359	24,296,359
Total non-current assets		8,649,253,432	8,347,106,289	7,978,676,655	6,566,479,040	6,309,666,798	6,148,576,745
Current assets							
Inventories	11	320,972,415	285,815,529	194,384,679	257,693,431	240,293,564	157,834,197
Trade receivables	12	1,293,642,058	1,497,563,517	1,524,413,655	930,361,570	1,138,213,178	1,110,533,297
Other receivables	13	501,383,246	347,304,843	348,836,123	812,403,698	511,173,580	234,299,969
Held to maturity investments	14	153,686,318	396,339,646	-	153,686,318	396,339,646	-
Cash and cash equivalents		5,109,344,236	4,146,229,388	3,939,073,645	5,079,432,012	4,101,967,166	3,876,909,550
Total current assets		7,379,028,273	6,673,252,923	6,006,708,102	7,233,577,029	6,387,987,134	5,379,577,013
Total assets		16,028,281,705	15,020,359,212	13,985,384,757	13,800,056,069	12,697,653,932	11,528,153,758
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
Fair value reserve	16	2,026,000	2,286,000	2,026,000	2,026,000	2,286,000	2,026,000
Translation reserve		(7,672,849)	-	-	-	-	-
Retained earnings		9,082,928,756	8,397,035,911	8,108,481,201	6,692,932,647	6,304,398,911	6,196,456,479
Equity attributable to owners of the Company		9,267,281,908	8,589,321,912	8,300,507,202	6,884,958,648	6,496,684,912	6,388,482,480
Non-current liabilities							
Loans	17	201,734	38,526,801	75,194,869	201,734	38,526,801	75,194,869
Trade payables	18	439,557,406	424,109,217	407,902,780	434,730,512	424,109,217	407,902,780
Deferred tax liabilities	19	301,574,417	270,727,704	384,572,782	171,190,858	151,909,571	240,499,487
Retirement benefit obligations	20	1,341,200,000	1,050,589,000	913,945,000	1,323,808,000	1,036,174,000	901,700,000
Total non-current liabilities		2,082,533,557	1,783,952,722	1,781,615,431	1,929,931,104	1,650,719,589	1,625,297,136
Current liabilities							
Loans	17	36,009,423	38,312,165	37,492,413	36,009,423	38,312,165	37,492,413
Trade payables	18	748,916,831	620,212,144	667,419,443	677,103,554	469,309,586	601,409,114
Other payables and accrued expenses	21	1,993,030,173	2,098,980,441	1,817,424,396	2,592,389,686	2,385,509,719	1,698,851,668
Deferred revenue	22	208,745,097	150,931,896	60,736,433	168,442,966	110,875,729	26,915,359
Dividends	23	1,170,400,006	1,121,000,000	737,200,000	1,170,400,006	1,121,000,000	737,200,000
Current tax liabilities		282,224,243	381,370,751	354,675,283	101,680,215	188,965,051	184,191,432
Provisions	24	239,140,467	236,277,181	228,314,156	239,140,467	236,277,181	228,314,156
Total current liabilities		4,678,466,240	4,647,084,578	3,903,262,124	4,985,166,317	4,550,249,431	3,514,374,142
Total liabilities		6,760,999,797	6,431,037,300	5,684,877,555	6,915,097,421	6,200,969,020	5,139,671,278
Total equity and liabilities		16,028,281,705	15,020,359,212	13,985,384,757	13,800,056,069	12,697,653,932	11,528,153,758

Approved by the Board of Directors and authorised for issue on 29 March 2012

A. Thomas Name of Directors signing

DIRECTORS

S.C. Seeballuck Name of Directors signing

DIRECTORS

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	THE GROUP 2011 (Rs)	THE GROUP 2010 (Rs)	THE COMPANY 2011 (Rs)	THE COMPANY 2010 (Rs)
Revenue	25	7,894,553,210	7,467,729,444	4,725,156,788	4,497,204,181
Cost of sales		(1,366,304,513)	(1,196,990,190)	(1,002,413,977)	(921,548,264)
Gross profit		6,528,248,697	6,270,739,254	3,722,742,811	3,575,655,917
Operating expenses		(4,210,783,837)	(4,052,028,071)	(3,500,071,823)	(3,202,960,440)
Profit from operations	26	2,317,464,860	2,218,711,183	222,670,988	372,695,477
Other income	27	32,417,798	33,174,725	469,338,133	457,768,070
Other gains and losses	28	47,375,274	55,744,937	17,838,602	18,938,652
Investment income	29	168,257,461	167,007,906	1,287,640,454	1,132,980,914
Finance costs	30	(3,122,765)	(3,664,999)	(141,630,442)	(109,142,219)
Share of loss from associates	9	(12,652,955)	(19,235,301)	-	-
Profit before tax		2,549,739,673	2,451,738,451	1,855,857,735	1,873,240,894
Income tax expense	19 (i)	(693,446,822)	(745,783,741)	(296,923,993)	(347,898,462)
PROFIT FOR THE YEAR		1,856,292,851	1,705,954,710	1,558,933,742	1,525,342,432
Other comprehensive income, net of income tax					
Net value (loss)/gain on available-for-sale-financial asset	10	(260,000)	260,000	(260,000)	260,000
Exchange difference on translating foreign operations		(7,672,849)	-	-	-
Other comprehensive income for the year, net of tax		(7,932,849)	260,000	(260,000)	260,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,848,360,002	1,706,214,710	1,558,673,742	1,525,602,432
Profit attributable to Owners of the Company		1,856,292,851	1,705,954,710		
Total comprehensive income attributable to Owners of the Company		1,848,360,002	1,706,214,710		
Earnings Per Share	31	9.77	8.98		

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Stated capital (Rs)	Fair value reserve (Rs)	Translation reserve (Rs)	Retained earnings (Rs)	Attributable to owners of the Company (Rs)
GROUP						
At 1 January 2010		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
Profit for the year		-	-	-	1,856,292,851	1,856,292,851
Other comprehensive loss for the year, net of income tax	10	-	(260,000)	(7,672,849)	-	(7,932,849)
Total comprehensive income for the year		-	(260,000)	(7,672,849)	1,856,292,851	1,848,360,002
Dividends	23	-	-	-	(1,170,400,006)	(1,170,400,006)
At 31 December 2011		190,000,001	2,026,000	(7,672,849)	9,082,928,756	9,267,281,908

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Stated capital (Rs)	Fair value reserve (Rs)	Retained earnings (Rs)	Total (Rs)
COMPANY					
At 1 January 2010		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
Profit for the year		-	-	1,558,933,742	1,558,933,742
Other comprehensive loss for the year, net of income tax	10	-	(260,000)	-	(260,000)
Total comprehensive income for the year		-	(260,000)	1,558,933,742	1,558,673,742
Dividends	23	-	-	(1,170,400,006)	(1,170,400,006)
At 31 December 2011		190,000,001	2,026,000	6,692,932,647	6,884,958,648

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	2,549,739,673	2,451,738,451	1,855,857,735	1,873,240,894
Adjustments for:-				
Profit on disposal of property, plant and equipment	(4,280,256)	(1,070,766)	(4,246,343)	(1,070,766)
Interest expense	3,122,765	3,664,999	141,630,442	109,142,219
Interest income	(164,217,479)	(163,356,030)	(204,285,557)	(165,448,169)
Dividend income	(3,404,897)	(3,651,876)	(1,083,354,897)	(967,532,745)
Retirement benefit obligations	290,611,000	136,644,000	287,634,000	134,474,000
Share of loss of associates	12,652,955	19,235,301	-	-
Depreciation and amortisation	1,221,380,168	1,164,145,154	885,018,348	868,910,067
Reversal of provision for impairment of investment in a subsidiary	-	-	-	(1,500,000)
Provision for impairment loss in an associate	39,000,000	-	39,000,000	-
Unrealised exchange (gain)/loss	(45,225,512)	(30,210,036)	(10,765,263)	6,918,513
Operating profit before working capital changes	3,899,378,417	3,577,139,197	1,906,488,465	1,857,134,013
Decrease/(increase) in trade receivables	199,035,023	31,958,651	202,965,168	(22,571,368)
Decrease/(increase) in other receivables	20,257,168	31,890,125	(106,944,245)	(254,514,766)
Increase in inventories	(35,156,885)	(91,430,850)	(17,399,867)	(82,459,367)
Increase/(decrease) in trade payables	128,704,687	(47,207,299)	222,107,478	(132,099,528)
(Decrease)/increase in other payables and accrued expenses	(504,582,159)	(440,373,362)	(92,561,862)	86,081,930
Increase in deferred revenue	57,813,201	90,195,463	57,567,237	83,960,370
Increase in provisions	2,863,286	7,963,025	2,863,286	7,963,025
Cash generated from operations	3,768,312,738	3,160,134,950	2,175,085,660	1,543,494,309
Interest paid	(3,035,771)	(3,480,400)	(141,543,448)	(108,957,620)
Taxation paid	(761,746,842)	(832,933,349)	(364,927,542)	(431,714,757)
Net cash flows from operating activities	3,003,530,125	2,323,721,201	1,668,614,670	1,002,821,932
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in a subsidiary	-	-	(27,325)	(200,000)
Purchase of property, plant and equipment	(1,067,265,577)	(770,003,883)	(816,019,759)	(408,259,577)
Purchase of intangible assets	(69,270,100)	(34,372,266)	(65,688,668)	(15,175,717)
Proceeds from sale of property, plant and equipment	4,280,256	1,070,766	4,246,343	1,070,766
Proceeds from maturity of held-to-maturity investments	710,842,649	124,000,000	710,842,649	124,000,000
Purchase of held-to-maturity investments	(459,875,900)	(508,351,417)	(459,875,900)	(508,351,417)
Investment in an associate	(19,403,808)	-	-	-
Interest received	114,684,141	121,008,956	154,752,218	123,101,101
Dividend received	3,404,897	3,651,876	1,083,354,897	967,532,745
Net cash (used in)/generated from investing activities	(782,603,442)	(1,062,995,968)	611,584,455	283,717,901
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans	(49,787,916)	(49,787,916)	(49,787,916)	(49,787,916)
Loan repaid by a subsidiary	-	-	8,000,000	8,000,000
Loan to an associate	(129,191,457)	-	(158,368,360)	-
Increase in trade payables after one year	15,448,189	16,206,436	10,621,293	16,206,439
Dividend paid	(1,121,000,000)	(1,033,600,000)	(1,121,000,000)	(1,033,600,000)
Net cash used in financing activities	(1,284,531,184)	(1,067,181,480)	(1,310,534,983)	(1,059,181,477)
Net increase in cash and cash equivalents	936,395,499	193,543,753	969,664,142	227,358,356
Cash and cash equivalents at beginning of the year	4,146,229,388	3,939,073,645	4,101,967,166	3,876,909,550
Effect of exchange rate changes on the balance of cash held in foreign currencies	26,719,349	13,611,990	7,800,704	(2,300,740)
Cash and cash equivalents at end of the year	5,109,344,236	4,146,229,388	5,079,432,012	4,101,967,166

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 2011.

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 May 2010 Annual Improvements to IFRSs
IAS 24	Related Party Disclosures - Revised definition of related parties
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues
IFRS 3	Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs
IFRIC 13	Customer Loyalty Programmes - Amendments resulting from May 2010 Annual Improvements to IFRSs
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)

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 Statements - Amendments to revise the way other comprehensive income is presented (effective 1 July 2012)
IAS 12	Income Taxes- Limited scope amendment (recovery of underlying assets) (effective 1 January 2012)
IAS 19	Employee Benefits-Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective 1 January 2013)
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective 1 January 2013)

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 28	Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011) (effective 1 January 2013)
IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective 1 January 2014)
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011)
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective 1 January 2013)
IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 (effective 1 January 2015)
IFRS 9	Financial Instruments - Classification and measurement of financial assets (effective 1 January 2015)
IFRS 9	Financial Instruments - Accounting for financial liabilities and derecognition (effective 1 January 2015)
IFRS 10	Consolidated Financial Statements (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13	Fair Value Measurement (effective 1 January 2013)

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 exercises 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 influence and in which it holds a long-term equity interest.

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

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

(d) Business combinations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition

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

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

Revenue is shown net of Value Added Tax.

Sales of goods and services rendered

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

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

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

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

Deferred revenue

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition (cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets

- Goodwill

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

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

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

- Computer software

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

(h) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the group and the company review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group and the company estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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) Inventories

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

(j) Foreign currencies transactions

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into the entity's functional currency at the rates of exchange prevailing at that date. Exchange differences arising on the settlement and the retranslation of monetary items are recognised in the statement of comprehensive income.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Taxation (cont'd)

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial assets (cont'd)

(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.

(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 flows of the investment have been impacted.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial assets (cont'd)

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

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

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

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

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

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

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

(vi) Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(i) Classification as debt or equity

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

(ii) Equity instruments

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

(iii) Financial liabilities

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

(iv) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Leases (cont'd)

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.

(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.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(iii) Impairment of assets

The guidance provided by IAS 36 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.

During the year, an impairment loss of Rs39,000,000 has been recognised on investment in an associate. Refer to note 9.

(iv) Acquisition of associate

During the year, the group acquired a 50% stake in the shareholding of Telecom Vanuatu Ltd which is treated as an associate in the group financial statements. This requires the determination of the group's share of the fair values of the identifiable assets and liabilities at the date of acquisition for the calculation of goodwill or the excess of the group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment.

At the end of the reporting period, the initial accounting for this acquisition is incomplete because the fair value exercise was still ongoing and therefore the acquisition has been accounted for using provisional fair values of the group's share of identifiable assets acquired and liabilities assumed. The provisional fair values have been determined by the directors based on an internal valuation, information available and estimates made by them.

Refer to note 9 for details.

(v) Defined benefit pension plan

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

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land	Plant and equipment	Plant and equipment in progress	Buildings on leasehold land	Furniture, fittings and equipment	Motor vehicles	Total
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
COST							
At 1 January 2010	23,748,617	18,581,208,875	523,661,041	570,571,931	1,326,031,784	86,344,148	21,111,566,396
Additions	-	765,105,394	485,404,660	244,761,188	18,868,464	3,038,117	1,517,177,823
Disposals	-	(1,971,050)	-	-	-	(2,480,090)	(4,451,140)
Transfer	-	86,625,417	(203,722,695)	152,025	41,752	-	(116,903,501)
At 31 December 2010	23,748,617	19,430,968,636	805,343,006	815,485,144	1,344,942,000	86,902,175	22,507,389,578
Additions	-	1,199,136,918	170,176,752	89,798,012	26,150,152	1,504,524	1,486,766,358
Disposals	-	(277,035)	-	-	-	(17,915,321)	(18,192,356)
Transfer	-	334,521,834	(334,521,834)	-	-	-	-
Net transfer to intangible assets	-	(125,131,127)	-	-	1,025,905	-	(124,105,222)
At 31 December 2011	23,748,617	20,839,219,226	640,997,924	905,283,156	1,372,118,057	70,491,378	23,851,858,358
DEPRECIATION							
At 1 January 2010	4,727,719	12,527,284,561	-	371,487,725	601,155,859	70,985,642	13,575,641,506
Charge for the year	-	1,067,765,187	-	26,383,542	7,669,003	8,066,590	1,109,884,322
Disposals	-	(1,971,050)	-	-	-	(2,480,090)	(4,451,140)
Transfer to intangible assets	-	(16,915,331)	-	-	-	-	(16,915,331)
At 31 December 2010	4,727,719	13,576,163,367	-	397,871,267	608,824,862	76,572,142	14,664,159,357
Charge for the year	-	1,065,862,049	-	43,544,871	8,568,403	3,360,035	1,121,335,358
Disposals	-	(277,035)	-	-	-	(17,915,321)	(18,192,356)
Net transfer to intangible assets	-	(76,604,940)	-	-	976,274	-	(75,628,666)
Adjustment	(4,727,719)	-	-	-	-	-	(4,727,719)
At 31 December 2011	-	14,565,143,441	-	441,416,138	618,369,539	62,016,856	15,686,945,974
NET BOOK VALUE							
At 31 December 2011	23,748,617	6,274,075,785	640,997,924	463,867,018	753,748,518	8,474,522	8,164,912,384
At 31 December 2010	19,020,898	5,854,805,269	805,343,006	417,613,877	736,117,138	10,330,033	7,843,230,221
At 1 January 2010	19,020,898	6,053,924,314	523,661,041	199,084,206	724,875,925	15,358,506	7,535,924,890

5. PROPERTY, PLANT AND EQUIPMENT

(b) THE COMPANY

	Land	Plant and equipment	Plant and equipment in progress	Buildings on leasehold land	Furniture, fittings and equipment	Motor vehicles	Total
	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
COST							
At 1 January 2010	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
Additions	-	915,003,358	170,176,755	19,005,754	9,684,206	1,504,524	1,115,374,597
Disposals	-	(277,035)	-	-	-	(16,965,321)	(17,242,356)
Transfer	-	334,521,834	(334,521,834)	-	-	-	-
Transfer to intangible asset	-	(1,159,458)		-	-	-	(1,159,458)
At 31 December 2011	23,748,617	16,649,549,585	640,997,927	586,303,969	1,254,448,902	64,980,998	19,220,029,998
DEPRECIATION							
At 1 January 2010	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
Charge for the year	-	848,212,221	-	29,246,338	1,660,939	3,360,035	882,479,533
Disposals	-	(277,035)	-	-	-	(16,965,321)	(17,242,356)
Adjustment	(4,727,719)		-	-	-	-	(4,727,719)
Transfer to intangible asset	-	(90,000)	-	-	-	-	(90,000)
At 31 December 2011	-	11,995,954,151	-	425,585,514	555,103,535	56,506,476	13,033,149,676
NET BOOK VALUE							
At 31 December 2011	23,748,617	4,653,595,434	640,997,927	160,718,455	699,345,367	8,474,522	6,186,880,322
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 1 January 2010	19,020,898	4,351,165,818	523,661,041	196,768,911	691,362,019	14,904,506	5,796,883,193

During the year the group and the company carried out a review of the useful lives of their plant and equipment. The review required the recognition of additional depreciation charge in the current year and future years by Rs15,531,605 for both the group and the company (2010: nil).

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 2011, 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 2010	671,038,459	547,188,024
Additions	34,372,266	15,175,717
Transfer from tangible assets	116,903,501	
At 31 December 2010	822,314,226	562,363,741
Additions	69,270,100	65,688,668
Net transfer from tangible assets	124,105,222	1,159,458
At 31 December 2011	1,015,689,548	629,211,867
AMORTISATION		
At 1 January 2010	633,539,153	540,860,712
Charge for the year	54,260,831	9,489,468
Transfer to tangible assets	16,915,331	-
At 31 December 2010	704,715,315	550,350,180
Charge for the year	104,772,529	7,266,534
Net transfer from tangible asset	75,628,666	90,000
At 31 December 2011	885,116,510	557,706,714
NET BOOK VALUE		
At 31 December 2011	130,573,038	71,505,153
At 31 December 2010	117,598,911	12,013,561
At 1 January 2010	37,499,306	6,327,312

Intangible asset pertains to computer software used in the group's and the company's operations and financial information systems.

8. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)
At cost, unquoted		
At beginning of year	242,835,000	242,635,000
Addition	27,325	200,000
At end of year	242,862,325	242,835,000
Movement in provision for impairment loss		
At beginning of year	-	1,500,000
Amount reversed	-	(1,500,000)
At end of year	-	-
	242,862,325	242,835,000

The directors have assessed at 31 December 2011 whether there has been any indication that investment in subsidiaries should be impaired. Following the results of this assessment, the directors have noted that there are no indications of impairment.

During the year, a wholly owned subsidiary has been set up to hold the company's foreign investment.

The subsidiaries of Mauritius Telecom Ltd are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2011	2010	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%	Corporate Social Responsibilities
MT Properties Ltd	Mauritius	Ordinary	100%	100%	Real estates
MT International Ventures Ltd	Mauritius	Ordinary	100%	-	Investment vehicle

9. INVESTMENTS IN ASSOCIATES

THE GROUP

	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Costs of investment in associates	85,346,173	85,346,173	85,346,173
Addition	19,403,808	-	-
Provision for impairment loss	(44,411,292)	(5,411,292)	(5,411,292)
Share of post-acquisition profits, net of dividend received	188,152,932	200,805,887	220,041,189
	248,491,621	280,740,768	299,976,070

THE COMPANY

	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Costs of investment in associates	85,346,173	85,346,173	85,346,173
Provision for impairment loss	(44,411,292)	(5,411,292)	(5,411,292)
	40,934,881	79,934,881	79,934,881

9. INVESTMENTS IN ASSOCIATES (CONT'D)

The directors have assessed at 31 December 2011 whether there has been any indication that investment in associates should be impaired. Following the results of this assessment, the directors have noted that there are indications of impairment of an investment in an associate. This follows from the associate's poor performance since its incorporation. To determine the amount of impairment, the company carried out a review of the recoverable amount and this led to the recognition of an impairment loss of Rs39,000,000 which has been included in other gains and losses in the statements of comprehensive income. The recoverable amount has been determined on the basis of value in use.

The discount rate used in measuring value in use was 15% per annum.
The associates of Mauritius Telecom Ltd are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest		Principal activity
			2011	2010	
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
Telecom Vanuatu Ltd	Vanuatu	Ordinary	50.00%	-	Telecommunication Services

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

	31 December 2011 (Rs)	31 December 2010 (Rs)
Total assets	3,849,273,607	2,984,767,999
Total liabilities	2,846,748,444	2,225,907,265
Net assets	1,002,525,163	758,860,734
Group's share of associates' net assets	248,491,621	280,740,768
Revenue	3,349,518,582	2,864,418,752
Loss for the year	(68,190,790)	(69,789,605)
Group's share of losses of associates for the year	(12,652,955)	(19,235,301)

On 12 October 2011, the group acquired a 50% stake in the shareholding of Telecom Vanuatu Ltd and accounted for this investment as an associate using the equity method.

The fair value of the group's share of identifiable assets and liabilities at the date of acquisition are provisional amounts and the accounting for the acquisition is incomplete at the end of the reporting period. The acquisition occurred towards the year end and as such no fair value exercise has been made in the current year. The provisional fair values have been determined based on an internal valuation, information available and estimates made by the directors.

A full valuation exercise of the group's share of identifiable assets acquired and liabilities assumed will be completed in 2012 and any resulting goodwill or excess of the group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment will be recognised in 2012. The fair value of the consideration transferred will also be re-assessed.

Any adjustments to the provisional amounts or recognition of additional assets or liabilities will be made retrospectively in the measurement period as if those adjustments had been made at the acquisition date as per IFRS 3 'Business Combinations'.

9. INVESTMENTS IN ASSOCIATES (CONT'D)

	31 December 2011 (Rs)
Consideration transferred	148,595,265
Share of net assets acquired	148,595,265
Goodwill	-

Consideration transferred

	(Rs)
Cash	19,403,808
Settlement of shareholder's loan of associate	112,440,657
Settlement of legal claim against associate	16,750,800
	148,595,265

10. OTHER INVESTMENTS

	THE GROUP AND THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)
(a) Other Investments		
At cost (1)		
At beginning and 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 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
At fair value (2)			
At beginning of year	4,286,000	4,026,000	3,472,000
Change in fair value	(260,000)	260,000	554,000
At end of year	4,026,000	4,286,000	4,026,000
Total	24,296,359	24,556,359	24,296,359

(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. INVENTORIES

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Inventories, at net realisable value	320,972,415	285,815,529	194,384,679	257,693,431	240,293,564	157,834,197

12. TRADE RECEIVABLES

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Trade receivables	2,106,590,526	2,462,582,901	2,281,905,862	1,610,925,405	1,880,632,221	1,776,997,799
Provision for doubtful debts	(812,948,468)	(965,019,384)	(757,492,207)	(680,563,835)	(742,419,043)	(666,464,502)
	1,293,642,058	1,497,563,517	1,524,413,655	930,361,570	1,138,213,178	1,110,533,297

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 Rs458,066,449 (2010: Rs487,919,800) and Rs347,393,406 (2010: Rs380,126,653) 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.

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 shareholders as disclosed in note 33.

More information on credit risk management is provided in note 32.8.

12. TRADE RECEIVABLES (CONT'D)

Movement in provision for doubtful debts

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
At beginning of year	965,019,383	757,492,207	674,517,642	742,419,043	666,464,502	584,948,440
Impairment losses recognised on trade receivables	25,835,347	262,630,987	92,535,169	25,776,145	131,058,351	91,263,287
Amounts written off	(87,631,353)	(55,103,810)	(9,560,604)	(87,631,353)	(55,103,810)	(9,747,225)
Reversal during the year	(90,274,909)	-	-	-	-	-
At end of year	812,948,468	965,019,384	757,492,207	680,563,835	742,419,043	666,464,502

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, except for trade receivables from subsidiaries, 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 82m (2010: Rs 70.4m) 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 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
Under 180 days	35,547,187	63,004,246	18,568,847	37,740,375
180 to 360 days	50,733,277	85,926,745	35,096,607	54,111,558
> 360 days	726,668,004	816,088,393	626,898,381	650,567,110
Total	812,948,468	965,019,384	680,563,835	742,419,043

Trade receivables past due but not impaired

	THE GROUP		THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
Under 180 days	246,640,150	346,652,909	144,278,574	247,618,442
180 to 360 days	68,252,360	73,726,321	60,170,501	65,197,249
> 360 days	143,173,939	67,540,570	142,944,331	67,310,962
Total	458,066,449	487,919,800	347,393,406	380,126,653

13. OTHER RECEIVABLES

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Outside parties	492,468,686	337,864,749	343,400,848	228,744,749	179,810,372	179,439,072
Subsidiaries	-	-	-	405,678,434	305,981,005	25,425,622
Associates	1,612,696	7,472,228	5,435,275	1,612,696	7,472,228	5,435,275
Related parties	7,301,864	1,967,866	-	7,301,864	1,909,975	-
Loan to subsidiaries	-	-	-	169,065,955	16,000,000	24,000,000
	501,383,246	347,304,843	348,836,123	812,403,698	511,173,580	234,299,969

The amounts due from subsidiaries and associates are unsecured and have no fixed terms of repayment. They bear interest at rates which varied between 8.35% and 9.00% per annum (2010: between 6.00% and 9.25% % per annum and 2009: between 9.25% and 10.75% per annum). The group and the company do not hold collaterals over these balances.

The loan of Rs 8M (2010: Rs16M) to a subsidiary is unsecured, do not have any repayment terms and bears interest at rates which varied between 8.35% and 9.00% per annum (2010: between 8.35% and 9.25% per annum and 2009: between 9.25% and 12.75% per annum).

The loan of Rs161,065,955 to a subsidiary is unsecured, interest free and do not have any repayment terms.

14. HELD TO MATURITY INVESTMENTS

	THE GROUP AND THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)
At amortised cost		
At beginning of year	396,339,646	-
Additions	459,875,900	508,351,417
Interest income	8,313,421	11,988,229
Proceeds on maturity	(710,842,649)	(124,000,000)
At end of year	153,686,318	396,339,646

Held-to-maturity investment relates to investment in Treasury Bills maturing in March 2012.

15. STATED CAPITAL

	THE GROUP AND THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (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. FAIR VALUE RESERVE

The fair value reserve relates to investment in SBM Universal fund which has been classified as available-for-sale financial assets.

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

	THE GROUP AND THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)
At beginning of year	2,286,000	2,026,000
Movement for the year	(260,000)	260,000
At end of year	2,026,000	2,286,000

17. LOANS

Loans are repayable by instalments with fixed rates of interest ranging between 3.52% and 4.39% per annum (2010: 3.52% and 4.39% per annum) as follows:-

	THE GROUP AND THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Within one year	36,009,423	38,312,165	37,492,413
Between two and five years	201,734	38,526,801	75,194,869
	36,211,157	76,838,966	112,687,282

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 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Amounts falling due within one year						
Outside parties	724,540,559	544,894,934	580,196,836	370,265,678	220,492,065	351,808,934
Subsidiaries	-	-	-	282,461,604	246,007,592	230,560,034
Shareholders	23,671,638	73,413,100	85,291,779	23,671,638	905,819	17,109,318
Related party	704,634	1,904,110	1,930,828	704,634	1,904,110	1,930,828
	748,916,831	620,212,144	667,419,443	677,103,554	469,309,586	601,409,114
Amounts falling due after one year						
Outside parties	439,557,406	424,109,217	407,902,780	434,730,512	424,109,217	407,902,780

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

18. TRADE PAYABLES (CONT'D)

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.

Amounts due to the subsidiaries are unsecured, have no fixed terms of repayment and bear interest at rates which varied between 8.35% and 9.00 % per annum (2010 between 8.35% and 9.25% per annum).

Amounts due to shareholders are unsecured, interest free and do not have fixed terms of repayment.

19. INCOME TAXES

(i) Income tax

The group and the company are subject to income tax at the statutory rate of 15% (2010: 15%) on the profit for the year as adjusted for tax purposes.

	THE GROUP		THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
Current tax liabilities	363,975,759	450,409,949	96,715,271	182,845,032
Deferred tax expense/(income)	30,846,713	(113,845,078)	19,281,287	(88,589,916)
Tax assessment	5,590,719	6,489,786	5,444,698	1,656,527
	400,413,191	343,054,657	121,441,256	95,911,643
Solidarity Levy				
- Current year	293,033,631	345,402,098	175,482,737	218,569,622
- Underprovision in previous year	-	57,326,986	-	33,417,197
Tax expense	693,446,822	745,783,741	296,923,993	347,898,462

(ii) Tax reconciliation

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Profit before tax	2,558,800,267	2,451,738,451	1,855,857,735	1,873,240,894
Tax at the rate of 15% (2010: 15%)	383,820,040	367,760,768	278,378,660	280,986,134
Tax effect of:				
- Non allowable expenses	8,047,396	27,604,651	4,316,624	9,096,594
- Expenses eligible for 200% deduction	(3,570,535)	(3,183,231)	(3,570,535)	(3,183,231)
- Exempt income	(596,837))	(673,683)	(163,128,191)	(145,236,183)
- Overprovision of deferred tax in prior years	-	(47,616,592)	-	(47,408,198)
- Over provision of current tax in prior years	-	(10,137,326)	-	-
- Additional tax assessment	5,590,719	6,489,786	5,444,698	1,656,527
- Tax loss of a subsidiary	7,122,408	2,810,284	-	-
	16,593,151	(24,706,111)	(156,937,404)	(185,074,491)
	400,413,191	343,054,657	121,441,256	95,911,643

19. INCOME TAXES (CONT'D)

(iii) Deferred tax liabilities

	THE GROUP		THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
At beginning of year	270,727,704	384,572,782	151,909,571	240,499,487
Deferred tax expense/(income)	30,846,713	(113,845,078)	19,281,287	(88,589,916)
At end of year	301,574,417	270,727,704	171,190,858	151,909,571

Deferred tax liabilities arise from the following:

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Temporary differences						
Property, plant and equipment	637,299,238	638,057,843	682,058,822	475,303,098	472,128,336	518,749,317
Other temporary differences	(335,724,821)	(367,330,139)	(297,486,040)	(304,112,240)	(320,218,765)	(278,249,830)
	301,574,417	270,727,704	384,572,782	171,190,858	151,909,571	240,499,487

20. RETIREMENT BENEFIT OBLIGATIONS

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

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Present value of funded obligations	3,612,959,000	3,869,999,000	2,930,990,000	3,556,130,000	3,821,324,000	2,893,039,000
Fair value of plan assets	(1,684,809,000)	(1,657,387,000)	(1,553,730,000)	(1,648,315,000)	(1,625,851,000)	(1,527,144,000)
	1,928,150,000	2,212,612,000	1,377,260,000	1,907,815,000	2,195,473,000	1,365,895,000
Unrecognised actuarial loss	(586,950,000)	(1,162,023,000)	(463,315,000)	(584,007,000)	(1,159,299,000)	(464,195,000)
Liabilities recognised in statements of financial position at end of year	1,341,200,000	1,050,589,000	913,945,000	1,323,808,000	1,036,174,000	901,700,000

Amounts recognised in statements of comprehensive income:

	THE GROUP		THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
Current net service cost	123,559,000	110,121,000	118,278,000	105,153,000
Interest cost	379,987,000	295,250,000	375,131,000	291,375,000
Expected return on plan assets	(166,811,000)	(172,184,000)	(163,482,000)	(169,127,000)
Actuarial loss recognised	57,568,000	11,668,000	57,568,000	11,668,000
Total included in staff costs	394,303,000	244,855,000	387,495,000	239,069,000
Actual return on plan assets	164,848,000	110,846,000	163,482,000	107,213,000

20. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Key assumptions:

	THE GROUP AND THE COMPANY	
	2011	2010
Used to determine benefit obligation at end of year and pension cost for financial year		
Discount rate for obligations	10.00%	10.00%
Underlying consumer price inflation	5.00%	6.00%
Rate of future compensation increases	7.00%	8.00%
Rate of pension increases	5.00%	6.00%
Long-term rate of return on plan assets	11.00%	10.00%
Retirement age	60 years	60 years
Used to determine net periodic pension cost for financial year		
Discount rate for expense	10.00%	10.00%
Underlying consumer price inflation	5.00%	6.00%
Rate of future compensation increases	7.00%	8.00%
Rate of pension increases	5.00%	6.00%
Long-term rate of return on plan assets	11.00%	10.00%

Change in defined benefit obligation during year:

	THE GROUP		THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
Defined benefit obligation at beginning of year	3,869,999,000	2,930,990,000	3,821,324,000	2,893,039,000
Net service cost	123,559,000	110,121,000	118,278,000	105,153,000
Interest cost	379,987,000	295,250,000	375,131,000	291,375,000
Employee contributions	4,599,000	4,841,000	4,599,000	4,841,000
Expenses paid	(2,174,000)	-	(2,174,000)	-
Benefits paid	(116,924,000)	(120,433,000)	(116,685,000)	(120,134,000)
Experience (gain)/loss	-	507,846,000	-	507,846,000
Liability loss due to assumption changes	(646,087,000)	141,384,000	(644,343,000)	139,204,000
Defined benefit obligation at end of year	3,612,959,000	3,869,999,000	3,556,130,000	3,821,324,000

Change in plan assets during year:

	THE GROUP		THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
Fair value of plan assets at beginning of year	1,657,387,000	1,553,730,000	1,625,851,000	1,527,144,000
Employer contributions	103,692,000	108,521,000	99,861,000	104,905,000
Employee contributions	4,599,000	4,841,000	4,599,000	4,841,000
Benefits paid	(116,924,000)	(120,433,000)	(116,685,000)	(120,134,000)
Expenses paid	(2,174,000)	-	(2,174,000)	-
Expected return on plan assets	166,811,000	172,184,000	163,482,000	169,127,000
Actuarial gains on plan assets	(128,582,000)	(61,456,000)	(126,619,000)	(60,032,000)
Fair value of plan assets at end of year	1,684,809,000	1,657,387,000	1,648,315,000	1,625,851,000

20. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Percentage of Plan Assets Invested in Asset Category at End of Financial Year THE GROUP AND THE COMPANY			
Asset category	2011	2010	2009	2008
Equity Securities/Local equity	23.2%	23%	23%	20%
Overseas equity and Bond	17.5%	14%	14%	13%
Government securities and cash	35.1%	40%	44%	57%
Loan	7.8%	-	18%	9%
Property	0.9%	-	1%	1%
Real Estate	-	1%	-	-
Other Deposits	15.5%	22%	-	-
Total	100%	100%	100%	100%

History of obligations, assets and experience adjustments

THE GROUP

	2011 (Rs)	2010 (Rs)	2009 (Rs)	2008 (Rs)
Fair value of plan assets	1,684,809,000	1,657,387,000	1,553,730,000	1,269,798,000
Present value of defined benefit obligation	(3,612,959,000)	(3,869,999,000)	(2,930,990,000)	(2,555,361,000)
Deficit	(1,928,150,000)	(2,212,612,000)	(1,377,260,000)	(1,285,563,000)
Asset experience gain during the year	(128,582,000)	61,456,000	150,665,000	278,494,000
Liability experience loss/(gain) during the year	(1,744,000)	507,846,000	18,273,000	-

THE COMPANY

	2011 (Rs)	2010 (Rs)	2009 (Rs)	2008 (Rs)
Fair value of plan assets	1,648,315,000	1,625,851,000	1,527,144,000	1,249,701,000
Present value of defined benefit obligation	(3,556,130,000)	(3,821,324,000)	(2,893,039,000)	(2,526,465,000)
Deficit	(1,907,815,000)	(2,195,473,000)	(1,365,895,000)	(1,276,764,000)
Asset experience gain during the year	(126,619,000)	(60,032,000)	149,458,000	274,911,000
Liability experience loss during the year	-	507,846,000	18,273,000	-

Actual Return on Plan Assets

THE GROUP

	2011 (Rs)	2010 (Rs)	2009 (Rs)	2008 (Rs)	2007 (Rs)
Expected Return on Plan Assets	166,811,000	172,184,000	140,633,000	152,576,000	127,857,000
Actuarial (Loss)/Gains on Plan Assets	(128,582,000)	(61,456,000)	150,665,000	(278,494,000)	44,639,000
Actual Return on Plan Assets	38,229,000	110,728,000	291,298,000	(125,918,000)	172,496,000

20. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

THE COMPANY

	2011 (Rs)	2010 (Rs)	2009 (Rs)	2008 (Rs)	2007 (Rs)
Expected Return on Plan Assets	163,482,000	169,127,000	138,290,000	150,338,000	126,204,000
Actuarial (Loss)/Gains on Plan Assets	(126,619,000)	(60,032,000)	149,458,000	(274,911,000)	43,968,000
Actual Return on Plan Assets	36,863,000	109,095,000	287,748,000	(124,573,000)	170,172,000

Employer Contributions

The group and the company expect to contribute Rs 110,989,000 and Rs 106,851,000 to their pension plan respectively in 2012.

Retirement benefit obligations have been based on the report from Towers Watson dated 22nd February 2012.

21. OTHER PAYABLES AND ACCRUED EXPENSES

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Operating taxes accrued	54,455,395	7,326,968	106,492,049	47,128,554	246,877	77,789,770
Subsidiaries	-	-	-	959,670,503	658,311,619	430,695,199
Other payables and accrued expenses	1,522,464,800	1,328,679,533	1,247,930,019	1,280,435,791	1,106,546,399	929,282,933
Work in progress	416,109,978	762,973,940	463,002,328	305,154,838	620,404,824	261,083,766
	1,993,030,173	2,098,980,441	1,817,424,396	2,592,389,686	2,385,509,719	1,698,851,668

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 9.00% per annum (2010: between 8.35% and 9.25% per annum).

22. DEFERRED REVENUE

	THE GROUP		THE COMPANY	
	31 December2011 (Rs)	31 December2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
At beginning of year	150,931,896	60,736,433	110,875,729	26,915,359
Customer loyalty programme and deferred rental	1,266,408,767	1,278,187,496	83,023,315	106,644,906
Revenue recognised on discharge of obligations for award credits	(1,204,853,838)	(1,183,002,279)	(21,714,350)	(17,694,782)
Rental consumed	-	(4,989,754)	-	(4,989,754)
Amount received on ICT equipment	21,536,809	-	21,536,809	-
Revenue recognised on ICT equipment	(25,278,537)	-	(25,278,537)	-
At end of year	208,745,097	150,931,896	168,442,966	110,875,729

23. DIVIDENDS

	THE GROUP AND THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)
Final dividend of Rs 1.56 per share for 2009	-	296,400,000
Interim dividend of Rs5.90 per share for 2010	-	1,121,000,000
Interim dividend of Rs6.16 per share for 2011	1,170,400,006	-
	1,170,400,006	1,417,400,000

Interim dividend of Rs 6.16 per share amounting to Rs 1,170,400,006 in respect of the current year was declared by the directors on 23 December 2011 and accrued in the financial statements in year 2011.

24. PROVISIONS

	THE GROUP AND THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Employee benefits	232,963,586	229,585,231	221,622,206
Dismantling costs	6,176,881	6,691,950	6,691,950
	239,140,467	236,277,181	228,314,156

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

	THE GROUP AND THE COMPANY	
	Employee benefits (Rs)	Dismantling costs (Rs)
At 1 January 2010	221,622,206	6,691,950
Additional provisions recognised	37,814,191	-
Payment	(29,851,166)	-
At 31 December 2010	229,585,231	6,691,950
Additional provisions recognised	34,850,240	-
Payment	(31,471,885)	(515,069)
At 31 December 2011	232,963,586	6,176,881

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

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

25. REVENUE

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Sale of goods	316,753,547	252,764,748	152,470,665	122,335,915
Rendering of services	7,577,799,663	7,214,964,696	4,572,686,123	4,374,868,266
	7,894,553,210	7,467,729,444	4,725,156,788	4,497,204,181

25. REVENUE (CONT'D)

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 2011 was 41.9 million minutes (2010: 61.4 million minutes).

26. PROFIT FROM OPERATIONS

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

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
- Depreciation of property, plant and equipment	1,116,607,639	1,135,895,496	877,751,814	859,420,599
- Staff costs	1,668,715,411	1,410,366,822	1,522,884,697	1,300,071,046
- Costs of Inventories recognised as expense	321,093,937	259,670,633	135,579,859	111,704,493
- Amortisation of intangible assets	104,772,529	28,249,658	7,266,534	9,489,468
- (Reversal)/provision for slow moving stock	(4,071,924)	11,325,420	(4,071,924)	11,325,420
- Reversal of provision for impairment of investment in a subsidiary	-	-	-	1,500,000
- Impairment loss recognised on trade receivables	25,835,347	262,630,987	25,776,145	131,058,351
- Termination benefits	11,119,767	13,754,929	11,119,767	13,754,929
- Directors' emoluments (part time)	5,268,545	4,736,298	5,268,545	4,736,298
- Auditors' remuneration:				
- Audit fees	2,441,200	2,100,000	1,500,700	1,500,500
- Donations	10,000	75,050	10,000	75,050

27. OTHER INCOME

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Rental income	1,234,411	-	110,437,518	110,437,518
Management fees	-	-	333,909,325	333,909,325
Other income	31,183,387	33,174,725	24,991,290	13,421,227
	32,417,798	33,174,725	469,338,133	457,768,070

28. OTHER GAINS AND LOSSES

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Net exchange gains	82,095,018	54,674,171	52,592,259	17,867,886
Profit on disposal of property, plant and equipment	4,280,256	1,070,766	4,246,343	1,070,766
Impairment of investment in an associate	(39,000,000)	-	(39,000,000)	-
	47,375,274	55,744,937	17,838,602	18,938,652

28. OTHER GAINS AND LOSSES (CONT'D)

Net exchange gains of Rs 52,592,259 for the company (2010: Rs17,867,886) comprises Rs 143,492,053 of exchange gain and Rs 90,899,794 of exchange loss (2010: Rs95,325,001 of exchange gain and Rs77,457,115 of exchange loss).

Net exchange gains of Rs 82,095,018 for the group (2010: Rs 54,674,171) comprises Rs 185,200,288 of exchange gain and Rs 103,105,270 of exchange loss (2010: Rs135,416,744 of exchange gain and Rs 80,742,573 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	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Dividend income	3,404,897	3,651,876	1,083,354,897	967,532,745
Interest income				
- Bank deposits	152,755,249	146,774,561	150,744,405	141,050,527
- Held-to-maturity investments	8,313,421	11,988,230	8,313,421	11,988,230
- Current accounts with subsidiaries	-	-	42,280,700	8,470,201
- Others	3,783,894	4,593,239	2,947,031	3,939,211
	168,257,461	167,007,906	1,287,640,454	1,132,980,914

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

	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Non-financial Investment	3,404,897	3,651,876	1,125,635,597	976,002,946
Loans and receivables (including cash and bank balances)	156,539,143	151,367,800	153,691,436	144,989,738
Held-to-maturity investments	8,313,421	11,988,230	8,313,421	11,988,230
	168,257,461	167,007,906	1,287,640,454	1,132,980,914

30. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Interest expense				
- Bank borrowings	3,087,508	3,664,999	3,087,508	3,664,999
- Current accounts with subsidiaries	-	-	138,507,677	105,477,220
- Others	35,257	-	35,257	-
	3,122,765	3,664,999	141,630,442	109,142,219

31. EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year after taxation of Rs 1,856,292,851 (2010: Rs1,705,954,710) and on 190,000,001 shares in issue for the two years ended 31 December 2011.

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 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Loans and receivables (including cash and cash equivalents)	6,650,748,314	5,764,117,426	5,457,304,268	6,596,482,017	5,565,082,414	4,970,958,718
Available for sale financial assets	24,296,359	24,556,359	24,296,359	24,296,359	24,556,359	24,296,359
Held to maturity investments	153,686,318	396,339,646	-	153,686,318	396,339,646	-
	6,828,730,991	6,185,013,431	5,481,600,627	6,774,464,694	5,985,978,419	4,995,255,077

Financial liabilities

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
Amortised cost	4,162,659,649	3,957,696,296	3,883,608,144	4,759,716,735	4,072,163,187	3,296,422,361

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

32.4 Financial risk management

The Corporate Treasury Function provides services to all entities within the group and the company. It also monitors and manages their operations' exposure to financial risks namely market risk including currency risk and interest rate risk, credit risk and liquidity risk.

32. FINANCIAL INSTRUMENTS (CONT'D)

32.5 Market risk

The group's and the company's operations expose them mainly to the financial risks of changes in foreign currency exchange rates and interest rates. The group and the company manage their 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 their approach to foreign currency risk management are not of a speculative nature.

Currency risks on transactions are managed through matching of inflows and outflows of foreign currencies. As the group and the company have more outflows than inflows in foreign currency, additional 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 2011		31 December 2010		1 January 2010	
Currency	Financial Assets (Rs)	Financial liabilities (Rs)	Financial assets (Rs)	Financial liabilities (Rs)	Financial assets (Rs)	Financial liabilities (Rs)
EUR	167,955,241	67,866,131	408,372,992	284,316,671	291,264,840	258,536,324
GBP	37,305,121	36,991,085	85,867,075	76,843,663	127,846,756	113,287,256
MUR	6,064,098,912	3,759,988,757	5,329,586,032	3,435,244,943	4,839,184,614	3,235,383,857
USD	353,551,019	254,744,868	236,314,232	114,479,045	113,617,112	225,950,557
Others	205,820,698	43,068,808	124,873,100	46,811,974	109,687,305	50,450,150
	6,828,730,991	4,162,659,649	6,185,013,431	3,957,696,296	5,481,600,627	3,883,608,144

32. FINANCIAL INSTRUMENTS (CONT'D)

32.6 Currency risk management (cont'd)

The Company
Currency profile

Currency	31 December 2011 Financial Assets (Rs)	31 December 2011 Financial liabilities (Rs)	31 December 2010 Financial assets (Rs)	31 December 2010 Financial liabilities (Rs)	1 January 2010 Financial assets (Rs)	1 January 2010 Financial liabilities (Rs)
EUR	54,397,434	51,818,761	310,293,943	15,896,048	139,624,370	32,087,441
GBP	36,653,959	36,991,085	85,660,370	76,843,663	127,474,751	113,287,256
MUR	6,174,809,297	4,549,051,302	5,250,511,605	3,904,850,597	4,576,926,978	3,081,613,780
USD	431,974,763	78,786,779	214,639,401	27,760,905	41,541,673	18,983,734
Others	76,629,241	43,068,808	124,873,100	46,811,974	109,687,305	50,450,150
	6,774,464,694	4,759,716,735	5,985,978,419	4,072,163,187	4,995,255,077	3,296,422,361

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 2011 (Rs)	Euro Impact 2010 (Rs)	USD Impact 2011 (Rs)	USD Impact 2010 (Rs)
Profit or loss on equity	10,008,911	12,405,632	9,880,615	12,183,519

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.

Currency	THE GROUP AND THE COMPANY 2011 % Interest Rate p.a.	2010 % Interest Rate p.a.
MUR	1.75-4.67	2.25-5.70
USD	0.05-1.42	0.05-1.44
GBP	0.40-1.00	0.10-0.70
EUR	0.03-1.70	0.10-1.63

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 Rs0.6M (2010: Rs0.7M).

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

32. FINANCIAL INSTRUMENTS (CONT'D)

32.8 Credit risk management

The group and company 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.

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 2011 amounted to Rs1,293,642,058 (2010: Rs1,497,563,517) and Rs 930,361,570 (2010: Rs 1,138,213,178) respectively. An ageing of the trade receivables at end of 2011 and movement in provision for bad debts during 2011 is disclosed under note 12.

Any variation in future recovery ratio of trade receivables by 0.5% will affect profit of the company by Rs 3.9m (2010: Rs 4.8m).

32. FINANCIAL INSTRUMENTS (CONT'D)

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 flow of financial liabilities based on the earliest date on which the group may be required to settle the liability.

32. FINANCIAL INSTRUMENTS (CONT'D)

32.9 Liquidity risk management

Maturities of Financial Assets and Financial Liabilities

Group

	ITEM	Weighted average effective Interest rate	Less than 1 month	1-3 months	3 Months to 1 year	1-5 years	5+years	Total
		%	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
2011								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	0% - 4.25%	4,600,611,378	-	153,686,318	-	-	4,754,297,696
	Fixed Interest Rate Instruments	7.25% - 10%	36,649,219	372,302,751	-	66,044,162	-	474,996,132
	Non Interest Bearing		407,563,086	497,246,660	154,110,083	113,159,855	-	1,172,079,684
	Variable Interest Rate Instruments	0.87% - 4%	369,169,031	-	-	-	-	369,169,031
	Variable Interest Rate Instruments	8.80%	14,541,674	9,546,632	34,100,142	-	-	58,188,448
			5,428,534,388	879,096,043	341,896,543	179,204,017	-	6,828,730,991
FINANCIAL LIABILITIES	Fixed Interest Rate Instruments	0% - 4.18%	-	-	36,009,423	-	-	36,009,423
	Non Interest Bearing		1,348,923,269	2,147,156,020	144,713,973	-	439,557,406	4,080,350,668
	Variable Interest Rate Instruments	4% - 8.8%	-	-	-	201,734	-	201,734
	Variable Interest Rate Instruments	10%	-	-	46,097,824	-	-	46,097,824
			1,348,923,269	2,147,156,020	226,821,220	201,734	439,557,406	4,162,659,649
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
	Variable Interest Rate Instruments	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	157,753,319	-	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	297,822,814	38,526,801	423,986,709	3,957,696,296

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

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	1-3 months	3 Months to 1 year	1-5 years	5+years	Total
		%	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)	(Rs)
2011								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	0.73% - 3.92%	4,600,611,378	-	153,686,318	-	-	4,754,297,696
	Fixed Interest Rate Instruments	7.50% - 10.00%	-	370,514,043	-	66,044,162	-	436,558,205
	Non Interest Bearing		259,289,401	250,148,440	150,580,300	274,025,810	-	934,043,951
	Variable Interest Rate Instruments	0.86% - 3.90%	225,785,272	-	-	-	-	225,785,272
	Variable Interest Rate Instruments	8.67%	415,779,570	-	8,000,000	-	-	423,779,570
			5,501,465,621	620,662,483	312,266,618	340,069,972	-	6,774,464,694
FINANCIAL LIABILITIES	Fixed Interest Rate Instruments	3.955%	-	-	36,009,423	201,734	-	36,211,157
	Non Interest Bearing		1,348,923,497	1,510,655,625	140,966,013	-	434,730,512	3,435,275,647
	Variable Interest Rate Instruments	4.00% - 8.67%	1,185,613,231	-	102,616,700	-	-	1,288,229,931
			2,534,536,728	1,510,655,625	279,592,136	201,734	434,730,512	4,759,716,735
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	144,833,193	-	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	283,496,270	38,526,801	423,986,710	4,072,163,187

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	4,026,000	4,286,000

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 2011, the company and group entered into the following transactions with related parties.

	THE GROUP		THE COMPANY	
	31 December 2011 (Rs)	31 December 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)
(i) Sales of services				
- Subsidiaries	-	-	937,168,160	863,417,132
- Shareholders	438,931,089	313,211,001	400,020,976	265,435,037
(ii) Purchases of services				
- Subsidiaries	-	-	401,230,292	410,965,578
- Shareholders	178,067,617	84,056,651	126,068,160	35,747,518
(iii) Dividend income				
- Subsidiaries	-	-	1,079,950,000	963,750,000
- Associates and related parties	3,404,897	3,651,876	3,404,897	3,651,876
(iv) Other income and management fees				
- Subsidiaries	-	-	444,346,843	444,346,843
- Shareholders	-	7,136,317	-	-
(v) Interest expense				
- Subsidiaries	-	-	138,507,677	105,477,220
(vi) Interest income				
- Subsidiaries	-	-	42,280,700	8,470,201
(vii) Emoluments of Key management personnel				
- Short term benefits	58,129,571	58,569,631	55,161,765	58,569,631

33. RELATED PARTY TRANSACTIONS (CONT'D)

	THE GROUP			THE COMPANY		
	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)	31 December 2011 (Rs)	31 December 2010 (Rs)	1 January 2010 (Rs)
(viii) Outstanding balances receivable from related parties						
- Subsidiaries	-	-	-	405,678,434	305,981,005	25,425,622
- Associates	1,612,696	7,472,228	5,435,275	1,612,696	7,472,228	5,435,275
- Shareholders	61,311,600	152,597,533	111,736,133	59,643,361	149,992,592	103,847,365
- Related Parties	7,301,864	1,967,866	-	7,301,864	1,909,975	-
(ix) Outstanding balances payable to related parties						
- Subsidiaries	-	-	-	1,242,132,107	904,319,211	661,255,233
- Shareholders	78,011,387	73,413,100	85,291,779	23,671,638	905,819	17,109,318
- Other	704,634	1,904,110	1,930,828	704,634	1,904,110	1,930,828
(x) Loan to subsidiaries	-	-	-	169,065,955	16,000,000	24,000,000

34. COMMITMENTS FOR EXPENDITURE

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Commitments for the acquisition of property, plant and equipment	113,867,423	457,088,072	64,282,267	360,350,567

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	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Within one year	92,429,183	115,059,082	70,270,914	128,325,572
Between two and five years	228,034,910	182,253,278	132,084,913	204,501,084
After five years	213,779,826	117,725,236	21,895,131	12,332,870
	534,243,919	415,037,596	224,250,958	345,159,526

Payments recognised as an expense

	THE GROUP		THE COMPANY	
	2011 (Rs)	2010 (Rs)	2011 (Rs)	2010 (Rs)
Minimum lease payments	102,603,470	146,045,328	81,030,778	125,652,643

35. OPERATING LEASE ARRANGEMENTS (CONT'D)

The company as lessor

Leasing arrangements

Operating leases relate to the properties owned by the company with lease term of 5 to 10 years, with an option for further renewal. 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

	2011 (Rs)	2010 (Rs)
Within one year	41,147,339	46,944,041
Between two and five years	28,945,814	46,272,290
	70,093,153	93,216,331

36. CONTINGENT LIABILITIES

There are contingent liabilities not provided for in the financial statements in respect of guarantees amounting to Rs 13,742,396 (2010: Rs63,490,191) for the group and Rs13,682,396 (2010: Rs 37,898,014) 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 Zanzibar and Seychelles by telegraph submarine cable
1901	- Durban connected to Mauritius, Rodrigues and Seychelles by second submarine cable
1938	- Department of Electricity and Telephone established to manage the use of the telephone in Mauritius
1939	- First automatic telephone exchange opened
1948	- Radio telegraphy and radio telephony introduced with Reunion and Madagascar
1956	- Department of Electricity and Telephone renamed Telecommunications Department
1962	- STROWGER automatic exchanges replaced manual exchanges in Port Louis and Rose Hill
1969	- Telex service introduced
1975	- Mauritius joined space age with installation of a 10-metre diameter satellite antenna
1977	- First data transmission to London
1978	- E10A digital telephone exchange installed
1985	- Overseas Telecommunications Service Co (OTS) took over from Cable and Wireless
1987	- Second Standard B Earth Station inaugurated - Domestic satellite network and a packet-switched data exchange introduced with Rodrigues and the Outer Islands - International Direct Dialling (IDD) introduced in Mauritius
1988	- Department of Telecommunications incorporated as Mauritius Telecommunication Services Ltd (MTS) - Digital E10B telephone exchange installed - 7-digit numbering introduced - IDD introduced in Rodrigues - ISDN demonstrated on E10B Exchange
1992	- OCB Exchanges installed in Rose Hill, Grand Bay and Flacq - Revised Standard A Earth Station inaugurated and direct route to North America opened - OTS assets and liabilities transferred to MTS and name changed from MTS to Mauritius Telecom - First Customer Service Centre opened in Rose Hill
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

MILESTONES *[CONT'D]*

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
- EDGE island-wide coverage provided
- Blackberry® smartphones and wireless solutions introduced in Mauritius by Cellplus
- 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
- First NGN (New Generation Network) installed in Rodrigues

2008 〉 - Mobile and Internet services rebranded as Orange™
- NetPC launched

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
- Automatic Vehicle Location and Global Positioning System (AVL/GPS) launched for fleet management
- Phase 1 of "One Network" introduced between Mauritius and Rodrigues.
- All IN (intelligent network) and value-added services available in Mauritius introduced in Rodrigues, as well as EDGE data service
- Orange New Vision, "Together we can do more", launched
- WiLL (Wireless Local Loop) service decommissioned and customers transferred to line plant
- Post-pay Video on Demand (VOD) launched for My.T subscribers
- 8919 hotline launched for wholesale/ITES/business customers
- CCTV surveillance provided in MT Orange shops
- New MT helpdesk launched to centralise problem-solving
- Stations (Node B's) introduced under the 3G Network

2010 〉 - Installation of panic alarm systems and CCTV cameras in Orange shops
- Launch of Blackberry service in Rodrigues
- Drawing up of MT incident plans for the management of tsunamis, torrential rain, landslides, 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 100 Mbps 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

MILESTONES *[CONT'D]*

- Introduction of fibre-to-the-cabinet access to 50 Mobile sites
- DLM in service island wide
- Introduction of a new wholesale bandwidth offer, High Speed IP Transit Service, for telecommunications operators offering internet services
- Data-roaming footprint with 3G service now opened with 60 countries and 93 operators

2011 〉 - Entry into service of first cable link on the LION cable system between MT and Orange Madagascar, to be used on a bilateral basis to service common customers for voice and data requirements
- Installation of a Zebra test bed in the Orange network for testing new features
- Implementation of a mobile supply-chain barcode system at the Central Warehouse
- Installation of a telephone exchange in Bagatelle.
- Upgrading of Zebra platform to support new features such as the activation of additional and enhanced security measures during commissioning
- Implementation of Iptune (Finland)'s Service Manager Tool, used to monitor mobile data services in the Service Management Centre (SMC) within NOC
- Completion of 4 underground cabinets at Candos, Moka and Glen Park
- Upgrading of the existing Gigabit Passive Optical Network (GPON) to service new buildings in the Ebène Cybercity and new customers in Port Louis. The project allows MT to offer fibre-optic-based services to business customers and government bodies.

GLOSSARY OF TERMS

3G (THIRD GENERATION WIRELESS)	- A mobile system, which includes capabilities and features such as enhanced multimedia, broad bandwidth, high speed, e-mail, web browsing and video conferencing
ADSL (ASYMMETRIC DIGITAL SUBSCRIBER LINE)	- Technology that transforms a normal copper line into a high-speed digital line thus enabling access to telephony services and the Internet at the same time. An ADSL line has a higher downstream speed (into the end user) than upstream speed (away from the end user)
ASP (APPLICATION SERVICE PROVIDER)	- An ASP is a company that offers individuals or enterprises access over the Internet to applications and related services that would otherwise have to be located in their own personal or enterprise computers.
BANDWIDTH	- The physical characteristic of a telecommunications system that indicates the speed at which information can be transferred
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
DLM	- Dynamic Line Management consists of line diagnosis and dynamic line management functions installed by MT to proactively monitor and remotely manage customer broadband lines.
DSL (DIGITAL SUBSCRIBER LINE)	- A technology for bringing high-bandwidth information to homes and small businesses over ordinary copper telephone
EASSy (EAST AFRICA SUBMARINE SYSTEM)	- It is an undersea fibre optic cable that will link the countries of East Africa and Madagascar between themselves and to the rest of the world
EBITDA	- Earnings Before Interest, Taxes, Depreciation and Amortization
EIG	- Europe-India Gateway (submarine cable system)
FTTC (FIBRE TO THE CABINET)	- Refers to the installation and use of optical fibre cable up to the cabinets near homes or any business environment as a replacement for copper cables between the exchange and the field cabinets
GMPLS	- Global Multi-Protocol Label-Switching is a protocol suite that extends the basic features of MPLS to TDM circuits and wavelength technologies
GPON	- Gigabit Passive Optical Network refers to a point-to-multipoint, fibre to the premises network architecture which supports Gigabit traffic and in which optical splitters are used to enable a single optical fibre to serve multiple premises
GSM (GLOBAL STANDARD FOR MOBILE COMMUNICATIONS)	- A digital mobile telephone communications, which uses a variation of time division multiple access. It operates at either the 900 MHz or 1800 MHz frequency band
HSPA s	- High Speed Packet Access refers to a set of technologies which supports increased peak data rates of up to 14 Mbit/s in the downlink and 5.76 Mbit/s in the uplink enabling mobile operators to upgrade their data network
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
LION	- Lower Indian Ocean Network (submarine cable system connecting Indian Ocean islands)

MPLS	-	Multi-Protocol Label Switching is a highly scalable, protocol agnostic, data-carrying mechanism primarily designed for IP network
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 a low-cost personal computer designed as a thin client with centrally managed (cloud) network applications
NGN (NEXT GENERATION NETWORK)	-	Enables multiple services such as voice, video and data to be integrated and efficiently carried over the network and in which service-related functions are independent from underlying transport-related technologies
SAFE	-	South Africa Far East submarine cable system
SDH	-	Synchronous Digital Hierarchy are standardised multiplexing protocols that transfer multiple digital bit streams over optical fibre
SEACOM	-	Submarine fibre-optic cable connecting communication carriers in south and east Africa.
SHDSL	-	Single Line High-bit-rate Digital Subscriber Line allows symmetrical data rates in both the upstream and downstream directions over a traditional copper pair
TEAMS	-	The East African Marine System
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
VDSL	-	Very High Speed Digital Subscriber line allows 'fibre-like' applications on traditional copper pair
VoD (VIDEO ON DEMAND)	-	The ability to stream a movie or other video programme to an individual Web browser or TV Set-Top Box (STB) upon user request
VOIP (VOICE OVER INTERNET PROTOCOL)	-	The generic name for the transport of voice traffic using Internet Protocol (IP) technology

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