mauritiustelecom

ANNUAL REPORT 2012

mauritiustelecom

OUR VISION

To be a Premier World Class Infocom Services Provider

OUR CORE VALUES

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

Contents

04 Financial Highlights

05 Certificate by Company Secretary

06 Corporate Profile

09 Board of Directors

14 Chairman's Statement

16 Chief Executive Officer's Review

20 Strategic Executive Committee

22 Corporate Governance

30 Directors' Annual Report

34 Highlights 2012

38 Business Review

53 Independent Auditor's Report

54 Statements of Financial Position

55 Statements of Comprehensive Income

56 Statement of Changes in Equity

57 Statements of Cash Flows

58 Notes to Financial Statements

100 Milestones

102 Glossary of terms

Financial Highlights

FOR YEAR ENDED 31 DECEMBER 2012

Operating revenue for the Group progressed by 3% during the year, exceeding for the first time the Rs8 billion mark.

Group Profit from Operations was at Rs2.2 billion, decreased by 4.7% compared to previous year.

Profit before Tax increased by 0.7% over last year, to reach Rs2.6 billion.

Profit afer Tax for the year stood at Rs1.8 billion, a decrease of 4.1% over last year.

Group Capital Expenditure has been maintained at Rs1.5 billion, that is 18.8% of operating revenue.

Earnings per share were at Rs9.37, that is, 4.1% decrease compared to 2011.

Return on net assets was 24.1% compared to 21.1% for last year.

Return on equity is in line with last year, at 20%.

Growth in Revenue

+ 3%

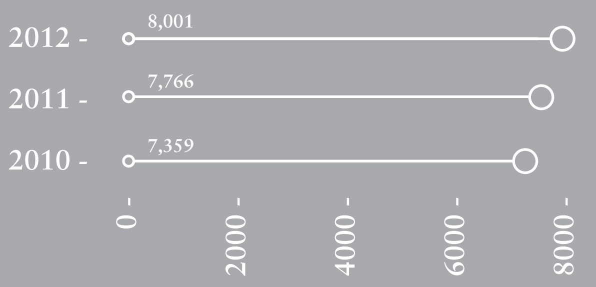
Growth in Profit before Tax

+ 0.7%

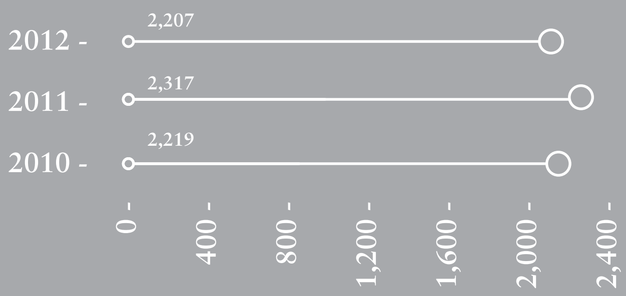
Return on equity

20%

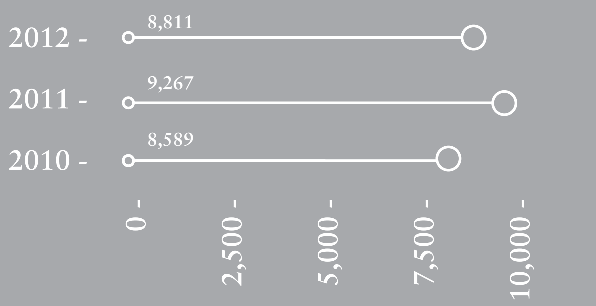
Evolution in Consolidated Revenues (Rs M)



Evolution in Group profit from Operations (Rs M)



Evolution in Consolidated Shareholders' Equity (Rs M)



Financial Key Figures For The Group

Income Statement	2012 (Million Rs)	2011 Restated (Million Rs)
Operating Revenue	8,001	7,766
Profit before tax	2,567	2,550
Profit after tax	1,780	1,856
Earnings per share (Rs)	9.37	9.77
Balance Sheet		
Total Assets	15,805	16,028
Total liabilities	6,995	6,761
Debt interest Bearing	-	36
Shareholders' funds	8,811	9,267
Net Assets Value per share (Rs)	46.37	48.78

CERTIFICATE BY COMPANY SECRETARY

CERTIFICATE BY SECRETARY REQUIRED BY THE COMPANIES ACT 2001

I certify to the best of my knowledge and belief that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 as at 31 December 2012.

P. C. Colimalay
Company Secretary

25 April 2013

Corporate Profile

Corporate Profile

Mauritius Telecom 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 Rs8 billion in 2012.

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 Enabling ICT Evolution through innovation and enhanced customer experience whilst the 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 and to better serve its customers.

Shareholding

The Government of Mauritius, the State Bank of Mauritius (through its wholly owned subsidiary SBM NFC Investments Limited, formerly the SBMInvestments 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 acquired a 50% share in Vanuatu Telecom Ltd through its investment vehicle, Mauritius Telecom International Ventures, set up in 2011.

Subsidiaries

MT has the following fully owned subsidiaries: Cellplus, Telecom Plus, Teleservices, CSL, MT Properties, Mauritius Telecom Foundation, MT International Ventures and MT Services. It is also in a joint venture with Blanche Birger & Continuity South Africa, and has set up a disaster recovery/business continuity entity, ContinuityMauritius.

Products and services

MT 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 to mobile users. MT introduced 4G in Mauritius in June 2012 to enhance broadband customer experience. It also deployed FTTH (Fibre to the Home) during the same year and connected its first customers. The Company also provides Orange Money services and offers cloud solutions. TelePresence, the HD videoconferencing service, is available to businesses at both Orange Tower in Ebene and Telecom Tower in Port Louis. 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, there has been a quantum leap in providing customers with innovative services and experiences. Telecommunication services are becoming increasingly convergent and MT makes every effort to respond to new device and consumption trends in an increasingly competitive market. In October 2012, MT launched the Orange Tablets, including two models priced at Rs2,999 and Rs5,999 and, in December 2012, it introduced the iPhone 5 onto the local 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.

Corporate Profile (cont'd)

Customers

By the end of November 2012, the Company had acquired over 1.2 million subscribers for its fixed-line, mobile, internet dial-up, broadband and My.T convergent services. This significant customer base has enabled MT 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 its commitment to aligning its strategy with that of the Government's vision of Broadband Mauritius. Previously, to make ICT services available and affordable to as many people as possible in Mauritius, the Company had launched its affordable NetPC in June 2008 and low cost Orange tablets in October 2012.

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 Internet Protocol (IP) 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 migrating to the New Generation Network (NGN). In 2011, MT's Network Operations Centre (NOC) relocated to state-of-the-art premises in Orange Tower Ebene.

As the provider of international bandwidth services, Mauritius Telecom continuously upgrades available bandwidths on the submarine fibre-optic cables it uses, South Africa Far East (SAFE) and Lower Indian Ocean Network (LION), 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.

MT's international network is based upon an advanced globally interconnected infrastructure, linked by submarine fibre-optic cables as well as satellite. After the investment in the East Africa Submarine System (EASSy), as from 2009 the Company invested in other submarine fibre-optic cable projects such as the LION 2, the Europe-India Gateway (EIG) and the West Africa Cable System (WACS), which entered service in 2012. The two existing cable landing stations at Jacotet Bay and Le Goulet, and the investment in various cable projects amounting to about US$79 million and expected to reach US$120 million in 2015, allow Mauritius to further increase the reliability, resiliency and bandwidth capacity of its international connectivity.

Corporate social responsibility (CSR)

Mauritius Telecom fully engages in its CSR role and, through the Mauritius Telecom Foundation, actively participates in funding major national projects promoting social and economic integration and poverty alleviation. Other CSR initiatives include support to community projects in the fields of education, health, sports and the environment. Since the setting up of the MTF, an amount of Rs162 million has been allocated to 72 NGOs to implement 102 projects. An amount of Rs32 million has been disbursed for projects facilitating ICT education and access to vulnerable groups. The national campaign, *Je recycle les mobiles et les piles*, launched in 2010, has enjoyed success and has managed to collect five tons of used batteries and over 2,400 mobile phones, shipped to France for recycling in February 2012.

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 and provide disaster recovery services to other companies.

Board of Directors

CHAIRMAN
Mohammed Asraf Ally DULULL

Mohammed Asraf Ally Dulull is the chairman of Mauritius Telecom since January 2013. He holds a Diplôme d'Etudes Supérieure Specialisée (DESS) in Tax Administration from Dauphine University, France and a Certificate in Financial Services and Regulations from the Chartered Institute of Insurance, UK. He also holds a Master degree in Business with specialization in Accounting & Finance and a Bachelor degree in Business (Accounting) from Victoria University of Technology, Australia.

He is a former Minister of Information & Communication Technology (2008 - 2010) and has also served as Minister of Housing & Lands (2005-2008). As a professional in Tax Revenue and Finance he has held several key positions in governmental services and private institutions in Australia, France, Rwanda and Mauritius. In 2004, he served as Project Director for the Mauritius Revenue Authority and in 2003, he worked as Deputy Commissioner of Income Tax Department at the Ministry of Finance. In 2002 he was Project Consultant for the Rwanda Revenue Authority.

He also had the opportunity to work for some key players in the Financial Sector, as Executive Director of Exon Finance in 2010 and as Director of Fiscal Services at Nexia, Baker & Arenson in 2002.

Asraf Dulull is an Associate Member of the Australian Society of Certified Practising Accountants since 1991.

Michel BARRÉ

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

He has more than 35 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).

From 2007 to 2012 he was Senior Vice-President in charge of operations in East Africa, Indian Ocean and Pacific and served as Chairman or Board member of 9 companies associated with France Telecom in Central African Republic, Kenya, Madagascar, Mauritius, Uganda and Vanuatu.

Since 1st October 2012 he has been appointed as CEO of Orange Madagascar.

Board of Directors (cont'd)

Vivek BADRINATH

Vivek Badrinath heads Orange Business Services, the Enterprise Division of France Telecom-Orange, since April 2010. With over 20,000 employees present in over 100 countries, Orange Business Services provides communications solutions to multinational companies globally and enterprises of all size in France.

His previous experience within France Telecom-Orange includes Executive Vice President for Networks, Carriers, Platforms and Infrastructure, Chief Technology Officer for the mobile division and EVP of Products, Technology and Innovation for the mobile division.

Vivek Badrinath also spent four years with the consumer electronics firm Thomson, as CEO of its Indian subsidiary.

Vivek Badrinath has been appointed as Deputy Chief Executive in charge of Innovation, Technology and Customer Experience for FT Group with effect from 1st May 2013.

Dheerendra Kumar DABEE, GOSK, SC

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

He is currently a Board Director of 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 (GOSK) for long and distinguished service in the public service and the legal field was conferred on Mr Dabee.

Board of Directors (cont'd)

Hugues FOULON

Hugues Foulon is a graduate of the École Polytechnique and ENSTA and began his career with the Veolia group, where he was Assistant Director, then Director of drinking-water production plants.

Appointed Deputy General Manager of Monaco Telecom in September 2000, for five years he was in charge of the functional departments (Finance, Legal, HR, and Communication),with 55 persons under his responsibility.

He joined France Telecom/Orange in November 2005 as Commercial Finance Director, then for two years worked for Maroc Telecom as Head of controlling. Back with Orange in October 2009, he was appointed Head of Controlling of the "Groupe Marketing Innovation" division.

From October 2010 to March 2012, he was chief of staff with the CEO delegate of France Telecom/Orange, in charge of the Secretariat of the Group Investment Committee, among other responsibilities.

Since April 2012, he is the Chief Financial Officer of AMEA region and Board member of other companies associated with France Telecom/Orange in Senegal, Democratic Republic of Congo or Ivory Coast.

Vishnou GONDEEA

Vishnou Gondeea, holder of a Diploma in Public Administration and Management from the University of Mauritius, started his career in the public service in October 1973.

He joined the Administrative Service as Assistant Secretary in September 1985. He was promoted Principal Assistant Secretary in November 1996 and was assigned duties of Permanent Secretary as from October 2005. He has served in a number of ministries including the Ministry of Industry and Commerce, the Ministry of Information and Communication Technology, the Ministry of Health & Quality of Life and the Ministry of Agro Industry and Food Security.

He was appointed Director on numerous Boards and he was also the Chairperson of the Board of the Mauritius Sugar Authority and the Tea Board from July 2009 to April 2010. He has been appointed Permanent Secretary in April 2012 and is currently posted at the Ministry of Information and Communication Technology.

Board of Directors (cont'd)

Ali Michael MANSOOR

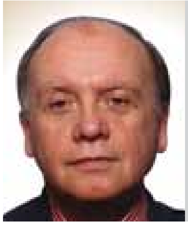
Ali Mansoor holds an MSc in Mathematical Economics and Econometrics, London School of Economics, and a Master's in Public Policy.

He occupies the post of 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).



Gérard RIES

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 was 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 is a graduate from Ecole Polytechnique Paris and holds an MBA from Institut Supérieur des Affaires (Jouy en Josas) and Keio Business School (Tokyo).

Board of Directors (cont'd)

Suresh Chundre SEEBALLUCK, GOSK

Suresh Seeballuck is a graduate in Economics from the University of Delhi, a holder of a a diploma in Public Administration from the University of Mauritius, a Diploma in Development Administration & 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 Natural 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 (GOSK) in 2010.

COMPANY SECRETARY
Conrad COLIMALAY

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

Chairman's Statement

2012 was a year when macro-economic pressures and growing competition in the telecommunications market presented our business with significant challenges. Despite these conditions, Mauritius Telecom performed well, thanks to the effort and commitment of the Board, management and all employees.

'Mauritius Telecom Group's gross profit grew by 4.04 % in 2012'

Financial review

Whilst the Mauritius Telecom Group's gross profit grew by 4.04% in 2012, net profit fell by 4.1% to Rs1.78 billion. Earnings per share stood at Rs9.37 compared to Rs9.77 in the previous year and an interim dividend of Rs6.53 per share has been paid compared to total dividend of Rs6.16 in 2011. Furthermore a special dividend of Rs5.27 per share has been declared in 2012. Capital & reserves amounted to Rs8.8 billion as compared to Rs9.2 billion in 2011. Capital investment of Rs1.5 billion was in line with previous years.

Corporate governance

Mauritius Telecom remains committed to maintaining and implementing best and next practices throughout the Group and within the industry 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

As a socially responsible company, Mauritius Telecom ensures that its corporate social responsibilities are fully discharged through the initiatives of the Mauritius Telecom Foundation (MTF). In 2012, the MTF received funding of Rs63 million and it continued to support major national projects promoting socio-economic integration and poverty alleviation. It has also contributed to promoting and facilitating access to ICT tools and the internet with 21% of its funds allocated to such projects to date. Meanwhile, the *Je recycle les mobiles et les piles* initiative has continued to sensitise more and more Mauritians to environmental protection.

Employee development

In 2012, the budget allocated to staff development amounted to more than Rs20 million. Each employee received an average of 25 hours of training. A hundred different training modules were utilised and increased use was made of the e-learning platform. The year also saw the creation of a new subsidiary, MT Services, set up for the purpose of Group recruitment.

Chairman’s Statement (cont’d)

Telecommunications developments

There were some notable achievements. The project of infrastructure sharing with a competing operator was successfully pursued, giving both operators the possibility of extending network coverage in certain regions, whilst saving on costs. In line with the Company’s strategy for deploying fibre connectivity around the island, we launched Fibre-to-the-Home (FTTH) and our aim is to connect the whole island to FTTH by 2020. The Company’s commitment to providing residential customers and businesses with the latest technology was exemplified by the launch of 4G, the deployment of cloud solutions, the introduction of low-cost Orange Tablets and the launch of the iPhone 5. We have also successfully invested in new cable systems to enhance connectivity and resiliency. In the coming years we will be pursuing our strategy of enhancing our services to our customers while exploring new opportunities for the Group.

Board membership

I wish to thank Appalsamy Thomas, my predecessor as Chairperson, who has contributed so much since 2006 to taking the company to the heights it has reached today and I wish him well in his new endeavour. Personally, I am honoured to have taken on the chairmanship of the Board as from 2013, as the Company embarks on new projects and deals with the new challenges lying ahead.

We are also grateful to Christophe Eouzan and Soopramanien K. Pather, who have retired from the Board, for their valued contributions and wise advice. Meanwhile, we have had the pleasure of welcoming Hugues Foulon of France Telecom and Vishnou Gondeea, Permanent Secretary at the Ministry of Information and Communication Technology, to the Board. I am confident that their wealth of knowledge and experience will contribute greatly to the advancement of the Company.

Conclusion

In an environment fraught by economic uncertainties and fierce competition, business and growth is as much a challenge for Mauritius Telecom as it is for other businesses. We remain confident that, with our forward-looking vision and the commitment of our management team and employees, we shall be able to achieve results that will benefit all our stakeholders and continue to create wealth for our shareholders.

Mohammed Asraf Dulull
Chairman

June 2013

Chief Executive Officer's Review

'In 2012, MT crossed the Rs8 billion gross revenue threshold despite adverse economic environment and increasing competition'

2012 was an eventful as well as a very challenging year for the Mauritius Telecom Group. In spite of the difficult economic situation, regulatory constraints and increased competition the Company managed to successfully maintain its focus on innovation and growth, and recorded operating revenue of just over Rs8 billion for the first time in its history. This represents an increase of Rs235 million over 2011.

Performance of subsidiaries

Operating revenue from the internet segment amounted to Rs832 million, 8.6% more than in 2011. For the mobile segment, the figure was Rs3.6 billion, representing 3.28% growth over 2011. Among the other subsidiaries, CSL achieved the highest growth rate of 22.2%, while embarking on its international activities with Orange Reunion and investing in a new contact-centre management system. Revenue from Teleservices grew by 0.6%.

Customer experience

One of the key initiatives in 2012 was les Rendez-Vous Orange, a concept which replaced the Orange Expo event of previous years and which focused on showcasing offers and innovations in Orange Shops around the island. The initiative was scheduled over a period of three months, and included the support of digital coaches to enable customers to experience how 'Today changes with Orange'.

Meanwhile, the Orange Marathon and Fun Run again succeeded in attracting the large-scale participation of both runners and the public – for the fifth year in a row.

Further new initiatives were the launch of Deezer, a music platform provided by Orange, which received the Best Innovation Service Award at AfricaCom 2012, as well as Orange Money, a mobile payment system, enabling users to settle Orange post-pay, MT and CEB bills through their mobile phones.

The launch of 4G LTE, initially in Port Louis and Bagatelle, represented another landmark and featured the much talked-about presence of Alain Robert, the French Spiderman, who climbed the Telecom Tower. Another major achievement was the launch of the Orange tablet, the lowest priced tablet on the market thereby removing for many the cost barrier of access to devices and the internet. The response was instant with 12,000 units sold within three months.

TelePresence was launched at both Orange Tower and Telecom Tower, targeting the business community and allowing HD-quality teleconference solutions. The Orange Shop in Bagatelle was upgraded to an Orange Concept Store, whilst two additional Orange Shops were opened, one in Ebene and one in the new shopping mall, Grand Baie La Croisette.

The number of subscribers continued to grow. By the year end, Mauritius Telecom (MT) had 752,000 mobile, 138,500 broadband (including nearly 69,000 My.T subscribers) and 345,000 fixed-line customers. 35% of mobiles phones sold were smartphones, reflecting the increasing trend of users accessing the internet and social networks via their mobiles.

Networks

One of MT's on-going priorities is to extend fibre deployment for the benefit of both business and residential customers. 550 customers were connected via the Fibre-to-the-Home system and the Company aims to connect up to 8,000 customers by the end of 2013. The fibre connectivity of business customers progressed, with over 65% of TOP 100 business customers connected.

The demand for international bandwidth has kept on increasing in recent years; from 7 Gbps in 2011, it grew to 11 Gbps in 2012 and is expected to reach up to 18 Gbps in 2013. MT also implemented a second IP Core to complement the existing one, extend network coverage and provide network resiliency.

MT installed a new Point of Presence (PoP) in London, supplementing its existing PoP in Paris and thus enhancing redundancy and diversity of connection. In order to further improve the resiliency of international connectivity, three undersea fibre-optic cable projects were brought into service in 2012: LION 2, EIG, and WACS. The Company also provided technical support to Kronsberg Satellite Services (KSAT) for the installation of a ground station and antennas at Baie Jacotet.

The co-location of mobile sites with those of a competing operator progressed, with the number of co-located sites reaching 21 during the year.

The One Network project was completed in 2012, enabling mobile customers in Rodrigues to enjoy tariffs similar to those in Mauritius and a wider range of services.

Regional events

During the year under review, MT was the main sponsor of the Commonwealth Telecommunications Organisation Forum organised in Mauritius. The Company also hosted the joint FIINA/SATA workshop on Fraud Management, Revenue Assurance and Cyber/Network Security.

Tariffs

In line with its established policy of promoting broadband access through tariff reductions, it was decided to lower IPLC tariffs by 15% to US$2,975, effective to business customers as from January 2013. In addition, further to a government decision to make broadband more accessible, Orange Social ADSL basic offer (256K) priced at Rs200 was scheduled for introduction during the first quarter of 2013.

Chief Executive Officer's Review (cont'd)

People management

During the year, 200 non-managerial employees on fixed-term contracts were employed by MT services, a subsidiary dedicated to Group recruitment. In addition, some one hundred individuals with specific talents were recruited for key positions for strategic planning reasons and to meet new market challenges. Discussions with unions were pursued regarding a pay review, grading structures and conditions of employment for the 2012-2016 period. For its part, MT's CSL subsidiary commissioned an HR consultancy company to conduct a salary benchmarking exercise within the BPO industry in Mauritius.

Following the acquisition of 50% of shares in Vanuatu Telecom, three MT engineers were posted to Vanuatu to supplement local expertise there.

Risk management

The Company continued to strengthen its Business Continuity (BC) measures. MT progressed on the Business Continuity Management (BCM) maturity dashboard and was among the top scorers within the FT Orange Group. In line with the requirements of Business Continuity Plans (BCP) to evaluate business resilience, MT successfully carried out a test of a flood scenario, denying access to its main operations centre in Port Louis. It also strengthened physical security with CCTV deployment and remote monitoring, and information security through the revisiting of maintenance, system enhancement and confidentiality policies, and with continued monitoring.

Corporate social responsibility

MT provided the Mauritius Telecom Foundation with Rs63 million in 2012. During the year, 21% of funds went to ICT projects promoting access to ICT tools and the internet, whilst 24% were allocated to projects on education, training and the empowerment of people with disabilities. Environmental conservation and preservation projects were also supported with contributions representing 17% of funds. Socio-economic funding accounted for 24% of the CSR budget while sports funding attracted 6%.

An imported landmark for the *Je recycle les mobiles et les piles* initiative was the shipment of 6.4 tons of used batteries and 2,400 used mobile telephones to France for recycling.

Management team

There were several changes in the Management team. MT welcomed Nathalie Clere as Deputy Chief Executive/Chief Operating Officer replacing Jean-Francois Thomas, Kapil Reesaul took over as Executive Head Commercial after the departure of Emmanuel André and Yogen Soobarah replaced Shashi Puddoo as Senior Executive HR.

Chief Executive Officer's Review (cont'd)

Outlook

MT will continue to develop its infrastructure to prepare its customers and the country for a new ICT environment, in line with government strategy.

The major areas of development for 2013 and onwards include:

- Deployment of a countrywide FTTH/B network to provide innovative high-bandwidth services for HDTV and, multiscreen TVs, providing up to 10 Mbps Internet access to its customers.
- MT will be investing about Rs200 million to provide FTTH-based broadband services to 8,000 households in 2013. It is further planning FTTH connectivity of up to 30Mbps internet speed to 60% of Mauritian households by 2015 and over 100Mbps to all broadband customers by 2020.
- It is planned to provide full 4G coverage in Port Louis, the Cybercity and the Airport area by the end of 2013.
- In 2013 MT will embark on an energy-efficient Data Facility Centre project at La Flora, requiring the investment of Rs570 million.

One of the main projects which will require the Company's attention in 2013 is the shift to 8-digit numbering for mobile phones. MT will also be looking forward to opportunities provided by the project of enhancing satellite bandwidth capacity between Mauritius and Rodrigues to 155Mbps and the undersea cable project linking the two islands.

In 2012, MT crossed the Rs8 billion gross revenue threshold despite adverse economic environment and increasing competition. Conscious of the challenges lying ahead, Mauritius Telecom aims to keep growing the Company and to continue to provide its customers with new and exciting solutions.

Sarat Dutt Lallah
Chief Executive Officer

June 2013

Strategic Executive Committee

Sarat Dutt LALLAH

Sarat Dutt LALLAH is the CEO of Mauritius Telecom since October 2005. He is currently Chairman of ContinuityMauritius Ltd and Telecom Vanuatu Ltd (TVL). He is a member of the Board of Directors of Orange Madagascar. 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 consulting & training company.

He was the Minister 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. He was the Chairman of Southern Africa Telecommunications Association (SATA) in 2009/10.

Nathalie CLERE

Nathalie CLERE holds an MBA from the Euromed Business School of Marseille as well as a Master in Economics and Foreign Languages from Grenoble University.

She joined France Telecom/Orange in 1995 and has occupied various key positions in commercial, operations and customer care during her career path of over 18 years in the field of communications. She joined Mauritius Telecom in October 2012 as Deputy Chief Executive and Chief Operating Officer, after having held the position of Vice President Operations in Telecom Polska in Poland. She also held key executive positions in Portugal, was Deputy Chief Officier of the mobile business in Lebanon and Managing Director of mass market and B2B unit of the South East France. Nathalie Clere started her career in Thomson Electronics Goods in Singapore and then worked in a broadcasting company, Telediffusion de France, in Paris until she joined Orange.

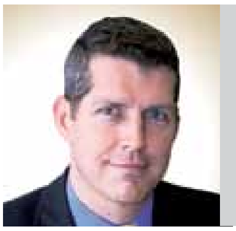
She has also been an Advisor to the French Government on International Trade since 2008. She was decorated from the Knight of the National Order of the Merit in Beirut in May 2002.

Davendra UTCHANAH

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

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

Strategic Executive Committee (cont'd)



Louis CELIER

Louis CELIER was appointed Chief Financial Officer (CFO) of Mauritius Telecom on 01 September 2011. He was previously CFO of Orange Madagascar.

Louis Celier graduated from business school in France in 1994. He began his career within the Bouygues Group and worked for 5 years in management in construction. He later joined France Telecom-Orange in 2000 at PagesJaunes for financial monitoring of Internet activity and participates in the entry of PagesJaunes in the stock exchange. In 2005 he was appointed Director of the Mission of Department of Audit and Control Risks of the France Telecom-Orange Group. In May 2008 he was appointed Chief Financial Officer of Orange Madagascar, a subsidiary of Mauritius Telecom subsidiary.

Louis Celier is married and father of 2 sons. Besides, he is engaged in humanitarian undertakings with the Orange Foundation in Romania, Burkiva, Kenya and Madagascar.

Kapildeo REESAUL

Kapildeo REESAUL is the Executive Head Commercial as from 1st October 2012. He holds a Post Graduate Degree in Cable Network Engineering and a Master Degree in Electronics, Electro-technique and Automation from Lille University of Sciences & Technology in France. He also holds an MBA General Management from Midrand University in South Africa.

He joined Mauritius Telecom in September 1988 and reckons nearly 25 years of experience as a professional in the telecommunication and ICT field specialising in fixed, mobile and internet services for residential and enterprise market.

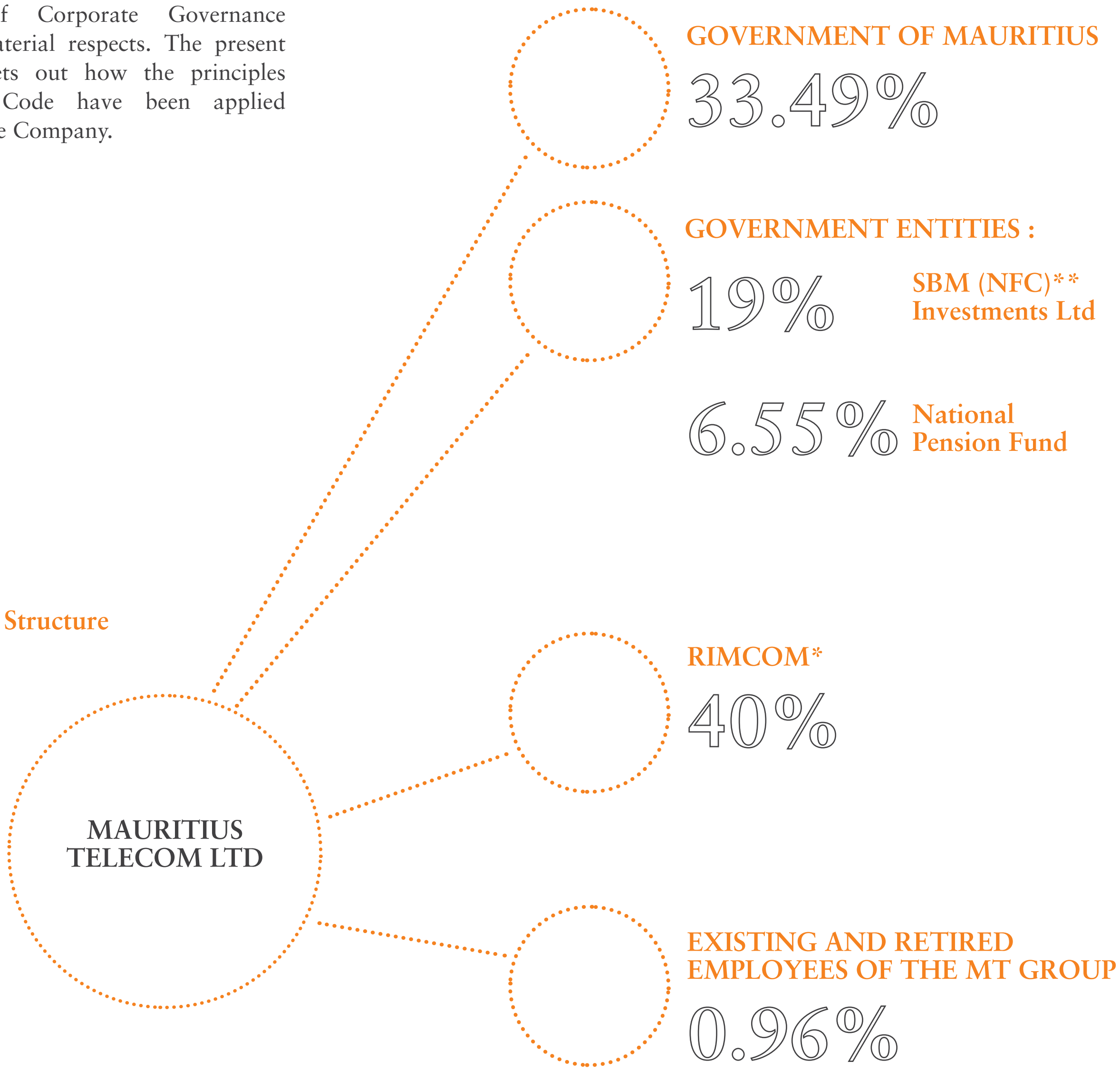
Prior to his appointment as Executive Head Commercial, he headed the Business Market as Senior Executive for 5 years. He also held several senior management positions and was Managing Director for Mauritius Telecom subsidiary in South Africa in 1998, General Manager of Telecom Plus Ltd and General Manager of Call Services Ltd.

Corporate Governance

Corporate Governance

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

Holding Structure



* RIMCOM is an investment vehicle wholly owned by France Telecom

** SBM Investments Managers Ltd changed its name into SBM (NFC) Investments Limited on 12 October 2012.

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.

Corporate Governance (cont'd)

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.

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.

Board of Directors

The detailed composition of the Board of Directors can be found on pages 8 to 13 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 current composition of the Board is pursuant to the Shareholders' Agreement between the Government of Mauritius and Rimcom Ltd (see above). The directors, therefore, have not been further categorised as independent or non-independent.

All directors are non-executive.

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 Senior Management members can be found on pages 20 and 21.

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 34 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.

Corporate Governance (cont'd)

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 27 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 variable fees, which are determined by the attendance of a director at Board and Board Committee meetings.

Board committees

Board Committees are as follows:

Remuneration Committee

In 2012, the Remuneration Committee was composed of the following Board members:

- A Thomas, GOSK - Chairman
- M Barré
- D K Dabee, GOSK
- S K Pather (to 1 March 2012)
- G Ries
- V Gondeea (from 27 September 2012)

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.
- The Remuneration Committee's terms of reference include Mauritius Telecom as well as subsidiary companies which are part of the MT Group.

Audit Committee

During 2012, the Audit Committee was composed of the following Board members:

- C Eouzan - Chairman (to 15 June 2012)
- H Foulon Chairman (from 9 September 2012)
- A Mansoor
- M Barré
- S K Pather (to 1March 2012)

The Audit Committee is a standing committee of the Board established to assist it in fulfilling its fiduciary responsibilities. The Audit Committee meets prior to each Board meeting and as and when required.
The following are part of the Audit Committee's terms of reference:

- 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

Corporate Governance (cont'd)

- 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 Audit Committee's terms of reference include Mauritius Telecom as well as subsidiary companies which are part of the MT Group.

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

Risk Management Committee

During 2012, the Risk Committee was composed of the following Board members:

- C Eouzan - Chairman (to 15 June 2012)
- H Foulon - Chairman (from 27 September 2012)
- A Mansoor
- M Barré
- S K Pather (to 1 March 2012)

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 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.
- The Risk Management Committee's terms of reference include Mauritius Telecom as well as subsidiary companies which are part of the MT Group.

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.

Corporate Governance (cont'd)

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.

Carbon reduction commitment

Initiatives relating to MT's carbon reduction commitment at Group level 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.

Charter for Ethical Business

The Company's conditions of service contain a specific section relating to the Code of Ethics and the 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.

There is also an MT Charter for Ethical Business introduced so as to provide guidelines to employees of the MT Group on ethical conduct.

Courses have been delivered by a team of trainers so as to sensitize all staff to the Charter. Videos used during the courses have been posted on the e-learning platform to allow staff to view them at leisure on their desktop computers.

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.

Corporate Governance (cont'd)

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 does therefore not set the advance timetabled dates for reporting and meeting required under the rules for listed companies.

A formal Annual 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 27 of the Financial Statements.

On behalf of the Board of Directors

P. C. Colimalay

Company Secretary
25 April 2013

Corporate Governance (cont'd)

BOARD AND BOARD COMMITTEE ATTENDANCE DURING 2012

The table below details the record of attendance at Board and Committee meetings during the 2012 Financial Year.

	BOARD OF DIRECTORS	REMUNERATION COMMITTEE	AUDIT COMMITTEE	RISK MANAGEMENT COMMITTEE
No of meetings held	5	4	3	1
Directors				
A Thomas, GOSK (Chairman)	5	4	n/a	n/a
S C Seeballuck, GOSK	4	n/a	n/a	n/a
A Mansoor	5	n/a	3	1
D K Dabee, GOSK	4	4	n/a	n/a
V Gondeea (from 15 May 2012)	2	-	n/a	n/a
M Barré	5	4	3	1
C Eouzan (to 15 June 2012)	1 in person +1 by alternate	n/a	1	-
H Foulon (from 15 June 2012)	1 in person + 2 by alternate	n/a	2	1
V Badrinath	3 in person + 2 by alternate	n/a	n/a	n/a
G Ries	2 in person +2 by alternate	1 in person + 2 by alternate	n/a	n/a

Director's Annual Report

The Directors have pleasure in presenting the Annual Report and Audited Financial Statements of the Company and of the Group for the year ended 31 December 2012.

Nature of business

The Group's main activity is the provision of telecommunications and related 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
- The Mauritius Telecom Foundation administers the Group's corporate social responsibility (CSR) activities and programmes
- MT International Ventures Ltd holds MT's investments in other entities
- MT Services Ltd recruits employees for the Mauritius Telecom Group.

Results for the year

The Group's and Company's profits after tax, attributable to equity holders, for the financial year were Rs1,779,720,060 (2011: Rs1,856,292,851) and Rs2,816,715,382 (2011: Rs1,558,933,742) respectively.

Earnings per share for the year were Rs9.37 (2011: Rs9.77 per share).

The audited financial statements of the Group and Company for the year ended 31 December 2012 are annexed.

Board of Directors

The directors of the Company and of its subsidiaries in the Group are non-executive.

The following held office as directors of companies within the Group during 2012:

Mauritius Telecom

Messrs

- Appalsamy Thomas, GOSK - *Chairman (to 31 December 2012)*
- Mohammed Asraf Dulull - *Chairman (from 1 January 2013)*
- Suresh Chundre Seeballuck, GOSK
- Ali Michael Mansoor
- Dheerendra Kumar Dabee, GOSK
- Soopramanien Kandasamy Pather *(to 1 March 2012)*
- Vishnou Gondeea *(from 15 May 2012)*
- Christophe Eouzan *(to 15 June 2012)*
- Hugues Foulon *(from 15 June 2012)*
- Michel Barré
- Vivek Badrinath
- Gerard Ries

Director's Annual Report (cont'd)

Cellplus Mobile Communications Ltd

Messrs
- Sarat Dutt Lallah - *Chairman*
- Jean-François Thomas
  (to 30 September 2012)
- Mrs Nathalie Clere
  (from 1 October 2012)

Telecom Plus Ltd

Messrs
- Sarat Dutt Lallah - *Chairman*
- Davendra Utchanah
- Jean-François Thomas
  (to 30 September 2012)
- Michel Barré
- Rai Basgeet
- Mrs Nathalie Clere
  (from 1 October 2012)

Call Services Ltd

Messrs
- Sarat Dutt Lallah - *Chairman*
- Jean-François Thomas
  (to 30 September 2012)
- Tarkaswar Cowaloosur
- Mrs Nathalie Clere
  (from 1 October 2012)

Teleservices (Mauritius) Ltd

Messrs
- Sarat Dutt Lallah - *Chairman*
- Tarkaswar Cowaloosur
- Jean-François Thomas
  (to 30 September 2012)
- Mrs Nathalie Clere
  (from 1 October 2012)

MT Properties Ltd

Messrs
- Sarat Dutt Lallah - *Chairman*
- Michel Barré
- Tarkaswar Cowaloosur
- Louis Celier

Mauritius Telecom Foundation

Messrs
- Sarat Dutt Lallah - *Chairman*
- Jean-François Thomas
  (to 30 September 2012)
- Mrs Nathalie Clere
  (from 1 October 2012)

MT International Ventures Ltd

Messrs
- Sarat Dutt Lallah - *Chairman*
- Jean-François Thomas
  (to 30 September 2012
- Rai Basgeet
- Mrs Nathalie Clere
  (from 1 October 2012)
- Mr Peter Conrad Colimalay -
  Alternate to Mr Lallah

MT Services Ltd

Messrs
- Sarat Dutt Lallah - *Chairman*
- Jean-François Thomas
  (to 30 September 2012)
- Mrs Nathalie Clere
  (from 1 October 2012)

Directors' remuneration

Total remuneration and benefits paid to Board directors by the Company during the year are disclosed in Note 27 (Directors' 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 Director's responsibilities

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

Financial Statements

The Companies Act 2001 requires the directors to prepare financial statements 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 giving a true and fair view of the results of their operations and financial position for each financial year.

Director's Annual Report (cont'd)

Financial Statements (cont'd)

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 2012 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

- Sourcing and participation agreements

The following directors declared their interests as employees of the FT Group and did not participate in any deliberations on the matter:

- 133rd Board of Directors' Meeting held on 22 March 2012: Messrs Barré, Eouzan and Badrinath.

- 134th Board of Directors' Meeting held on 24 May 2012: Messrs Barré, Ries and Foulon (on behalf of Mr Eouzan).

- New IPTV System

At the 137th Board of Directors' Meeting held on 13 December 2012, Mr Badrinath declared his interest as a director of Viaccess-Orca.

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 have been put in place to provide the directors with such reasonable assurance.

The systems are designed to ensure that all transactions are authorised and 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.

Director's Annual Report (cont'd)

Governance

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

Dividends

Total dividends of Rs2,242,000,012 were declared during the year (2011: Rs1,170,400,006), detailed as follows:

	The Group and The Company	
	2012 Rs	2011 Rs
Interim dividend	1,240,700,006	1,170,400,006
Special dividend	1,001,300,006	
	2,242,000,012	1,170,400,006

Donations

No donations were made by the Group during the year (2011: Rs10,000).

There were no political donations during the year.

Auditors

The fees payable to the auditors for audit services in 2012 were:

	The Group		The Company	
	2012 Rs	2011 Rs	2012 Rs	2011 Rs
Audit services	2,930,767	2,441,200	1,510,330	1,500,700

No other services have been contracted from the auditors.

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 for the results achieved.

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

Mohammed Asraf Dulull
Director

Suresh Chundre SEEBALLUCK, GOSK
Director

25 April 2013

Highlights

Highlights 2012

JANUARY
Presentation ceremony of CSR cheques by the MTF amounting to Rs4.9M to seven NGOs

FEBRUARY
First shipment of 6,468 kilos of used batteries and 2,400 used mobile phones to France for recycling as part of the *Je recycle les mobiles et les piles* initiative

Launch of an Orange Concept Store in Bagatelle

MARCH
Signature of an MoU between the Ministry of Education and Human Resources and the MTF to promote awareness in schools on the *Je recycle les mobiles et les piles* initiative

APRIL

CSL participation in the Salon Européen des Centres d'Appels exhibition in Paris

Launch of Orange Money, enabling users to make payments via mobile phones for Orange, MT and CEB utility bills

Launch of Rendez-Vous Orange, with 42 digital coaches in Orange Shops over a period of three months

MAY
Launch of Deezer, a music platform for streaming music

Launch of TelePresence to provide HD videoconference services to businesses at Orange Tower, Ebene

200 native trees and shrubs planted in Cassis as part of MT's Go Green project

Highlights 2012 (cont'd)

JUNE

Launch of 4G, featuring Alain Robert, the French Spiderman, climbing Telecom Tower

Launch of Empowerment Programme for women from Residence Mangalkhan, with MTF funding

Fifth edition of the Orange international Marathon & Orange Fun Run at Mont Choisy

Launch of Customer Test Centre to test major offers before and after their commercial launch

Launch of Tourism Authority hotline at CSL

JULY

200 employees on fixed-term contracts offered employment on a permanent and pensionable basis in MT Services, a new subsidiary created for recruitment

AUGUST

Launch of mobile portal m.orange.mu

Presentation ceremony by the MTF to NGOs of CSR cheques amounting to Rs22.6 million

SEPTEMBER

Free bone health check for early detection of osteoporosis conducted at CSL

Participation in ICT-BPO conference organised by the Ministry of Information and Communication Technology

Introduction of a mobile internet package from as little as Rs19 per day

Highlights 2012 (cont'd)

OCTOBER

Launch of Orange tablets priced at Rs2,999 and Rs5,999 to promote access and ICT usage

Crisis simulation exercise on denial of access to Telecom Tower under flood conditions

Signature of MoU between the Ministry of Social Integration and Economic Empowerment, MT, the MTF and the CEB for the Prepay Electricity Service

Participation of 80 employees from the MTF's Social Engagement & Voluntary Actions (SEVA) group in MT's Solidarity Week

NOVEMBER

Launch of Explorer bouquet (10 TV channels, including Fox Entertainment, Nat Geo Gold and MTV India) on My.T

Joint 6th SATA Fraud Management, Revenue Assurance and Network/Cyber Security and FIINA Workshop hosted by MT

Launch of Kongsberg Satellite Services (KSAT) antennas at Jacotet Bay

MT participation at Infotech exhibition in Rodrigues

Launch of Orange Emergency Credit to allow mobile prepay customers to make emergency calls

DECEMBER

Fibre-to-the-Home Workshop organised for staff working on FTTH deployment

Introduction of the iPhone 5

MTF delegation visited Rodrigues to present CSR cheques amounting to Rs4 million to 12 NGOs and to ascertain progress on MTF-funded projects

Cheque Presentation Ceremony at Telecom Tower to provide funding of Rs11.1 million for nine NGOs' projects.

Business Review

COMMERCIAL

The novel concept of digital coaches was the most striking initiative taken by the Commercial Department in 2012. These in-house experts have been trained to listen, guide and advise customers visiting Orange shops, helping them find their way through the maze of the latest technological products and services.

Meanwhile, the level of customer service delivered by front liners was enhanced by a flexible e-learning system set up to enable them to keep abreast of MT's latest products and services.

Again to improve customer service, regular training sessions were organised during 2012. More than 250 employees from Orange Shops, back office and Orange Care attended two-day Orange Attitude training sessions, during which they were also exposed to cutting-edge customer service techniques.

Rendez-vous Orange replaced the previous Orange Expo event. Held over a much longer period, it was designed to bring new products and services to a wider public in Orange shops themselves. The event, in fact, was able to reach 300,000 customers visiting Orange shops between April and June 2012.

The year also saw major extensions to Mauritius Telecom's distribution network with the opening of several new Orange Shops and upgrading works in line with Orange international norms:

- New Orange concept store in Bagatelle in February, bringing the latest in interactive technology to Mauritius with a revolutionary touchscreen shop window
- Re-opening in August of the Orange Shop in Triolet in a more spacious setting, designed along environmentally-friendly lines
- Opening of a new Orange Shop in the Ebene commercial centre
- New green concept introduced in October in the Rose Belle Shop, with a more pleasant and welcoming environment
- A new Orange Shop for the new Grand Baie La Croisette development as the year ended.

The Department's team was happy to see three of its employees selected to participate in the Orange Customer Champions 2012 event, held in October in Morocco, when they were able to share their best-in-class experience with sales agents from other countries in Africa, the Middle East and Asia.

Accounts representatives worked hard on providing innovative services to business customers and the Business Market team was able to offer them tailor-made and state-of-the-art technologies to enhance a company's competitive edge.

Mauritius Telecom also had the honour of being the second Sub-Saharan telecom operator to launch two highly innovative TelePresence rooms, at Telecom Tower in Port Louis and at Orange Tower in Ebene. Through this life-like and high definition video conferencing system for businesses, the latter now have the opportunity to establish close commercial relationships with their counter-parts throughout the world, without spending on travel costs and related expenses.

Moreover, since the introduction of the TelePresence service, Mauritius has been able to use it to reap the benefits of the transfer of know-how and expertise in various fields such as telemedicine and education in real time.

The same spirit of innovation led to the launch in April of Orange Money, a major break-through in the mobile payment market, enabling users to settle Orange post-pay, MT and CEB bills through their mobile phones, a system which also reduces the use of paper bills, contributing to a greener Mauritius.

Business Review (cont'd)

In May, Mauritius Telecom stood out as the first operator in the Orange AMEA (Africa, Middle-East and Asia) regions to launch the Deezer music platform, a move which received recognition during the AfricaCom 2012 event held in South Africa, when MT received the Innovation Award. Deezer enables users to access on the internet through the streaming mode a catalogue of more than 10 million songs. It also enables them to build their own playlists and has extended the international exposure of local singers such as Eric Triton and Alain Ramanisum.

New milestones in the history of telecommunications were established in 2012. In June, Mauritius Telecom became the first telecommunications company in the Sub-Saharan countries to commercially launch a 4G service through its Orange brand, giving access to very high speed mobile internet.

To mark the 4G launch, the French 'Spiderman', Alain Robert, climbed the 18-storey MT Tower. His breath-taking performance gave MT considerable visibility on such global social networks as You Tube and Facebook.

The Department also organised a number of other events with public appeal, including the fifth edition of the Orange International Marathon in June, which witnessed the participation of runners from 12 countries in Europe, Asia and Africa. The Orange Fun Run held on the same day, attracted more than 10,000 participants.

MT also pioneered in Mauritius what has become a tablet revolution. An agreement was signed with the Indian firm, Pantel Technologies, to introduce the lowest-priced tablet on the Mauritian market for only Rs2,999. The Orange tablet has helped low-income families to be in a position to purchase a sophisticated device to connect to broadband internet and enter the Information Age, all part of the move to democratise internet access. It was introduced in September during Infotech 2012 and was followed by record sales of more than 10,000 tablets by the end of December 2012.

With the increasing number of smartphones and the growing use of social networks especially by young people, Orange introduced the most affordable mobile internet package in Mauritius, with tariffs starting as from only Rs19 a day.

Moreover, to match the ever-increasing need for diversity and the specific desires of TV viewers, the My.T channels were enriched with the Explorer bouquet consisting of 10 new TV channels such as the Fox channels (Nat Geo Gold, Fox Entertainment and Baby TV), broadcasted in exclusivity for the first 6 months in Mauritius, as well as news, music and women's lifestyle channels. The number of channels reached 46 by the end of the year.

The retailers' distribution channel for Orange prepaid cards pursued its growth in 2012. Orange SIM card support materials were also installed in retail premises to increase the Orange brand visibility and boost the usage rate of Orange prepaid mobile services.

On the business customer front, an increasing number of companies with high data connectivity needs were connected to MT's fibre-optic access network. MT has had a fully meshed fibre-optic core backbone that covers the whole island for several years now and added a second layer of core-routing nodes to achieve almost 100% network availability. In parallel, MT continued its roll-out of gigabit passive optical network technology, in anticipation of rising requirements especially in business areas such as the Cybercity and Port Louis. At the end of the year under review, nearly 65% of the top 100 companies were connected through fibre-optic cabling.

Business Review (cont'd)

With the increasing business use whilst on the move of smartphones, tablets and laptops for accessing e-mails and exchanging data, the Commercial Department worked in close synergy with the Networks Department to optimise MT's mobile broadband 3G+ and 4G deployment and coverage.

Mauritius Telecom is now strongly positioned as the preferred ICT solutions provider not only for local companies but also for multinationals, especially those in the ITES/BPO sector in need of highly resilient international connectivity.

Mauritius Telecom has consistently pursued its efforts to further consolidate the redundancy of its international connectivity, a condition essential for building a resilient and digital economy. All of the cable systems in which MT has invested during the last 5 years were in service by the end of 2012.

In order to be at par with global players, the Company expanded the reach of its local network outside the country's boundaries, as detailed in the Networks section. MT now has a fully meshed MPLS network that answers to the business needs of the corporate and ITES/BPO sectors, aimed at preventing single points of failure.

As from March 2012, in line with Government's Open Access Policy, MT was able to offer co-location and cross-connection facilities for the use of its cable landing stations. In the same spirit, Mauritius Telecom also sold capacity on the international SAFE and LION cable systems to competitors. These moves have contributed to enhancing the competitive environment especially for the bandwidth market, benefitting operators in the emerging ICT industry. Mauritius Telecom provided technical support to Kronsberg Satellite Services (KSAT) for the installation of a ground station and antennas at Jacotet Bay in the south of the island to track low-orbit satellites producing data and images, used by scientists for research purposes, which are transmitted via MT's submarine cable to KSAT data centres abroad. Technical know-how in handling antennas for satellite tracking was a critical factor in leading to the Norwegian company, specialised in earth observation services for polar orbiting satellites, selecting MT.

Last but not least, the Commercial Department ended 2012 with a bang by introducing the iPhone 5 into Mauritius, the thinnest, lightest and fastest iPhone ever.

CELLPLUS MOBILE COMMUNICATIONS

Cellplus Mobile Communications is the leader in the mobile sector in Mauritius. The rebranding to Orange of its products and services in 2008 has enabled the company to constantly innovate and enhance its offers.

The mobile customer base increased by 5.32% during the year and stood at 752,300 by the end of December 2012. Revenue for the year grew by 3.28% to reach nearly Rs3.6 billion.

Innovations introduced in 2012 included Orange Money, a mobile payment service. The year also saw the launch of a 4G (LTE) network in Port Louis and Bagatelle and the iPhone 5. In terms of mobile infrastructure, a new wireless application protocol (WAP) gateway was commissioned and an automatic roaming tester introduced for faster and easier testing of roaming services.

The launch of site and tower co-location with a competing mobile operator was a positive development with 21 co-located sites. Meanwhile, to enhance voice and data communication, about 50 additional mobile sites were connected using fibre-optic cabling.

Several projects were completed in Rodrigues during the year, including the deployment of SHDSL (a cost-effective solution for carrying data traffic) and the One Network project that has required investment of Rs15 million and now offers an advanced media gateway able to provide services similar to those in the main island.

Business Review (cont'd)

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 Group's content base, strengthen new revenue streams and meet customer expectations.

2012 proved to be an eventful year with various key initiatives, including the conclusion of agreements with some established content providers and the launch of new offers. Turnover for the year grew by 8.6% to reach Rs832 million.

Broadband internet services were strongly promoted and the broadband subscription base grew by 18.4%, from 117,000 to 138,500 (68,700 ADSL customers and 68,800 for My.T).

TV packages

Telecom Plus is now strongly positioned in the pay-tv market following a consistent increase in customer base year after year. To improve on its TV offers on My.T, after the Basic and Bollywood packages an Explorer bouquet consisting of ten new channels – including Eurosportnews, MTV India and three Fox channels – was launched in November 2012. This marked the introduction of Fox channels in Mauritius. The German TV channel, Deutsche Welle, was added to the Basic TV bouquet in February 2012 and Colors TV channel to the Bollywood bouquet in May 2012.

Subscribers to the My.T Basic TV package increased by 28%, from 41,500 in December 2011 to 53,000 in December 2012 while the Bollywood package subscriptions grew by 45%.

Video on demand (VOD)

The VOD catalogue was enriched with new releases from Sony Pictures, Gaumont, Walt Disney, Mont Ida Films and Eros. In 2012, new contracts were signed with Venus Worldwide Entertainment for Bollywood content and Mediatoon for kids/teens contents. Local content also attracted many viewers in 2012. Revenue from VOD increased by 10% from Rs10.18 million in 2011 to Rs11.2 million in 2012.

Value-added services

In 2012, the range of value-added services (audiotex, premium text-messaging services, mobile content downloads and applications, and fun tones) was further enhanced. New contracts were signed with major record labels such as Universal Music, Saragama, Venus Records and Unisys Info. The unit's turnover reached Rs42 million.

Web portal services

The Orange portal, hosted and operated by Telecom Plus, maintained its position as the leading Mauritian portal, with an average of 297,000 visitors per day compared to 278,000 in 2011. Considerable efforts were made to enhance portal services with new partnerships. The SMS info service 789 was revamped with enriched web content and relaunched in November 2012. The Deezer music service was launched in May 2012 and more than 7,400 subscribers were registered as at year end. Sales of advertising banners grew by 16% to Rs2.7 million.

Web development

The Web Development team continued to play a key role as a support centre for MT Group activities in areas like events management (Rendez-Vous Orange, Orange Marathon, Euro 2012 and Infotech), digital marketing (banner advertising) and social-media campaigns.

A revamping of the Classified Ads section was carried out in July 2012 to include photos, videos and an auction facility. A mobile portal – m.orange.mu – was launched in August 2012, accessible on all mobile phone terminals. Up to 500,000 page views per month have been recorded.

On the international front, the Orange website for the Republic of the Congo was launched in December 2012.

Business Review (cont'd)

TELESERVICES

Teleservices Ltd has established itself as the leader in the directory business in Mauritius. The turnover achieved by the company in 2012 was Rs142 million, representing a slight growth of 0.6% as compared to 2011.

Directories
Teleservices core activities are the production of directories, the main ones being the MT Phonebook (residential and business listings) and the MT Yellow Pages (classified businesses) produced yearly and distributed free throughout the island. Its portfolio also includes specialised directories such as the MT Business Directory, now in its 14th edition, and the MT Rodrigues Directory. Directory information is also available on line, via the Teleservices website, www.teleservices.mu. Subscribers can also ask Teleservices to update their entries via the website. Further work is being carried out on the site, which will provide for more interactive and comprehensive on-line information.

In 2012, it added an additional dimension to the Yellow Pages publication, with the introduction of a Green Products & Services section, complementing MT's other environmentally-friendly campaigns.

Advertising Services
Teleservices is also a registered advertising agency and handles several corporate as well as small and medium companies' advertising programmes, using a range of print, electronic and outdoor advertising methods. It can provide a whole gamut of services from designing artwork to detailed media planning and bookings on multiple advertising supports. Its wide billboard network in particular allows customers to benefit from island-wide visibility.

CALL SERVICES (REBRANDED CSL)

Established in 1999 as a wholly owned subsidiary of MT, CSL's initial role was to provide call centre services primarily to MT itself and to the local market. After its rebranding exercise and relocation to its new headquarters in the Orange Tower in Ebene in 2011, CSL embarked on international business activities in 2012, with its first international customer being Orange Reunion.

Financial and operational achievements
Revenue in 2012 totalled Rs170 million against Rs142 million in 2011. In 2012, CSL handled an average of 870,000 calls a month compared to 830,000 in 2011.

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, debtor chasing, 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.

CSL won the tender for the partial handling of Orange Reunion inbound calls for a three-year period. The first calls were handled on a pilot basis from October 2012 and the project went fully live in December 2012.

Other than BPO services, CSL handles the 150 service (the national telephone directory service). It also handles the Telmet service, an automated service providing information on cyclones and natural disasters.

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 commissioned Core Services, an HR consultancy company, to conduct a salary benchmarking exercise in the BPO industry in Mauritius. This exercise enabled CSL to work out a new salary structure to attract and retain key talents, especially required for the expansion of its international business.

IT development
CSL acquired an additional floor at Orange Tower with 158 workstations for its international business activities. CSL also invested in a new Contact Centre Management System, aimed at achieving greater efficiency in the operation of international campaigns.

Quality
CSL embarked on the process of obtaining NF (Normalisation Française) Customer Contact Centre Certification (NF 345 – EN 15838) with AFNOR Mauritius, the local branch of the Association Française de Normalisation. All CSL staff, including the management team, followed an awareness programme before the visit of the AFNOR auditors in December 2012 and a quality charter was prepared and communicated to all CSL staff. Meanwhile, CSL is aiming for NF Certification of its call-centre operations in 2013.

Training
Following the communication of its values in December 2011, CSL conducted an innovative, internal training programme in October and November 2012 to help staff fully appreciate and absorb company values.

BUSINESS DEVELOPMENT

Business Development Division
The Business Development Division has embarked on various projects, both locally and internationally, with its main objective being to stand out from competitors, provide innovative products and services and diversify MT's core activities. These endeavours will allow MT not only to play a significant role in the telecom industry but also be resilient to match its current and future customer needs. Recent examples of activities include:

- The much publicised and highly successful launch by MT of the first low cost tablet, sold at less than US$100, thereby making this type of device not only affordable and accessible to lower income groups but also indirectly contributing towards the country's vision of promoting inclusive technology use.

- The introduction of Orange Money, the first mobile payment service in Mauritius, broadening the spectrum of payment options available to the public. Orange customers can use the service to pay their CEB, MT Fixed Line, Orange Postpay bills and even their taxes.

In addition to growing locally, the Business Development Division is also responsible for identifying and evaluating international telecom-oriented operation opportunities. Following the purchase of 50% of the shareholding of the telecommunications operator in Vanuatu, Telecom Vanuatu Ltd. (TVL), in October 2011, MT maintained the momentum by embarking on a number of international projects to extend its growth inorganically.

This is being achieved, for instance, with MT providing consultancy services and technical expertise in various fields to TVL. This has the added benefit of creating opportunities and improving MT competences with regards to the provision of expert advice and services together with personal development of staff members.

In line with its objectives to increase Group turnover and to be at the forefront of innovation, the Business Development Division has positioned itself as a trendsetter in Mauritius by bringing new technologies to its customers. MT was the diamond sponsor for the CTO forum hosted by the Ministry of Information and Communication Technologies and the ICT Authority of Mauritius in October 2012. Business Development is also engaged in the development of apps, an emerging market with growing revenue potential. It launched the Mauritius Tourist Guide App in 2012 and is currently commercialising it.

The Division will concentrate in 2013 on further identifying development opportunities and potential partnerships and propelling Mauritius on its way to being recognised as a major technological hub.

Business Review (cont'd)

NETWORKS

In line with Mauritius Telecom's long-term vision, a number of major projects were implemented in 2012:

Fixed network

Network infrastructure expansion

MT continued to bring quality services closer to residential and business customers with the installation of two new exchanges at Bagatelle and La Croisette.

This enabled basic telephone, broadband and data services, such as ADSL, SHDSL, leased line, IPVPN and mobile services, to be brought to shops at Bagatelle Mall of Mauritius and the surrounding areas from Réduit to Montagne Ory. This exchange also serves various business centres in the area around the Mall. In addition, the exchange was needed to provide all the shops at Bagatelle Mall with fibre connectivity, in line with Mauritius Telecom's strategy of extending broadband coverage to all business entities. A new mobile site was also erected at the Bagatelle Exchange to offer both indoor-voice and data coverage to customers within the Bagatelle area.

In the North, the Croisette Exchange was commissioned, providing services to La Croisette Shopping Mall and Mont Choisy Mall on the outskirts of Grand Bay. In addition to providing full fixed and mobile MT services to both residential and business customers, the exchange is also equipped to provide fibre connectivity to customers in the immediate vicinity of La Croisette. Finally, newly designed camouflage towers that blend in with the environment have been erected there to provide customers with mobile coverage.

Fibre-to-the-home (FTTH) Project

MT remained focused on providing future-proof access to its customers with the implementation of a pilot FTTH project, initially carried out in Floreal and Rose Hill regions, enabling some 550 customers to migrate from the copper network to the FTTH network. This made IPTV and broadband services immediately available to customers who were previously unable to receive them through the copper network due to distance limitations.

Mobile network

One of the main mobile-network achievements in 2012 was the launch of a new 4G network and services, deployed in the Port Louis and Bagatelle region, that aims to enhance customers' mobile broadband experience. There are currently only a few 4G base stations deployed supported with a dedicated evolved packet core network. The 4G network successfully demonstrated data speeds up to 100 Mbps (as compared to 21 Mbps currently available on the 3G network), supporting high quality streaming services.

A 4G network offers better latency than a conventional 3G network and has a direct service advantage for highly immersive and interactive applications such as multiplayer gaming and rich multimedia communications. Fast LTE deployment was made possible by upgrading existing 3G Node B base stations.

In parallel to the field deployment of cutting-edge 4G services, MT pursued efforts to enhance its existing 2G and 3G networks to improve service quality and coverage, and a total of eleven macro sites were commissioned in the first half of 2012. Out of these eleven sites, six were installed under a co-location agreement on another service provider's premises.

Meanwhile, ten micro sites were installed on the premises of large businesses to improve the quality of indoor mobile service.

To further enhance services to customers, an automatic roaming tester was commissioned in 2012. This tester provides faster and easier testing of mobile roaming services with partners. It also facilitates the prompt resolution of complaints from customers using roaming services, as well as preventive action through routine checks with foreign operators to ensure that roaming agreements are maintained.

Attention has also been given to Rodrigues with the replacement of an existing mobile server in Mont Venus with an advanced media gateway, allowing customers in Rodrigues to benefit from the same mobile services, such as missed-call alert and caller ring-back tone, as in Mauritius.

Fibre-to-mobile sites

In order to improve data and voice communication, 55 additional mobile sites were connected, using fibre-optic cabling, to MT's core mobile packet network. The deployment of fibre uplinks is essential to be able to meet long-term bandwidth requirements. So far MT has 124 sites connected to the fibre network for improved data and voice communication.

Co-location of mobile sites

MT continued with its co-location policy for mobile sites, with the installation of 10 more sites on the second mobile operator's premises, thus increasing the total number of co-located sites with Emtel to 21.

Value-added services

A new over-the-air (OTA) system was implemented to enhance user experience for services such as fast internet on mobile phones, multimedia and Orange TV. The new platform is fully integrated with the recently upgraded subscriber data management service to allow device settings to be automatically sent to a customer whenever there is a change of mobile phone. More customers will thus be data enabled and ready for data usage.

SMS anti-spamming platform

An SMS anti-spamming platform was deployed to detect and block fake text messages from foreign networks. The same platform was upgraded to provide prepaid roaming customers with the facility to send text messages in a more user-friendly and conventional way when abroad, instead of having to use the current USSD mode.

Emergency credit

An upgrade was carried out to the online charging system (OCS) to provide an emergency credit service. Customers can now make a ten-rupee loan request whenever their prepaid balance goes below five rupees. The sum is advanced by Mauritius Telecom and is reimbursed when the customer tops up his or her account. This service can be of considerable help in difficult situations.

High-speed WAP gateway

MT commissioned a new WAP service which allows mobile users to have greater and faster access to data services for browsing web pages, downloading contents such as games and video clips, and for mobile applications. The objectives of the new WAP gateway are to provide a better quality of service and faster and more stable connectivity when browsing using a mobile.

Wi-Fi hotspot

MT can now offer Wi-Fi services to its customers on the move after commissioning a centralised Wi-Fi hotspot controller in its network. Service provisioning is currently performed through the user sending a text message to the Wi-Fi platform and then receiving a password for logging into the Wi-Fi system. This service caters for the growing demand for internet access in open public areas such as airport lounges, shopping malls and food courts.

MT IP backbone network

Global MPLS NNI peering

MT expanded its Global MPLS VPN service reach with the implementation of a new network-to-network multi-label protocol switching (MPLS) management system, providing peering (traffic exchange) between MT's existing core IP network with that of Orange Madagascar. This new NNI link provides customers with a wider choice for their VPN requirements, including geographical reach outside of Mauritius.

Business customers in Mauritius and Madagascar can now have end-to-end MPLS VPN services seamlessly over multiple autonomous systems. In its initial phase, a bandwidth of 45 Mbps was configured in MT's core IP network through the LION submarine cable system to offer the VPN service.

International MPLS point-of-presence (PoP)

MT extended its present MPLS network with the installation of a new MPLS point-of-presence (PoP) in London and connection of the PoP to a global MPLS operator. The extension of MT's MPLS network to London allows the provision of enhanced global MPLS services to corporate customers. Furthermore, a dedicated connection between our PoPs in London and Paris is now available for provision of redundancy and diversity to customers using MPLS circuits.

Expansion & resiliency of IP core backbone

MT implemented a second IP core which complements the existing IP core by providing additional provision capacity for customers, extending the IP Core network coverage in Mauritius, providing resiliency to core network link failures and allowing the redundancy of critical services over two different network overlays.

The new IP core network also mitigates the effects of IP core failure and helps in sustaining the internet and connectivity of other services.

Business Review (cont'd)

International connectivity

LION2 submarine cable system

The LION2 submarine cable system, which is an extension to the existing LION submarine cable, was successfully brought into operation in 2012 and provides a diversity route to Europe, independent of SAFE.

WACS cable system

MT has also invested in the WACS cable system, which was successfully put into operation in 2012 and provides MT with additional capacity to Europe.

Enhanced customer service

Fibre to Orange shops

MT enhanced its service quality and responsiveness to customers coming to its 17 Orange shops in Mauritius by upgrading the existing copper DSL connections to the fibre-optic network. The Orange shops can now display broadband-intensive services to visitors to give them a feel of high-speed broadband services such as HD TV and streaming videos.

Power capacity management

Direct-current power plants were upgraded at nine sites in Mauritius and Rodrigues and generators were replaced at eight sites to ensure reliability and the continuity of services at all times.

QUALITY & SUPPORT

Quality and Process Improvement
SPICE completed

Mauritius Telecom launched its Smart Processes for Improved Customer Experience (SPICE) project in 2009, to give its processes and process management a strategic and customer-centric approach. This has involved implementing end-to-end processes across all functions and producing specifications for information system tools. The project was fully completed for all critical processes in December 2012. These processes were uploaded onto Qualigram software, used to manage MT's quality systems. Following discussions in the process review committees, more than 1,000 improvement projects were identified, of which 55% had already been completed as at the end of December 2012. SPICE also continued to support the Company's drive towards service efficiency by continuously monitoring key performance indicators, decreasing costs by improving the effectiveness of processes and increasing sales through customer-centric processes.

Customer Testing Centre (CTC)

MT set up a CTC with the aim of improving what customers experience, maximising revenue from product and service launches, and reducing costs where quality is found to be inadequate. The CTC is designed to test major offers before their commercial launch and to analyse feedback from customers after the launch. Two tests were completed in 2012 and it is expected that, with the experience gained, the CTC will become fully operational in 2013.

ISO 9001: 2008 certification

This Standard sets out the criteria for a quality management system. During the year, MT and its CSL, Telecom Plus and Teleservices subsidiaries successfully completed an external audit of its ISO 9001:2008 standards, carried out by SGS Ltd. Internal audits were also carried out twice during 2012.

Environmental management system

Mauritius Telecom is committed to implementing sound environmental practices and is doing so in the context of increasingly stringent legislation. The aim is to use the ISO14001:2004 standard to manage activities centrally and derive maximum benefit from environmentally-friendly activity. A risk analysis was conducted at the Cassis site to determine its impact on the environment, resulting in action plans for improvement.

Green activity

MT pursued its green policy through the following:
a. Despatch of two containers of used batteries, mobile telephones and electronic waste to Europe for safe disposal
b. Use of heat reflective paint at exchanges, to reduce the use of air conditioning and cooling systems
c. Collection of waste paper for recycling
d. Tree planting campaigns at Cassis and Jacotet Bay.

The above are in addition to on-going activity:
- Spreading awareness through dissemination of MT's Green Policy
- Encouraging employees to preserve, protect and promote sustainable practices for a greener environment by abiding to the Green Pledge
- Distribution of green bins
- Implementation of energy-saving measures by reducing electricity consumption
- Maintaining MT's policy on reduced use of paper
- Training drivers on how to economise on fuel

Risk management

Actions to mitigate operational risks
The Information Security Policy was reviewed and updated with respect to the following:
a) E-mail security policy. Defining the best practices to be adopted with respect to e-mail communication. This policy is aimed at safeguarding users against data loss, virus attacks, spyware, e-mail bombs, computer worms and spam etc.
b) Computer usage policy. Guidelines on the general use of personal computers, to prevent unauthorised access to computer data.
c) Audit log policy. Ensuring that all information systems generate appropriate audit logs that can be integrated with an enterprise log-management function.
d) Back-up policy. Defining the policy for computer data back-up within MT. It adds protection to data which can be quickly and easily recovered in the event of equipment failure, intentional destruction of data or disaster.
e) Internet acceptable use policy. Ensuring that all staff use the internet in a safe and responsible manner.
f) Password policy. Establishing a standard for the creation of strong passwords, their protection and the frequency of change.
g) Employee information security responsibilities. Defining the responsibilities of all staff with respect to handling of information, information security policy, physical security and logical security (software safeguards).

Vulnerability & penetration testing

Tests were carried out on MT's critical systems in order to assess and thereafter address vulnerabilities. These vulnerabilities were classified and remedial action was initiated on high-risk vulnerabilities.

Update of Business Continuity Plans (BCPs) and Crisis Management Plans (CMPs)

These plans were updated In line with MT's Business Continuity Management Policy, in order to integrate the changes which have occurred since the formulation of the initial plans. The revised CMP made the procedure for convening meetings of the Crisis Executive Committee more effective so that quick decisions can be taken during crisis situations.

Business Continuity Management

MT continued to progress on the Business Continuity Management (BCM) maturity dashboard and is among the top scorers within the FT Orange Group. The Company is taking a leading role in transiting from BS 25999 to the new ISO 22301:2012 standard on societal security and business continuity.

A BCM simulation exercise was held in order to test the capability of the MT Crisis Management Team to respond to a denial of access to Telecom Tower in a crisis situation, with critical activities carried out from the Disaster Recovery site. The exercise was successful and will be useful for further consolidating business continuity plans.

Business Review (cont'd)

Building and property management

The MT Orange Shop at Triolet moved to a new site to better serve customers. The Rose Belle shop was given a major facelift following a full rebranding exercise.

Technical service staff, who had been working from rented premises in Port Louis, were relocated to more congenial premises in Cassis.

The KSAT project was installed on a plot of land belonging to MT at Jacotet Bay, with two antennas for tracking purposes integrated in a green environment which is physically well secured.

A project for a central warehouse at Rose Belle was finalised and construction was scheduled to start in January 2013.

The upgrading of the Information Systems wing and new staff mess at Cassis is scheduled to be completed during the first quarter of 2013. The construction of a data centre in Rose Hill progressed smoothly and the project will be completed by the beginning of the second quarter.

REGULATORY & POLICY DEVELOPMENTS

2012 has been a year full of events in terms of regulatory developments and policy initiatives from the Government. These policies have helped to consolidate the ICT sector and accelerate the technological transition to a new digital era.

1. Government policy initiatives

a) National Broadband Policy 2012–2020

The Ministry of Information and Communication Technology published a National Broadband Policy 2012–2020 (NBP 2012), which sets out the strategic vision for a Broadband Intelligent Mauritius, branded as Towards i-Mauritius.

The main goals set out by the Government in the NBP 2012 include:

(i) To connect at least 60% of homes to the internet with download speeds of at least 10 Mbps by 2014
(ii) Affordable access to at least 100 Mbps broadband in public institutions such as schools, hospitals and government buildings by 2020
(iii) Mauritius to become a leader in mobile innovation in the region, with the fastest and most extensive wireless networks by 2020.

b) Deployment of Wi-Fi network

To fulfil the goal of making the internet a fundamental right for all citizens, the Government deployed a wireless fidelity network (Wi-Fi) in ten regions across Mauritius and Rodrigues. This project was made possible through financing from the Universal Service Fund (USF).

c) Amendment to the ICT Act 2001 to foster competition in the ICT market

To stimulate further competition in the ICT sector, Government brought several amendments to the ICT Act 2001 which confers additional powers on the Information and Communication Technologies Authority (ICTA) in the discharge of its functions. Such additional powers relate to the determination of market power, tariff determination for operators with significant market power (SMP) and non-SMP operators, and asymmetric regulation.

d) Connect Rodrigues

To bridge the digital divide and connect Rodrigues to the information superhighway, Government launched a tender exercise to increase satellite connectivity to Rodrigues from 37 Mbps to 155 Mbps. The service is expected to be operational by June 2013.

e) Data protection

Mauritius has sought accreditation with the European Commission for Mauritius to be referenced as an "adequate country". This would enable the country to gain recognition in the field of data protection and step up trading relations with international partners in off-shore investment services and business process outsourcing. Related legislation will also promote e-government and e-commerce in Mauritius, as the availability of the legal protection of personal data will encourage consumers and businesses to transact online. This initiative is in line with Government's vision to make Mauritius a regional knowledge hub and a strategic ICT destination.

Business Review (cont'd)

2. Regulatory developments

a) Radio frequency electromagnetic field safety

The ICTA has issued new guidelines regarding radio frequency electromagnetic field (EMF) safety. The guidelines address issues pertaining to EMF safety and include measures to be adopted by operators prior to the setting up of base stations, consultative processes with the public and public guidance.

b) Migration to eight-digit numbering

The date of 1 September 2013 has been set by the ICTA for the migration from existing seven-digit mobile numbering to eight digits. The ICTA has decided that the number 5 will be added as a prefix to all existing seven-digit mobile numbers.

3. Regulatory measures adopted by MT

a) Open Access Policy

In order to implement Government's Open Access Policy, MT proposed a cross-connect model. This is being used as the reference model by the ICTA for Mauritius. The Open Access Policy allows long-distance operators to secure right of access to MT's cable landing stations at Jacotet Bay and Tombeau Bay. Belgacom International Carrier Services (Mauritius), a licensed network services provider in Mauritius, has entered into the first cross-connect agreement with MT.

b) Additional international bandwidth

MT has invested in a second undersea fibre-optic submarine cable system, LION 2. This cable system came into operation in mid–2012. Its capacity will provide additional resiliency in line with strategic requirements.

c) Support to commercial and network operations

In 2012 some forty type approval certificates were granted by the ICT Authority for commercialisation of equipment and devices by MT. Tariffs were approved for new services and sixteen promotional campaigns were authorised especially during Rendez-Vous Orange, as well as new numbering blocks to meet increased demand from mobile subscribers.

MT also successfully obtained a commercial licence for the deployment of LTE/4G services in Mauritius.

The ICTA has agreed to MT's request for the setting-up of Kongsberg Satellite Services (KSAT) for a remote ground terminal for telemetry, satellite tracking and command services in Mauritius at Jacotet Bay.

4. Undertakings to the Competition Commission of Mauritius

Following enquiries initiated by the Competition Commission, Mauritius Telecom offered undertakings in relation to alleged concerns about the market for telecommunication manhole covers and also over MyT's triple play offer.

The undertakings were enforced on 6 August 2012 for a period of three years and set out obligations about the way MT should conduct its business in the telecommunication manhole-cover market and the broadband, internet and pay-TV markets. Most of the commitments in the undertakings have already been implemented.

HUMAN RESOURCES

In the course of 2012, HR undertook significant initiatives to meet the HR strategic objectives of putting 'people at the heart' The company's talent pool has been enriched to meet growing business challenges, especially the need for innovative and content-rich services for valued customers. More than 100 new recruits have joined the company in key positions.

Meanwhile, in-house expertise has been regularly exported to other international operators such as Swaziland Posts and Telecommunications Corporation, Orange Uganda, Kenya Telecom, Tanzania Telecommunications Company and Botswana Telecommunications Company. In line with the development of MORE activities, Transmission and Radio experts in 2G, 3G and WiMAX have successfully completed specific assignments for Telecom Vanuatu Limited. The Company intends to extend the export of expertise to other operators in 2013.

Business Review (cont'd)

Learning and growth

As the ICT industry is subject to rapid technological changes, employees have to continuously upgrade their skills and competencies, and the MT Group therefore invests heavily in people development. Employees have the opportunity to follow relevant training to expand their knowledge-base and to develop their capabilities.

Overall, employees had an average of 25 man-hours training during the year. The in-house training team continues to enhance the e-learning platform, which offers learning opportunities to a wide number of staff both on-the-job and off-the-job, with 100 courses now available. Managed by the Training Academy, face-to-face training is also used to complement the e-learning platform.

Management cadres and key talents were offered opportunities to follow intensive courses at an Orange Campus in areas such as leadership and management skills development. A regional Orange Campus has been set up for the Indian Ocean region and courses are organised in Reunion, Madagascar and Mauritius. Employees have also been able to follow workshops under the aegis of the Commonwealth Telecommunications Organisation in fields such as ISP network protocols and management, fibre-to-the-home deployment and business process re-engineering.

Employee Wellness

Employee wellness and Health & Safety are high on the Company's agenda and several wellness programmes aimed at promoting employee health were organised during the year. Testing for osteoporosis and foot-screening programmes in particular were highly appreciated by employees. New wellness activities, such as Tai Chi and Zumba, will be introduced in 2013, complementing existing programmes such as yoga and gym.

Several sports and recreational programmes were organised for employees and their families including badminton and volleyball tournaments, beach soccer and family outings. Such activities are of considerable value in bringing staff of all levels together. Some form of outdoor activity is organised about every two months.

MAURITIUS TELECOM FOUNDATION

CSR and corporate philanthropy are integral to the Mauritius Telecom Group's culture and history, often involving direct employee involvement. Since 24 December 2009, the Mauritius Telecom Foundation (MTF) has been responsible for the management of MT Group CSR funds and received funding of Rs54 million in 2010, Rs45 million in 2011 and Rs63 million in 2012.

The MTF funds major national projects promoting social and economic integration and poverty alleviation. Other CSR initiatives include support to community projects in the fields of ICT, social housing, education, health, the welfare of the disabled, sports and the environment.

More than 225,000 people have benefitted directly or indirectly from the 104 projects initiated by MTF in Mauritius and Rodrigues. The foundation has collaborated with 72 NGOs and institutions, of which 20 are in Rodrigues.

Digital solidarity: reducing the digital divide

Access to Information & Communications Technology (ICT) is a useful way of improving people's educational and economic prospects and 21% of total CSR Funds were allocated in the field of ICT in 2012. MTF is financing the 289 computer clubs (898 working positions) of the National Computer Board (NCB), providing free access to the internet. More than 60,000 people over the island use this facility each month. For those in remote areas, a cyber-caravan was donated to the NCB for the provision of ICT training. Together with the e-Inclusion Foundation, the MTF is providing a NetPC service with free internet access to 200 families from vulnerable groups.

Believing in the social and economic integration of people with disabilities

One of MTF's major initiatives is "Unique comme toi", a battle alongside Autism Maurice and APEIM to champion the cause of autism, to evolve mentalities and behaviour, and to create appropriate structures and help families.

Access to education for handicapped people, and in particular the deaf, is another priority. The MTF financed the sign language elaboration project, the setting up of a computer room for graphic design studies and a dance academy at the Society for the Welfare of the Deaf premises.

Furthermore, it also teamed up with the Mauritius Employers Federation to provide training and job placement to 25 people with disabilities, facilitating their integration into the labour force. The MFT also financed the "Association des Parents d'Enfants aux Besoins Speciaux" (APEBS), the EDYCS Epilepsy Group and the Muscular Dystrophy Association to provide special care for and follow-up of their patients. MTF provides a balanced meal to 45 disabled students at the SSR Disabilities Services Centre.

The MTF's contributions to such welfare projects accounted for 24% of CSR Funds in 2012.

Contributing together for a greener planet

6.4 tons of used batteries and 2,400 used mobile telephones were shipped to France in February 2012 for recycling. The MTF also participated in two exhibitions to create public awareness of the importance of recycling electronic products and was among the first signatories of the Chambre de Commerce et d'Industrie France-Maurice (CCIFM) environment charter.

The Company supports the protection and preservation of the country's endemic fauna and joined with the Mauritius Wildlife Foundation to save endemic skinks on Round Island, Gunners' Quoin (Coin de Mire) and Ile aux Aigrettes.

In line with the Maurice Ile Durable project, the MTF provided the Gandhian Basic School, the Maison Familiale du Nord and Chrysalide with photovoltaic panels to cater for their own energy requirements and with the possibility to sell the excess to the CEB. In all, 17% of 2012 CSR expenditure went on projects aimed at environmental conservation and preservation.

Inclusive and sustainable development for a better society

To provide a safe environment for children and enable parents to go to work or to attend training, MT continued to finance the operational costs of the following day-care centres and pre-primary schools: La Maison de L'Enfance (Ste Croix), Little Angels (Residence Vallijee), Les Abeilles (Vallée Pitot), Perle d'Avenir (Poste de Flacq) and Le Flamboyant (Cité Richelieu). The Mauritius Scouts Association, SOS Femmes and the Mauritius Police Force were supported in their various initiatives, respectively soft skills training for youngsters, a shelter for women and a Police Safety and Prevention Awareness Campaign. Overall, such socio-economic funding accounted for 24% of MT's CSR budget in 2012.

Supporting sporting excellence

8,000 young people have been are being trained by the Fondation pour la Formation au Football, with part financing from the MTF. MT also contributed to volleyball and triathlon activities by financing the Port Louis Redstar Volleyball Club, the Club Sportif de Pamplemousses and the Triathlon Club de Roche Brunes. In 2012, sports funding attracted 6% of the CSR budget.

Rodrigues

12 NGOs received funding in Rodrigues in 2012, in particular Caritas for its initiative in providing a daily hot meal to 300 students. This resulted in a 20% increase in school attendance.

Social Engagement & Voluntary Actions

The Mauritius Telecom Foundation launched SEVA, Social Engagement & Voluntary Actions, an employee volunteer programme, with various activities organised with the involvement of employees. They participated in the distribution of books and in activities with pre-primary school children. They introduced senior citizens to computing and the internet and helped train women in bookkeeping to support them in opening their own businesses. 47 employees participated in weeding and cleaning at Ile aux Aigrettes, whilst the MTF itself organised a Solidarity Week from 17 to 22 September 2012, during which employees engaged in voluntary work and activities.

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 54 to 99 which comprise the statements of financial position at 31 December 2012 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 54 to 99 give a true and fair view of the financial position of the group and of the company as at 31 December 2012, 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 auditor;
- we have obtained all information and explanations that we have required; an
- 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

Deloitte
Chartered Accountants
25 Avril 2013

Twaleb Butonkee, FCA
Licensed by FRC

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2012

		THE GROUP			THE COMPANY		
	Notes	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
ASSETS							
Non-current assets							
Property, plant and equipment	5	8,190,670,764	8,164,912,384	7,843,230,221	6,000,346,074	6,186,880,322	5,950,326,997
Goodwill	6	80,980,030	80,980,030	80,980,030	-	-	-
Intangible asset	7	326,783,522	130,573,038	117,598,911	263,002,548	71,505,153	12,013,561
Investments in subsidiaries	8	-	-	-	270,961,125	242,862,325	242,835,000
Investments in associates	9	258,618,265	248,491,621	280,740,768	40,934,881	40,934,881	79,934,881
Other investments	10	10,963,001	24,296,359	24,556,359	10,963,001	24,296,359	24,556,359
Loan to a subsidiary	11	-	-	-	163,007,367	161,065,955	-
Total non-current assets		8,868,015,582	8,649,253,432	8,347,106,289	6,749,214,996	6,727,544,995	6,309,666,798
Current assets							
Inventories	12	371,714,224	320,972,415	285,815,529	300,644,540	257,693,431	240,293,564
Trade receivables	13	1,237,325,655	1,350,633,049	1,544,767,374	949,650,502	930,361,570	1,138,213,178
Other receivables	14	542,885,165	444,392,256	300,100,986	983,371,113	651,337,743	511,173,580
Held to maturity investments	15	-	153,686,318	396,339,646	-	153,686,318	396,339,646
Cash and cash equivalents		4,785,557,962	5,109,344,236	4,146,229,388	4,734,015,860	5,079,432,012	4,101,967,166
Total current assets		6,937,483,006	7,379,028,274	6,673,252,923	6,967,682,015	7,072,511,074	6,387,987,134
Total assets		15,805,498,588	16,028,281,706	15,020,359,212	13,716,897,011	13,800,056,069	12,697,653,932
EQUITY AND LIABILITIES							
Capital and reserves							
Stated capital	16	190,000,001	190,000,001	190,000,001	190,000,001	190,000,001	190,000,001
Fair value reserve	17	2,188,000	2,026,000	2,286,000	2,188,000	2,026,000	2,286,000
Translation reserve		(2,054,615)	(7,672,849)	-	-	-	-
Retained earnings		8,620,648,804	9,082,928,756	8,397,035,911	7,267,648,017	6,692,932,647	6,304,398,911
Equity attributable to owners of the Company		8,810,782,190	9,267,281,908	8,589,321,912	7,459,836,018	6,884,958,648	6,496,684,912
Non-current liabilities							
Loan	18	-	201,734	38,526,801	-	201,734	38,526,801
Trade payables	19	443,832,969	439,557,406	424,109,217	435,233,989	434,730,512	424,109,217
Deferred tax liabilities	20	435,221,343	301,574,417	270,727,704	330,125,189	171,190,858	151,909,571
Retirement benefit obligations	21	141,059,000	1,341,200,000	1,050,589,000	119,258,000	1,323,808,000	1,036,174,000
Total non-current liabilities		1,020,113,312	2,082,533,557	1,783,952,722	884,617,178	1,929,931,104	1,650,719,589
Current liabilities							
Loan	18	-	36,009,423	38,312,165	-	36,009,423	38,312,165
Trade payables	19	1,376,043,204	1,256,777,531	886,090,822	814,017,332	911,543,681	498,221,478
Other payables and accrued expenses	22	1,458,672,309	1,476,128,668	1,824,060,957	1,642,734,516	2,357,949,559	2,356,597,827
Deferred revenue	23	321,354,923	208,745,097	150,931,896	262,980,556	168,442,966	110,875,729
Dividends	24	2,242,000,012	1,170,400,006	1,121,000,000	2,242,000,012	1,170,400,006	1,121,000,000
Current tax liabilities		309,379,633	282,224,243	381,370,751	163,333,394	101,680,215	188,965,051
Provisions	25	267,153,005	248,181,273	245,317,987	247,378,005	239,140,467	236,277,181
Total current liabilities		5,974,603,086	4,678,466,241	4,647,084,578	5,372,443,815	4,985,166,317	4,550,249,431
Total liabilities		6,994,716,398	6,760,999,798	6,431,037,300	6,257,060,993	6,915,097,421	6,200,969,020
Total equity and liabilities		15,805,498,588	16,028,281,706	15,020,359,212	13,716,897,011	13,800,056,069	12,697,653,932

Approved by the Board of Directors and authorised for issue on 25 April 2013
Name of Directors signing

Mohammed Asraf Dulull
Director

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

		THE GROUP		THE COMPANY	
	Notes	2012	2011 Restated	2012	2011 Restated
		Rs	Rs	Rs	Rs
Revenue	26	8,001,276,065	7,765,712,907	4,892,507,482	4,606,969,550
Cost of sales	38	(1,332,099,435)	(1,355,651,448)	(1,004,146,987)	(1,002,413,977)
Gross profit		6,669,176,630	6,410,061,459	3,888,360,495	3,604,555,573
Operating expenses	38	(4,462,507,268)	(4,092,596,599)	(3,528,855,379)	(3,381,884,585)
Profit from operations	27	2,206,669,362	2,317,464,860	359,505,116	222,670,988
Other income	28	61,241,990	32,417,798	528,710,427	469,338,133
Other gains and losses	29	103,960,819	47,375,274	87,469,520	17,838,602
Investment income	30	183,564,890	168,257,461	2,390,693,063	1,287,640,454
Finance costs	31	(4,321,060)	(3,122,765)	(133,931,367)	(141,630,442)
Share of profits/ (loss) from associates	9	16,243,048	(12,652,955)	-	-
Profit before tax		2,567,359,049	2,549,739,673	3,232,446,759	1,855,857,735
Income tax expense	20	(787,638,989)	(693,446,822)	(415,731,377)	(296,923,993)
PROFIT FOR THE YEAR		1,779,720,060	1,856,292,851	2,816,715,382	1,558,933,742
Other comprehensive income, net of income tax					
Net value gain/(loss) on available-for-sale-financial asset	10	162,000	(260,000)	162,000	(260,000)
Exchange difference on translating foreign operations		5,618,234	(7,672,849)	-	-
Other comprehensive income/(loss) for the year, net of tax		5,780,234	(7,932,849)	162,000	(260,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,785,500,294	1,848,360,002	2,816,877,382	1,558,673,742
Profit attributable to Owners of the Company		1,779,720,060	1,856,292,851		
Total comprehensive income attributable to Owners of the Company		1,785,500,294	1,848,360,002		
Earnings Per Share	32	9.37	9.77		

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP	Notes	Stated capital Rs	Fair value reserve Rs	Translation reserve Rs	Retained earnings Rs	Attributable to owners of the Company Rs
At 1 January 2011		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	24	-	-	-	(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
Profit for the year		-	-	-	1,779,720,060	1,779,720,060
Other comprehensive loss for the year, net of income tax	10	-	162,000	5,618,234	-	5,780,234
Total comprehensive income for the year		-	162,000	5,618,234	1,779,720,060	1,785,500,294
Dividends	24	-	-	-	(2,242,000,012)	(2,242,000,012)
At 31 December 2012		190,000,001	2,188,000	(2,054,615)	8,620,648,804	8,810,782,190

COMPANY	Notes	Stated capital Rs	Fair value Rs	Retained earnings Rs	Total Rs
At 1 January 2011		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	24	-	-	(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
Profit for the year		-	-	2,816,715,382	2,816,715,382
Other comprehensive income for the year, net of income tax	10	-	162,000	-	162,000
Total comprehensive income for the year		-	162,000	2,816,715,382	2,816,877,382
Dividends	24	-	-	(2,242,000,012)	(2,242,000,012)
At 31 December 2012		190,000,001	2,188,000	7,267,648,017	7,459,836,018

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	2,567,359,049	2,549,739,673	3,232,446,759	1,855,857,735
Adjustments for:-				
Profit on disposal of property, plant and equipment	(7,176,715)	(4,280,256)	(7,176,715)	(4,246,343)
Interest expense	4,321,060	3,122,765	133,931,367	141,630,442
Interest income	(180,133,631)	(164,217,479)	(216,045,400)	(204,285,557)
Dividend income	(3,431,259)	(3,404,897)	(2,174,647,663)	(1,083,354,897)
Retirement benefit obligations	(1,200,141,000)	290,611,000	(1,204,550,000)	287,634,000
Share of (profits)/loss of associates	(16,243,048)	12,652,955		-
Depreciation and amortisation	1,246,043,108	1,221,380,168	901,932,518	885,018,348
Impairment loss on property, plant and equipment	34,037,147		2,328,016	-
Provision for impairment in an associate	-	39,000,000	-	39,000,000
Provision for impairment of other investments	13,495,358	-	13,495,358	-
Unrealised finance cost	(519,785)	-	(519,785)	-
Unrealised exchange gain	(93,907,197)	(45,225,512)	(73,199,731)	(10,765,263)
Operating profit before working capital changes	2,363,703,087	3,899,378,417	607,994,724	1,906,488,465
Decrease/(increase) in trade receivables	113,307,394	189,247,890	(19,288,932)	202,965,168
(Increase)/decrease in other receivables	(106,069,968)	30,044,301	(351,451,920)	(106,944,245)
Increase in inventories	(50,741,810)	(35,156,885)	(42,951,108)	(17,399,867)
Increase/(decrease) in trade payables	119,265,673	370,686,934	(97,526,349)	427,635,713
Decrease in other payables and accrued expenses	(243,021,327)	(746,564,406)	(911,835,177)	(298,090,097)
Increase in deferred revenue	112,609,826	57,813,201	94,537,590	57,567,237
Increase in provisions	18,971,732	2,863,286	8,237,538	2,863,286
Cash generated from/(used in) operations	2,328,024,607	3,768,312,738	(712,283,634)	2,175,085,660
Interest paid	(4,408,054)	(3,035,771)	(133,498,577)	(141,543,448)
Taxation paid	(626,836,676)	(761,746,842)	(201,910,976)	(364,927,542)
Net cash flows generated from /(used in) operating activities	1,696,779,877	3,003,530,125	(1,047,693,187)	1,668,614,670
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in a subsidiary	-	-	(28,098,800)	(27,325)
Purchase of property, plant and equipment	(1,123,053,577)	(1,067,265,577)	(617,896,908)	(816,019,759)
Purchase of intangible assets	(140,125,653)	(69,270,100)	(81,909,279)	(65,688,668)
Proceeds from sale of property, plant and equipment	7,176,715	4,280,256	7,176,715	4,246,343
Proceeds from maturity of held-to-maturity investments	205,700,000	710,842,649	205,700,000	710,842,649
Purchase of held-to-maturity investments	(50,509,368)	(459,875,900)	(50,509,368)	(459,875,900)
Investment in an associate	-	(19,403,808)	-	-
Interest received	206,465,793	114,684,141	242,377,562	154,752,218
Dividend received	9,547,663	3,404,897	2,174,647,663	1,083,354,897
Net cash (used in)/generated from investing activities	(884,798,427)	(782,603,442)	1,851,487,585	611,584,455
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loans	(36,211,157)	(49,787,916)	(36,211,157)	(49,787,916)
Loan repaid by a subsidiary	-	-	8,000,000	8,000,000
Loan to an associate	-	(129,191,457)	-	-
Loan to a subsidiary	-	-	-	(158,368,360)
Increase in trade payables after one year	4,275,566	15,448,189	503,477	10,621,293
Dividend paid	(1,170,400,006)	(1,121,000,000)	(1,170,400,006)	(1,121,000,000)
Net cash used in financing activities	(1,202,335,597)	(1,284,531,184)	(1,198,107,686)	(1,310,534,983)
Net (decrease)/increase in cash and cash equivalents	(390,354,147)	936,395,499	(394,313,288)	969,664,142
Cash and cash equivalents at beginning of the year	5,109,344,236	4,146,229,388	5,079,432,012	4,101,967,166
Effect of exchange rate changes on the balance of cash held in foreign currencies	66,567,873	26,719,349	48,897,135	7,800,704
Cash and cash equivalents at end of the year	4,785,557,962	5,109,344,236	4,734,015,860	5,079,432,012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012.

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 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 12	Income Taxes- Limited scope amendment (recovery of underlying assets)
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets

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 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 cycle (comparative information) (effective 1 January 2013)
IAS 16	Property, plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 cycle (servicing equipment) (effective 1 January 2013)
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)
IAS 27	Consolidated and Separate Financial Statements - Amendments for investment entities (effective 1 January 2014)
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 resulting from Annual Improvements 2009-2011 cycle (tax effect of equity distributions) (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 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)

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)

IFRS 9	Financial Instruments - Accounting for financial liabilities and derecognition (effective 1 January 2015)
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2015)
IFRS 10	Consolidated Financial Statements - Original issue (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements - Amendments for investment entities (effective 1 January 2014)
IFRS 12	Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 12	Disclosures of Interests in Other Entities - Amendments to transitional guidance (effective 1 January 2013)
IFRS 12	Disclosures of Interests in Other Entities - Amendments for investment entities (effective 1 January 2014)
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 except for the effect of the adoption of IAS 19 which is discussed below.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 require retrospective application. Based on the directors' preliminary assessment, when the Group and Company applies the amendments to IAS 19 for the first time for the year ending 31 December 2013, the total comprehensive income for the year ended 31 December 2012 would be reduced by Rs1,106,547,000 for the group and by Rs1,104,293,650 for the company and retained earnings at 1 January 2012 will decrease by Rs498,907,500 for the group and by Rs496,405,950 for the company with the corresponding adjustments being recognised in the retirement benefit obligation and income tax liability. This net effect reflects a number of adjustments, including their income tax effects: a) full recognition of actuarial gains through other comprehensive income and decrease in the net pension deficit; b) immediate recognition of past service costs in profit or loss and an increase in the net pension deficit and c) reversal of the difference between the gain arising from the expected rate of return on pension plan assets and the discount rate through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

(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

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investments in associates (cont'd)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount 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 profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group's accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(d) Business combinations

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

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

(e) Revenue recognition

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

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

Revenue is shown net of Value Added Tax.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Revenue recognition (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 25 years
Furniture, fittings and equipment	- 5 to 10 years
Motor vehicles	- 5 years

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

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

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

No depreciation is provided on freehold land.

(g) Intangible assets

- Goodwill

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

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

  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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Intangible assets (cont'd)

- Computer software

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

(h) Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

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

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Mauritian Rupee using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Taxation

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

(i) *Current tax*

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

(ii) *Deferred tax*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Taxation (cont'd)

(ii) *Deferred tax (cont'd)*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial assets

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

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

(i) Effective interest method

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

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

(ii) Held-to-maturity investments

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial assets (cont'd)

(v) *Impairment of financial assets*

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Financial assets (cont'd)

(vi) Derecognition of financial assets

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

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

(i) Classification as debt or equity

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

(ii) Equity instruments

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

(iii) Financial liabilities

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

(iv) Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

(v) Other financial liabilities

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

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

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

(vi) Derecognition of financial liabilities

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

(p) Provisions

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

Restructuring

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

(q) Leases

The company as lessor

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

(t) Comparative figures

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

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(ii) Revenue recognition - Use of estimates

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

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 Rs13,495,358 has been recognised on an investment. Refer to note 10.

(iv) Defined benefit pension plan

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

(v) Acquisition of associate

In 2011, the group acquired a 50% equity stake in Telecom Vanuatu Ltd which is treated as an associate in the group financial statements. This has required 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 over liabilities over the cost of the investment.

At the end of the previous reporting period, the fair value exercise was incomplete and therefore the acquisition had been accounted for using provisional fair values of the group's share of identifiable assets and liabilities assumed. The provisional fair values had been determined by the directors based on an internal valuation, information available and estimates made by them.

In 2012, the group has performed a fair valuation exercise of the assets and liabilities acquired and following this exercise, the fair values of the identifiable assets and liabilities acquired have been determined. This has resulted in no gain or loss recognized at group level at the date of the acquisition.

The fair value exercise has required the use of estimates and assumptions involving future cash flows, growth rate and discount rate.

Refer to note 9 for details.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

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 2011	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
Additions	-	631,309,013	416,202,406	78,659,114	95,849,338	4,187,894	1,226,207,765
Disposals	-	(79,264,250)	-	-	(1,985,150)	(11,855,704)	(93,105,104)
Transfer	-	461,711,014	(461,711,014)	6,248,125	(6,248,125)	-	-
Net transfer from intangible assets	-	812,335	-	-	-	-	812,335
At 31 December 2012	23,748,617	21,853,787,338	595,489,316	990,190,395	1,459,734,120	62,823,568	24,985,773,354
DEPRECIATION							
At 1 January 2011	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
Charge for the year	-	1,099,039,342	-	47,731,983	16,499,237	3,954,012	1,167,224,574
Disposals	-	(79,264,249)	-	-	(1,985,150)	(11,855,705)	(93,105,104)
Impairment loss	-	34,037,146	-	-	-	-	34,037,146
At 31 December 2012	-	15,618,955,680	-	489,148,121	632,883,626	54,115,163	16,795,102,590
NET BOOK VALUE							
At 31 December 2012	23,748,617	6,234,831,658	595,489,316	501,042,274	826,850,494	8,708,405	8,190,670,764
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 1 January 2011	19,020,898	5,854,805,269	805,343,006	417,613,877	736,117,138	10,330,033	7,843,230,221

During the year the group performed an impairment review of its assets which required the recognition of an impairment loss of Rs34,037,147 (2011: Nil). The impairment is recognised within operating expenses as per Note 27.

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(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 2011	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
Additions	-	213,947,559	416,202,406	29,880,238	27,380,605	4,187,894	691,598,702
Disposals	-	(79,264,250)	-	-	(1,985,150)	(11,855,704)	(93,105,104)
Transfer	-	461,711,014	(461,711,014)	-	-	-	-
At 31 December 2012	23,748,617	17,245,943,908	595,489,319	616,184,207	1,279,844,357	57,313,188	19,818,523,596
DEPRECIATION							
At 1 January 2011	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
Charge for the year	-	839,831,134	-	30,534,764	1,485,024	3,954,012	875,804,934
Disposals	-	(79,264,250)	-	-	(1,985,150)	(11,855,704)	(93,105,104)
Impairment loss		2,328,016					2,328,016
At 31 December 2012	-	12,758,849,051	-	456,120,278	554,603,409	48,604,784	13,818,177,522
NET BOOK VALUE							
At 31 December 2012	23,748,617	4,487,094,857	595,489,319	160,063,929	725,240,948	8,708,404	6,000,346,074
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 1 January 2011	19,020,898	4,253,351,921	805,343,006	170,959,039	691,322,100	10,330,033	5,950,326,997

During the year the company performed an impairment review on fixed broadband network which required the recognition of an impairment loss of Rs2,328,016 (2011: Nil). The impairment is recognised within operating expenses as per note 27.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

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	15%

At 31 December 2012, 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 2011	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
Additions	275,841,353	217,624,980
Net transfer to tangible assets	(812,335)	-
Adjustment	(4,255,301)	-
At 31 December 2012	1,286,463,265	846,836,847
AMORTISATION		
At 1 January 2011	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
Charge for the year	78,818,534	26,127,585
Adjustment	(4,255,301)	-
At 31 December 2012	959,679,743	583,834,299
NET BOOK VALUE		
At 31 December 2012	326,783,522	263,002,548
At 31 December 2011	130,573,038	71,505,153
At 1 January 2011	117,598,911	12,013,561

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 2012	31 December 2011
	Rs	Rs
At cost, unquoted		
At beginning of year	242,862,325	242,835,000
Addition	28,098,800	27,325
At end of year	270,961,125	242,862,325

The directors have assessed at 31 December 2012 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 provide human resources services.

The subsidiaries of Mauritius Telecom Ltd are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2012	Proportion of ownership interest 2011	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%	100%	Investment vehicle
MT Services Ltd	Mauritius	Ordinary	100%	-	Human resources services

9. INVESTMENTS IN ASSOCIATES

THE GROUP

	31 December 2012	31 December 2011	1 January 2011
	Rs	Rs	Rs
Costs of investment in associates	104,749,981	85,346,173	85,346,173
Addition	-	19,403,808	-
Provision for impairment loss	(44,411,292)	(44,411,292)	(5,411,292)
Share of post-acquisition profits, net of dividend received	198,279,576	188,152,932	200,805,887
	258,618,265	248,491,621	280,740,768

THE COMPANY

	31 December 2012	31 December 2011	1 January 2011
	Rs	Rs	Rs
Costs of investment in associates	85,346,173	85,346,173	85,346,173
Provision for impairment loss	(44,411,292)	(44,411,292)	(5,411,292)
	40,934,881	40,934,881	79,934,881

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

9. INVESTMENTS IN ASSOCIATES (CONT'D)

The directors have assessed at 31 December 2012 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 no indications of impairment.

The associates of the group are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2012	2011		Principal activity
HDM Interactive Ltd	Mauritius	Ordinary	30.00%	30.00%	Direct	Internet Kiosks
Telsea Investment Ltd	Mauritius	Ordinary	24.50%	24.50%	Direct	Investment holding
Continuity (Mtius) Ltd	Mauritius	Ordinary	50.00%	50.00%	Direct	Business Continuity Services
Telecom Vanuatu Ltd	Vanuatu	Ordinary	50.00%	50.00%	Indirect	Telecommunication Services
Orange Madagascar	Madagascar	Ordinary	15.68%	15.68%	Indirect	Telecommunication Services

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

	31 December 2012 Rs	31 December 2011 Rs
Total assets	2,976,733,043	3,477,148,307
Total liabilities	2,338,731,090	2,846,748,444
Net assets	638,001,953	630,399,863
Group's share of associates' net assets	258,618,265	248,491,621
Revenue	3,362,204,192	3,349,518,582
Profit/(loss) for the year	48,907,994	(68,190,790)
Group's share of profit/(loss) of associates for the year	16,243,048	(12,652,955)

The acquisition of the 50% equity stake in Telecom Vanuatu Ltd on 12 October 2011 was re-assessed in 2012 since provisional fair values of identifiable assets and liabilities had been used in the initial accounting in 2011. This has resulted in no gain or loss recognized at group level at the date of the acquisition.

The fair values of identifiable assets and liabilities have been determined on the basis of an internal valuation by management, management estimates and assumptions.

The fair values of net identifiable assets acquired and consideration transferred were as follows:

	31 December 2011 Rs
Consideration transferred	19,403,808
Share of net assets transferred	19,403,808
Goodwill	-

No retrospective adjustments are required to the 2011 group financial statements.

10. OTHER INVESTMENTS

	THE GROUP AND THE COMPANY	
	31 December 2012 Rs	31 December 2011 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
Impairment	13,495,358	-
At end of year	53,495,358	40,000,000
Carrying amount	6,775,001	20,270,359

The directors believe that the market value of the other investments approximate their costs. The impairment recognised in current year relates to the carrying amount of investment in RASCOM since the directors have determined that the investment is not generating any returns in the form of dividend.

	THE GROUP AND THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
At fair value (2)			
At beginning of year	4,026,000	4,286,000	4,026,000
Change in fair value	162,000	(260,000)	260,000
At end of year	4,188,000	4,026,000	4,286,000
Total	10,963,001	24,296,359	24,556,359

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

(II) 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. LOAN TO A SUBSIDIARY

	THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs
At beginning of year	161,065,955	-
Addition	-	158,368,361
Exchange difference	1,941,412	2,697,594
At end of year	163,007,367	161,065,955

This pertains to a loan to a subsidiary which is unsecured, repayable as from June 2014, in consecutive semi-annual instalments and bears interest at rates which varies between 1.53% and 1.73% USD six month libor rates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

12. INVENTORIES

	THE GROUP			THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Trading	143,835,866	156,122,398	132,307,441	78,162,429	93,069,689	86,785,476
Non-trading	227,878,358	164,850,017	153,508,088	222,482,111	164,623,742	153,508,088
	371,714,224	320,972,415	285,815,529	300,644,540	257,693,431	240,293,564

Inventories are stated at the lower of cost and net realisable value. Non-trading inventories pertain to items held for use in the replacement of network infrastructure.

13. TRADE RECEIVABLES

	THE GROUP			THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 Decembe 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Trade receivables	2,166,833,042	2,163,581,517	2,509,786,758	1,627,111,716	1,610,925,405	1,880,632,221
Provision for doubtful debts	(929,507,387)	(812,948,468)	(965,019,384)	(677,461,214)	(680,563,835)	(742,419,043)
	1,237,325,655	1,350,633,049	1,544,767,374	949,650,502	930,361,570	1,138,213,178

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, a surcharge 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 Rs506,638,313 (2011: Rs459,855,156) and Rs376,934,466 (2011: Rs347,393,406) 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 34.

More information on credit risk management is provided in note 33.8.

Movement in provision for doubtful debts

	THE GROUP			THE COMPANY		
	31 December2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
At beginning of year	812,948,468	965,019,384	757,492,207	680,563,835	742,419,043	666,464,502
Impairment losses recognised on trade receivables	134,206,498	45,170,438	262,630,987	14,544,958	25,776,145	131,058,351
Amounts written off	(17,647,579)	(87,631,354)	(55,103,810)	(17,647,579)	(87,631,353)	(55,103,810)
Reversal during the year	-	(109,610,000)	-	-	-	-
At end of year	929,507,387	812,948,468	965,019,384	677,461,214	680,563,835	742,419,043

13. TRADE RECEIVABLES (CONT'D)

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 Rs37m (2011: Rs82m) 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 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
Under 180 days	96,821,452	35,547,187	65,600,803	18,568,847
180 to 360 days	59,850,132	50,733,277	28,846,116	35,096,607
> 360 days	772,835,803	726,668,004	583,014,295	626,898,381
Total	929,507,387	812,948,468	677,461,214	680,563,835

Trade receivables past due but not impaired

	THE GROUP		THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
Under 180 days	429,799,596	246,732,279	341,681,394	144,278,574
180 to 360 days	61,978,123	69,948,938	20,392,478	60,170,501
> 360 days	14,860,594	143,173,939	14,860,594	142,944,331
Total	506,638,313	459,855,156	376,934,466	347,393,406

14. OTHER RECEIVABLES

	THE GROUP			THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Outside parties	382,162,736	306,286,239	290,660,892	231,898,166	228,744,749	179,810,372
Subsidiaries	-	-	-	734,206,879	405,678,434	305,981,005
Associates	157,759,812	130,804,153	7,472,228	7,536,342	1,612,696	7,472,228
Related parties	2,962,617	7,301,864	1,967,866	2,962,617	7,301,864	1,909,975
Loan to subsidiaries	-	-	-	-	8,000,000	16,000,000
Tax receivable	-	-	-	6,767,109	-	-
	542,885,165	444,392,256	300,100,986	983,371,113	651,337,743	511,173,580

The amounts due from subsidiaries bear interest at rates which varied between 8.40% and 8.90% per annum (2011: between 8.35% and 9.00% per annum and 2010: between 6.00% and 9.25% % per annum). The group and the company do not hold collaterals over these balances.

The amounts due from associates of the group bear interest at rates which varied between 4.89% and 6.25% per annum (2011: nil). The amounts due from associates of the company are interest free. They are unsecured and do not have fixed terms of repayment.

Loan of Rs8M to a subsidiary has been fully repaid during the year (2011: Rs8M).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

15. HELD TO MATURITY INVESTMENTS

	THE GROUP AND THE COMPANY	
	31 December 2012	31 December 2011
	Rs	Rs
At amortised cost		
At beginning of year	153,686,318	396,339,646
Additions	50,509,368	459,875,900
Interest income	1,504,314	8,313,421
Proceeds on maturity	(205,700,000)	(710,842,649)
At end of year	-	153,686,318

Held-to-maturity investment relates to investment in Treasury Bills which matured in May 2012.

16. STATED CAPITAL

	THE GROUP AND THE COMPANY		
	31 December 2012	31 December 2011	1 January 2011
	Rs	Rs	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 w hereby 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.

17. 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 2012	31 December 2011
	Rs	Rs
At beginning of year	2,026,000	2,286,000
Movement for the year	162,000	(260,000)
At end of year	2,188,000	2,026,000

18. LOAN

The loan has been fully repaid during the year with fixed rates of interest ranging between 3.52% and 4.39% per annum (2011: 3.52% and 4.39% per annum) as follows:-

	THE GROUP AND THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Within one year	-	36,009,423	38,312,165
Between two and five years	-	201,734	38,526,801
	-	36,211,157	76,838,966

19. TRADE PAYABLES

	THE GROUP			THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Amounts falling due within one year						
Outside parties	1,355,853,409	1,178,061,510	810,773,612	809,468,129	887,167,409	495,411,549
Shareholders	20,189,795	78,011,387	73,413,100	4,549,203	23,671,638	905,819
Related party	-	704,634	1,904,110	-	704,634	1,904,110
	1,376,043,204	1,256,777,531	886,090,822	814,017,332	911,543,681	498,221,478
Amounts falling due after one year						
Outside parties	443,832,969	439,557,406	424,109,217	435,233,989	434,730,512	424,109,217

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

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

Amounts due to the subsidiaries are unsecured, have no fixed terms of repayment and bear interest at rates which varied between 8.40% and 8.90% per annum (2011: between 8.35% and 9.00 % per annum).

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

20. INCOME TAXES

Income tax

The group and the company are subject to income tax at the statutory rate of 15% (2011: 15%) on the profit for the year as adjusted for tax purposes.

	THE GROUP		THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
Current tax liabilities	261,269,921	363,975,759	-	96,715,271
Over provision of tax in previous year	(42,890,353)	-	(42,890,353)	-
Deferred tax expense	133,646,926	30,846,713	158,934,331	19,281,287
Tax assessment	45,323,568	5,590,719	32,134,438	5,444,698
	397,350,062	400,413,191	148,178,416	121,441,256
Solidarity levy	390,288,927	293,033,631	267,552,961	175,482,737
Tax expense	787,638,989	693,446,822	415,731,377	296,923,993

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

20. INCOME TAXES (CONT'D)

Tax reconciliation

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Profit before tax	2,567,359,049	2,549,739,673	3,232,446,759	1,855,857,735
Tax at the rate of 15% (2011: 15%)	385,103,857	382,460,951	484,867,014	278,378,660
Tax effect of:				
- Non allowable expenses	12,133,956	8,047,396	5,363,073	4,316,624
- Expenses eligible for 200% deduction	(3,909,803)	(3,570,535)	(3,909,803)	(3,570,535)
- Exempt income	(5,243,464)	762,252	(327,273,657)	(163,128,191)
- Overprovision of deferred tax in prior years	173,744	-	173,744	-
- Over provision of current tax in prior years	(43,176,393)	-	(43,176,393)	-
- Additional tax assessment	45,323,568	5,590,719	32,134,438	5,444,698
- Tax loss of a subsidiary	6,944,597	7,122,408	-	-
	12,246,205	17,952,240	(336,688,598)	(156,937,404)
	397,350,062	400,413,191	148,178,416	121,441,256

Deferred tax liabilities

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
At beginning of year	301,574,417	270,727,704	171,190,858	151,909,571
Deferred tax expense	133,646,926	30,846,713	158,934,331	19,281,287
At end of year	435,221,343	301,574,417	330,125,189	171,190,858

Deferred tax liabilities arise from the following:

	THE GROUP			THE COMPANY		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	Rs	Rs	Rs	Rs	Rs	Rs
Temporary differences						
Property, plant and equipment	646,652,980	637,299,238	638,057,843	499,300,500	475,303,098	472,128,336
Other temporary differences	(211,431,637)	(335,724,821)	(367,330,139)	(169,175,311)	(304,112,240)	(320,218,765)
	435,221,343	301,574,417	270,727,704	330,125,189	171,190,858	151,909,571

21. RETIREMENT BENEFIT OBLIGATIONS

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

	THE GROUP			THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Present value of funded obligations	5,242,777,000	3,612,959,000	3,869,999,000	5,173,626,000	3,556,130,000	3,821,324,000
Fair value of plan assets	(3,212,948,000)	(1,684,809,000)	(1,657,387,000)	(3,171,192,000)	(1,648,315,000)	(1,625,851,000)
	2,029,829,000	1,928,150,000	2,212,612,000	2,002,434,000	1,907,815,000	2,195,473,000
Unrecognised actuarial loss	(1,888,770,000)	(586,950,000)	(1,162,023,000)	(1,883,176,000)	(584,007,000)	(1,159,299,000)
Liabilities recognised in statements of financial position at end of year	141,059,000	1,341,200,000	1,050,589,000	119,258,000	1,323,808,000	1,036,174,000

Amounts recognised in statements of comprehensive income:

	THE GROUP		THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
Current net service cost	149,899,000	123,559,000	143,939,000	118,278,000
Interest cost	355,739,000	379,987,000	350,067,000	375,131,000
Expected return on plan assets	(257,636,000)	(166,811,000)	(253,831,000)	(163,482,000)
Actuarial loss recognised	16,918,000	57,568,000	16,918,000	57,568,000
Total included in staff costs	264,920,000	394,303,000	257,093,000	387,495,000
Actual return on plan assets	171,150,000	164,848,000	169,085,000	163,482,000

Key assumptions:

	THE GROUP AND THE COMPANY	
	2012	2011
Used to determine benefit obligation at end of year and pension cost for financial year		
Discount rate for obligations	9.00%	10.00%
Underlying consumer price inflation	6.00%	5.00%
Rate of future compensation increases	8.50%	7.00%
Rate of pension increases	6.00%	5.00%
Long-term rate of return on plan assets	9.00%	11.00%
Retirement age	60 years	60 years
Used to determine net periodic pension cost for financial year		
Discount rate for expense	9.00%	10.00%
Underlying consumer price inflation	6.00%	5.00%
Rate of future compensation increases	8.50%	7.00%
Rate of pension increases	6.00%	5.00%
Long-term rate of return on plan assets	9.00%	11.00%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Change in defined benefit obligation during year:

	THE GROUP		THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
Defined benefit obligation at beginning of year	3,612,959,000	3,869,999,000	3,556,130,000	3,821,324,000
Net service cost	149,899,000	123,559,000	143,939,000	118,278,000
Interest cost	355,739,000	379,987,000	350,067,000	375,131,000
Employee contributions	5,779,000	4,599,000	5,779,000	4,599,000
Expenses paid	-	(2,174,000)	-	(2,174,000)
Benefits paid	(113,851,000)	(116,924,000)	(113,630,000)	(116,685,000)
Liability loss due to assumption changes	1,232,252,000	(646,087,000)	1,231,341,000	(644,343,000)
Defined benefit obligation at end of year	5,242,777,000	3,612,959,000	5,173,626,000	3,556,130,000

Change in plan assets during year:

	THE GROUP		THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
Fair value of plan assets at beginning of year	1,684,809,000	1,657,387,000	1,648,315,000	1,625,851,000
Employer contributions	1,465,061,000	103,692,000	1,461,643,000	99,861,000
Employee contributions	5,779,000	4,599,000	5,779,000	4,599,000
Benefits paid	(113,851,000)	(116,924,000)	(113,630,000)	(116,685,000)
Expenses paid	-	(2,174,000)	-	(2,174,000)
Expected return on plan assets	257,636,000	166,811,000	253,831,000	163,482,000
Actuarial gains on plan assets	(86,486,000)	(128,582,000)	(84,746,000)	(126,619,000)
Fair value of plan assets at end of year	3,212,948,000	1,684,809,000	3,171,192,000	1,648,315,000

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

	Percentage of Plan Assets Invested in Asset Category at End of Financial Year			
	THE GROUP AND THE COMPANY			
	2012	2011	2010	2009
Asset category				
Equity Securities/Local equity	20.0%	23.2%	23%	23%
Overseas equity and Bond	13.0%	17.5%	14%	14%
Government securities and cash	36.0%	35.1%	40%	44%
Loan	30.0%	7.8%	-	18%
Property	1.0%	0.9%	-	1%
Real Estate	-	-	1%	-
Other Deposits	-	15.5%	22%	-
Total	100%	100%	100%	100%

History of obligations, assets and experience adjustments

THE GROUP

	2012 Rs	2011 Rs	2010 Rs	2009 Rs
Fair value of plan assets	3,212,948,000	1,684,809,000	1,657,387,000	1,553,730,000
Present value of defined benefit obligation	(5,242,777,000)	(3,612,959,000)	(3,869,999,000)	(2,930,990,000)
Deficit	(2,029,829,000)	(1,928,150,000)	(2,212,612,000)	(1,377,260,000)
Asset experience (loss)/gain during the year	(86,486,000)	(128,582,000)	(61,456,000)	150,665,000
Liability experience gain/(loss) during the year	276,301,000	2,075,000	(507,846,000)	(18,273,000)

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

THE COMPANY

	2012	2011	2010	2009
	Rs	Rs	Rs	Rs
Fair value of plan assets	3,171,192,000	1,648,315,000	1,625,851,000	1,527,144,000
Present value of defined benefit obligation	(5,173,626,000)	(3,556,130,000)	(3,821,324,000)	(2,893,039,000)
Deficit	(2,002,434,000)	(1,907,815,000)	(2,195,473,000)	(1,365,895,000)
Asset experience (loss)/gain during the year	(84,746,000)	(126,619,000)	(60,032,000)	149,458,000
Liability experience gain/(loss) during the year	271,426,000	-	(507,846,000)	(18,273,000)

Actual Return on Plan Assets

THE GROUP

	2012	2011	2010	2009	2008
	Rs	Rs	Rs	Rs	Rs
Expected Return on Plan Assets	257,636,000	166,811,000	172,184,000	140,633,000	152,576,000
Actuarial (Loss)/Gains on Plan Assets	(86,486,000)	(128,582,000)	(61,456,000)	150,665,000	(278,494,000)
Actual Return on Plan Assets	171,150,000	38,229,000	110,728,000	291,298,000	(125,918,000)

THE COMPANY

	2012	2011	2010	2009	2008
	Rs	Rs	Rs	Rs	Rs
Expected Return on Plan Assets	253,831,000	163,482,000	169,127,000	138,290,000	150,338,000
Actuarial (Loss)/Gains on Plan Assets	(84,746,000)	(126,619,000)	(60,032,000)	149,458,000	(274,911,000)
Actual Return on Plan Assets	169,085,000	36,863,000	109,095,000	287,748,000	(124,573,000)

Employer Contributions

The group and the company expect to contribute Rs132,774,000 and Rs129,088,000 to their pension plan respectively in 2013.

Retirement benefit obligations have been based on the report from Aon Hewitt Ltd dated 14th January 2013.

22. OTHER PAYABLES AND ACCRUED EXPENSES

	THE GROUP			THE COMPANY		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	Rs	Rs	Rs	Rs	Rs	Rs
Operating taxes accrued	87,516,712	54,455,395	7,326,968	71,340,286	47,128,555	246,876
Subsidiaries	-	-	-	356,995,202	1,242,132,107	904,319,211
Other payables and accrued expenses	1,126,485,708	1,005,563,295	1,053,760,049	999,181,533	763,534,060	831,626,915
Work in progress	244,669,889	416,109,978	762,973,940	215,217,495	305,154,837	620,404,825
	1,458,672,309	1,476,128,668	1,824,060,957	1,642,734,516	2,357,949,559	2,356,597,827

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 8.40% and 8.90% per annum (2011: between 8.35% and 9.00% per annum).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

23. DEFERRED REVENUE

	THE GROUP		THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
At beginning of year	208,745,097	150,931,896	168,442,966	110,875,729
Deferred rental and prepaid card sales	2,198,077,788	2,093,523,229	125,170,509	83,023,315
Revenue recognised during the year	(2,092,623,595)	(2,031,968,300)	(37,788,552)	(21,714,350)
Amount received on ICT equipment	13,357,062	21,536,809	13,357,062	21,536,809
Revenue recognised on ICT equipment	(6,201,429)	(25,278,537)	(6,201,429)	(25,278,537)
At end of year	321,354,923	208,745,097	262,980,556	168,442,966

24. DIVIDENDS

	THE GROUP AND THE COMPANY	
	31 December 2012 Rs	31 December 2011 Rs
Interim dividend of Rs6.53 per share for 2012	1,240,700,006	-
Special dividend of Rs5.27 per share for 2012	1,001,300,006	-
Interim dividend of Rs6.16 per share for 2011	-	1,170,400,006
	2,242,000,012	1,170,400,006

Interim dividend of Rs6.53 and special dividend of Rs5.27 per share amounting to Rs1,240,700,006 and Rs1,001,300,006 respectively pertaining to current year were declared by the directors on 13 December 2012 and accrued in the financial statements in year 2012.

25. PROVISIONS

	THE GROUP			THE COMPANY		
	31December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Employee benefits	242,425,045	232,963,586	229,585,231	242,425,045	232,963,586	229,585,231
Dismantling costs	24,727,960	15,217,687	15,732,756	4,952,960	6,176,881	6,691,950
	267,153,005	248,181,273	245,317,987	247,378,005	239,140,467	236,277,181

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

	THE GROUP		THE COMPANY	
	Employee Benefits Rs	Dismantling Costs Rs	Employee Benefits Rs	Dismantling Costs Rs
At 1 January 2011	229,585,231	15,732,756	229,585,231	6,691,950
Additional provisions recognised	34,850,240	-	34,850,240	-
Payment	(31,471,885)	(515,069)	(31,471,885)	(515,069)
At 31 December 2011	232,963,586	15,217,687	232,963,586	6,176,881
Additional provisions recognised	44,411,105	10,734,194	44,411,105	-
Provision reversed	-	(1,223,921)	-	(1,223,921)
Payment	(34,949,646)	-	(34,949,646)	-
At 31 December 2012	242,425,045	24,727,960	242,425,045	4,952,960

25. PROVISIONS (CONT'D)

(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.

26. REVENUE

	THE GROUP		THE COMPANY	
	2012	2011 (Restated)	2012	2011 (Restated)
	Rs	Rs	Rs	Rs
Sale of goods	418,942,586	316,753,547	236,581,448	152,470,665
Rendering of services	7,582,333,479	7,448,959,360	4,655,926,034	4,454,498,885
	8,001,276,065	7,765,712,907	4,892,507,482	4,606,969,550

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 2012 was 29.9 million minutes (2011: 41.9 million minutes).

During the year, the group and the company have restated revenues from sales of services and this has resulted into presentation changes to comparative figures for revenues, cost of sales and operating expenses for the group and the company. Please refer to note 38 for details.

27. PROFIT FROM OPERATIONS

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

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
- Depreciation of property, plant and equipment	1,167,224,574	1,116,607,639	875,804,934	877,751,814
- Impairment loss	34,037,147	-	2,328,016	-
- Staff costs	1,846,668,474	1,668,715,411	1,667,201,873	1,522,884,697
- Costs of Inventories recognised as expense	393,278,593	321,093,937	196,966,861	135,579,859
- Amortisation of intangible assets	78,818,534	104,772,529	26,127,584	7,266,534
- Provision/(reversal) for slow moving stock	1,226,102	(4,071,924)	1,226,102	(4,071,924)
- Impairment of other investments	13,495,358	-	13,495,358	-
- Impairment loss recognised on trade receivables	134,206,498	45,170,438	14,544,958	25,776,145
- Termination benefits	20,617,883	11,119,767	20,617,883	11,119,767
- Directors' emoluments (part time)	4,847,874	5,268,545	4,847,874	5,268,545
- Auditors' remuneration:				
- Audit fees	2,930,767	2,441,200	1,510,330	1,500,700
- Donations	-	10,000	-	10,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

28. OTHER INCOME

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Rental income	34,345,496	1,234,411	65,888,258	78,770,442
Management fees	-	-	433,000,810	365,576,401
Other income	26,896,494	31,183,387	29,821,359	24,991,290
	61,241,990	32,417,798	528,710,427	469,338,133

29. OTHER GAINS AND LOSSES

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Net exchange gains	110,279,462	82,095,018	93,788,163	52,592,259
Profit on disposal of property, plant and equipment	7,176,715	4,280,256	7,176,715	4,246,343
Impairment of investment in an associate	-	(39,000,000)	-	(39,000,000)
Impairment of other investments	(13,495,358)	-	(13,495,358)	-
	103,960,819	47,375,274	87,469,520	17,838,602

Net exchange gains of Rs93,788,163 for the company (2011: Rs52,592,259) comprises Rs167,410,232 of exchange gain and Rs73,622,069 of exchange loss (2011: Rs143,492,053 of exchange gain and Rs90,899,794 of exchange loss).

Net exchange gains of Rs110,279,462 for the group (2011: Rs82,095,018) comprises Rs206,082,583 of exchange gain and Rs95,803,121 of exchange loss (2011: Rs185,200,288 of exchange gain and Rs103,105,270 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.

30. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Dividend income	3,431,259	3,404,897	2,174,647,663	1,083,354,897
Interest income				
- Bank deposits	164,107,427	152,755,249	163,420,614	150,744,405
- Held-to-maturity investments	1,504,314	8,313,421	1,504,314	8,313,421
- Current accounts with subsidiaries	-	-	40,871,024	42,280,700
- Loan to subsidiaries	-	-	6,047,995	1,403,999
- Others	14,521,890	3,783,894	4,201,453	1,543,032
	183,564,890	168,257,461	2,390,693,063	1,287,640,454

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

	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Non-financial Investment	3,431,259	3,404,897	2,174,647,663	1,083,354,897
Loans and receivables (including cash and bank balances)	168,831,351	156,539,143	214,541,086	195,972,136
Held-to-maturity investments	1,504,314	8,313,421	1,504,314	8,313,421
	173,766,924	168,257,461	2,390,693,063	1,287,640,454

31. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2012 Rs	2011 Rs	2012 Rs	2011 Rs
Interest expense				
- Bank borrowings	1,102,458	3,087,508	1,102,458	3,087,508
- Current accounts with subsidiaries	-	-	132,309,124	138,507,677
- Others	3,218,602	35,257	519,785	35,257
	4,321,060	3,122,765	133,931,367	141,630,442

32. EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year after taxation of Rs1,779,720,060 (2011: Rs1,856,292,851) and on 190,000,001 shares in issue for the two years ended 31 December 2012.

33. FINANCIAL INSTRUMENTS

33.1 *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 18 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.

33.2 *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.

33.3 *Categories of financial instruments*

Financial assets

	THE GROUP			THE COMPANY		
	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs	31 December 2012 Rs	31 December 2011 Rs	1 January 2011 Rs
Loans and receivables (including cash and cash equivalents)	6,387,097,830	6,805,936,958	5,912,640,060	6,771,767,632	6,751,670,661	5,713,605,048
Available for sale financial assets	10,963,001	24,296,359	24,556,359	10,963,001	24,296,359	24,556,359
Held to maturity investments	-	153,686,318	396,339,646	-	153,686,318	396,339,646
	6,398,060,831	6,983,919,635	6,333,536,065	6,782,730,633	6,929,653,338	6,134,501,053

Financial liabilities

Amortised cost	5,370,768,390	4,162,659,649	3,957,696,296	5,036,323,864	4,759,716,735	4,072,163,187

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 *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.

33.5 *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

33.6 *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 2012		31 December 2011		1 January 2011	
Currency	Financial assets Rs	Financial liabilities Rs	Financial assets Rs	Financial liabilities Rs	Financial assets Rs	Financial liabilities Rs
EUR	213,851,442	76,853,323	167,955,241	67,866,131	408,372,992	284,316,671
GBP	3,287,423	2,107	37,305,121	36,991,085	85,867,075	76,843,663
MUR	5,879,342,567	5,225,073,023	6,219,287,556	3,759,988,757	5,478,108,666	3,435,244,943
USD	293,451,841	60,553,791	353,551,019	254,744,868	236,314,232	114,479,045
Others	8,127,558	8,286,146	205,820,698	43,068,808	124,873,100	46,811,974
	6,398,060,831	5,370,768,390	6,983,919,635	4,162,659,649	6,333,536,065	3,957,696,296

33. FINANCIAL INSTRUMENTS (CONT'D)

33.6 *Currency risk management (cont'd)*

The Company

Currency profile

	31 December 2012		31 December 2011		1 January 2011	
	Financial Assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Currency	Rs	Rs	Rs	Rs	Rs	Rs
EUR	7,413,181	63,945,997	54,397,434	51,818,761	310,293,943	15,896,048
GBP	3,137,339	2,107	36,653,959	36,991,085	85,660,370	76,843,663
MUR	6,449,277,159	4,937,832,241	6,329,997,941	4,549,051,302	5,399,034,239	3,904,850,597
USD	314,775,397	26,257,373	431,974,763	78,786,779	214,639,401	27,760,905
Others	8,127,558	8,286,146	76,629,241	43,068,808	124,873,100	46,811,974
	6,782,730,633	5,036,323,864	6,929,653,338	4,759,716,735	6,134,501,053	4,072,163,187

Foreign currency sensitivity

The group is mainly exposed to the USD and Euro.

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

	Euro Impact		USD Impact	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Profit or loss on equity	13,699,812	10,008,911	23,289,805	9,880,615

33.7 *Interest rate risk management*

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

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

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

	THE GROUP AND THE COMPANY	
	2012	2011
Currency	% Interest Rate p.a.	% Interest Rate p.a.
MUR	2.65-4.67	1.75-4.67
USD	0.10-0.50	0.05-1.42
GBP	0.25-0.40	0.40-1.00
EUR	0.02-2.67	0.03-1.70

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 (2011: Rs0.6M).

The company is not subject to interest rate risk on the loan. The long term GBP loan, contracted with a foreign bank, which carried a fixed interest rate of 3.52% to 4.39% per annum was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)

33.8 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.

The group and the company traded with related parties including shareholders during the year. Sales of services accounted for 5% (2011: 6%) and 31% (2011: 29%) of total sales for the group and the company respectively.

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 2012 amounted to Rs1,237,325,655 (2011: Rs1,350,633,049) and Rs949,650,502 (2011: Rs930,361,570) respectively. An ageing of the trade receivables at end of 2012 and movement in provision for bad debts during 2012 is disclosed under note 13.

Any variation in future recovery ratio of trade receivables by 0.5% will affect profit of the company by Rs3.8m (2011: Rs3.9m).

33.9 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.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.9 *Liquidity risk management (cont'd)*

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
2012								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	0%-3.68%	4,371,013,335	-	-	-	-	4,371,013,335
	Fixed Interest Rate Instruments	7.5%-10%	35,488,945	11,325,405	92,998,563	-	-	139,812,913
	Non Interest Bearing		171,508,409	1,075,373,725	302,879,785	10,963,001	-	1,560,724,920
	Variable Interest Rate Instruments	3.5%-4.10%	324,796,745	-	-	-	-	324,796,745
	Variable Interest Rate Instruments	8.65%-10%	1,712,918	-	-	-	-	1,712,918
			4,904,520,352	1,086,699,130	395,878,348	10,963,001	-	6,398,060,831
FINANCIAL LIABILITIES	Non Interest Bearing		2,384,448,247	2,295,220,505	149,140,483	-		4,828,809,235
	Variable Interest Rate Instruments	3.80%-8.65%	110,910	-	106,614,256	-	435,233,989	541,959,155
			2,384,559,157	2,295,220,505	255,754,739	-	435,233,989	5,370,768,390
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	1,788,708	66,044,162	-	-	104,482,089
	Non Interest Bearing		407,563,086	1,022,949,347	242,973,579	24,296,359	-	1,697,782,371
	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	1,034,284,687	496,804,201	24,296,359	-	6,983,919,635
FINANCIAL LIABILITIES	Fixed Interest Rate Instruments	0% - 4.18%	-	-	36,009,423	201,734	-	36,211,157
	Non Interest Bearing		1,292,404,393	2,147,156,020	144,713,973	-	439,557,406	4,023,831,792
	Variable Interest Rate Instruments	10%	-	-	102,616,700	-	-	102,616,700
			1,292,404,393	2,147,156,020	283,340,096	201,734	439,557,406	4,162,659,649

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)

33.9 *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
2012								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	0.30% - 3.68%	4,370,630,777	-	-	130,405,894	32,601,473	4,533,638,144
	Fixed Interest Rate Instruments	7.50% - 10.00%	-	-	70,718,546	-	-	70,718,546
	Non Interest Bearing		101,447,263	904,228,493	149,230,204	10,963,001	-	1,165,868,961
	Variable Interest Rate Instruments	3.80%	277,690,436	-	-	-	-	277,690,436
	Variable Interest Rate Instruments	8.65%	734,814,546	-	-	-	-	734,814,546
			5,484,583,022	904,228,493	219,948,750	141,368,895	32,601,473	6,782,730,633
FINANCIAL LIABILITIES	Fixed Interest Rate Instruments							
	Non Interest Bearing		2,433,837,909	1,635,910,802	145,312,726	-	435,233,989	4,650,295,426
	Variable Interest Rate Instruments	3.80% - 8.65%	279,414,182	-	106,614,256	-	-	386,028,438
			2,713,252,091	1,635,910,802	251,926,982	-	435,233,989	5,036,323,864
2011								
FINANCIAL ASSETS	Fixed Interest Rate Instruments	0.73% - 3.92%	4,600,611,378	-	153,686,318	161,065,955	-	4,915,363,651
	Fixed Interest Rate Instruments	7.50% - 10.00%	-	-	66,044,162	-	-	66,044,162
	Non Interest Bearing		268,203,962	775,851,127	239,243,796	24,296,359	-	1,307,595,244
	Variable Interest Rate Instruments	4%	225,785,272	-	-	-	-	225,785,272
	Variable Interest Rate Instruments	8.67%	406,865,009	-	8,000,000	-	-	414,865,009
			5,501,465,621	775,851,127	466,974,276	185,362,314	-	6,929,653,338
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

33. FINANCIAL INSTRUMENTS (CONT'D)

33.10 *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	4,188,000	4,026,000

34. 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 2012, the company and group entered into the following transactions with related parties.

		THE GROUP		THE COMPANY	
		31 December 2012 Rs	31 December 2011 Rs	31 December 2012 Rs	31 December 2011 Rs
(i)	Sales of services				
	- Subsidiaries	-	-	1,193,772,576	937,168,160
	- Shareholders	388,963,850	438,931,089	323,273,858	400,020,976
(ii)	Purchases of services				
	- Subsidiaries	-	-	445,925,251	424,138,282
	- Shareholders	102,065,551	178,067,617	48,437,395	126,068,160
(iii)	Dividend income				
	- Subsidiaries	-	-	2,165,100,000	1,079,950,000
	- Associates and related parties	9,547,663	3,404,897	9,547,663	3,404,897
(iv)	Other income and management fees				
	- Subsidiaries	-	-	490,714,515	444,346,843
	- Associate	2,474,553	780,000	2,474,553	780,000
	- Related Party	5,700,000	3,357,000	5,700,000	3,357,000
(v)	Interest expense				
	- Subsidiaries	-	-	132,309,124	138,507,677
(vi)	Interest income				
	- Subsidiaries	-	-	40,871,024	42,280,700
(vii)	Emoluments of Key management personnel				
	- Short term benefits	65,597,657	58,129,571	61,336,225	55,161,765

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2012

34. RELATED PARTY TRANSACTIONS CONT'D

	THE GROUP			THE COMPANY		
	31 December 2012	31 December 2011	1 January 2011	31 December 2012	31 December 2011	1 January 2011
	Rs	Rs	Rs	Rs	Rs	Rs
(viii) Outstanding balances receivable from related parties						
- Subsidiaries	-	-	-	734,206,879	405,678,434	305,981,005
- Associates	157,759,812	130,804,153	7,472,228	7,536,343	1,612,696	7,472,228
- Shareholders	55,680,232	61,311,600	152,597,533	54,834,116	59,643,361	149,992,592
- Related Parties	2,962,618	7,301,864	1,967,866	2,962,618	7,301,864	1,909,975
(ix) Outstanding balances payable to related parties						
- Subsidiaries	-	-	-	356,995,202	1,242,132,107	904,319,211
- Shareholders	20,189,795	78,011,387	73,413,100	4,549,203	23,671,638	905,819
- Other		704,634	1,904,110	-	704,634	1,904,110
(x) Loan to subsidiaries	-	-	-	163,007,367	169,065,955	16,000,000

35. COMMITMENTS FOR EXPENDITURE

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Commitments for the acquisition of property, plant and equipment	615,000,000	113,867,423	457,500,000	64,282,267

36. 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	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Within one year	105,013,963	92,429,183	80,758,601	70,270,914
Between two and five years	190,077,600	228,034,910	108,571,031	132,084,913
After five years	195,222,724	213,779,826	11,929,999	21,895,131
	490,314,287	534,243,919	201,259,631	224,250,958

Payments recognised as an expense

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	Rs	Rs	Rs	Rs
Minimum lease payments	105,451,877	102,603,470	80,163,056	81,030,778

36. 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

	THE GROUP AND COMPANY	
	2012	2011
	Rs	Rs
Within one year	60,299,582	50,533,056
Between two and five years	108,401,766	66,488,683
After five years	139,073,765	81,342,882
	307,775,113	198,364,621

37. CONTINGENT LIABILITIES

There are contingent liabilities not provided for in the financial statements in respect of guarantees amounting to Rs133,519,488 (2011: Rs13,742,396) for the group and Rs133,519,488 (2011: Rs13,682,396) for the company respectively. The directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

38. COMPARATIVE FIGURES

Internal billings relating to telecommunication services provided by the group and the company for its own use were previously included in sales and equivalent amounts offset in cost of sales and operating expenses. Following the presentation change in 2012, the comparative figures for sales, cost of sales and operating expenses for the group and the company have been restated accordingly as follows:

Year 2011	As previously stated	Adjustment	As restated
	Rs	Rs	Rs
Group			
Revenue	7,894,553,210	(128,840,303)	7,765,712,907
Cost of sales	1,366,304,513	(10,653,065)	1,355,651,448
Operating expenses	4,210,783,837	(118,187,238)	4,092,596,599
Company			
Revenue	4,725,156,788	(118,187,238)	4,606,969,550
Operating expenses	3,500,071,823	(118,187,238)	3,381,884,585

The above changes do not have any effect on tax expense and profit for the year.

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 tele graph submarine cable

1901
- Durban connected to Mauritius, Rodrigues and Seychelles by second submarine cable

1938
- Department of Electricity and Telephone established to manage the use of the telephone in Mauritius

1939
- First automatic telephone exchange opened

1948
- Radio telegraphy and radio telephony introduced with Reunion and Madagascar

1956
- Department of Electricity and Telephone renamed Telecommunications Department

1962
- STROWGER automatic exchanges replaced manual exchanges in Port Louis and Rose Hill

1969
- Telex service introduced

1975
- Mauritius joined space age with installation of a 10-metre diameter satellite antenna

1977
- First data transmission to London

1978
- E10A digital telephone exchange installed

1985
- Overseas Telecommunications Service Co (OTS) took over from Cable and Wireless

1987
- Second Standard B Earth Station inaugurated
- Domestic satellite network and a packet-switched data exchange introduced with Rodrigues and the Outer Islands
- International Direct Dialling (IDD) introduced in Mauritius

1988
- Department of Telecommunications incorporated as Mauritius Telecommunication Services Ltd (MTS)
- Digital E10B telephone exchange installed
- 7-digit numbering introduced
- IDD introduced in Rodrigues
- ISDN demonstrated on E10B Exchange

1992
- OCB Exchanges installed in Rose Hill, Grand Bay and Flacq
- Revised Standard A Earth Station inaugurated and direct route to North America opened
- OTS assets and liabilities transferred to MTS and name changed from MTS to Mauritius Telecom
- First Customer Service Centre opened in Rose Hill

1996
- Internet Services launched commercially by Telecom Plus
- Mobile GSM services introduced commercially by Cellplus Mobile Communications

1999
- Call Services Ltd, the first call centre in Mauritius set up

2000
- OTS shares in Mauritius Telecom transferred to Government of Mauritius
- Strategic equity partnership with France Telecom signed in November

2002
- SAFE fibre-optic cable system inaugurated
- Teleservices took over the business of the Directory Unit

2003
- Telecommunications sector liberalised on 1 January
- First MT PoP (Point of Presence) installed in Telehouse 1, Paris
- First Teleshop launched in Curepipe
- First mobile system, CELL-OH, launched in Rodrigues

2004
- New Mauritius Telecom access code, 020, introduced for international calls
- Sezam, VoIP pre-paid card for international calls, launched
- Wi-Fi offered by Telecom Plus commercially
- Calling Party Pays (CPP) Regime introduced
- MTc@re, on-line access to MT services, introduced
- GPRS introduced by Cellplus

2005
- 3-way Conference Service introduced
- Cellplus' 3G Network launched
- Mauritius Telecom certified ISO 9001:2000

2006
- My.T, Mauritius Telecom's Multiplay-IPTV services, launched
- Cellplus Mobile Banking launched, in partnership with SBM
- Cellplus Pushmail service introduced
- SMS2TV launched by Cellplus during FIFA World Cup
- ADSL launched in Rodrigues

2007
- 1% of shares in Mauritius Telecom allocated to employees at a reduced price
- 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

Milestones cont'd

2008
- Mobile and Internet services rebranded as OrangeTM
- 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 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.

2012
- Bagatelle Exchange commissioned, provided new telecommunication services to the area
- MT peered with Orange Madagascar to implement network-to-network multi-protocol label switching (MPLS) on the MT existing core IP network, allowing business customers in Mauritius and Madagascar to have end-to-end MPLS VPN via the LION cable
- New wireless application protocol (WAP) gateway commissioned, enabling faster browsing of web pages and downloading of contents
- LION 2 cable system entered into service
- Automatic roaming tester, supplied by SIGOS, commissioned, facilitating prompt testing and solving of roaming issues
- Parabolic antennas installed for telemetry and tracking of satellites in the Southern Hemisphere at Jacotet Bay
- Seventeen Orange Shops connected to fibre-optic networks
- The WACS Cable System brought into service
- New 4G (LTE) network launched in Port Louis and Bagatelle regions
- Eleven mobile macro sites commissioned to increase network coverage, of which six installed on Emtel premises
- Fifty-three mobile sites connected with fibre-optic cabling to meet increasing bandwidth requirements.

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

4G (LTE)
The fourth generation of wireless network technology featuring greater bandwidth and faster speeds than previous networks

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 cabl e 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

FTTH (FIBRE TO THE HOME)
Includes fibre-optic access solutions designed for residential deployments

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
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

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)

Glossary of Terms cont'd

MPLS
Multi-Protocol Label Switching is a highly scalable, protocol agnostic, datacarrying 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

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

WACS
West Africa Cable System

NOTES

www.mauritiustelecom.com
www.orange.mu

MOBILE & INTERNET
Mobile Data Services . Orange Money . Broadband Internet . Internet Roaming . Internet Everywhere
TV . VOD . 4G . Orange Tablet . FTTH . NetPC . Information Services

TELEPHONY SERVICES
Fixed Line . Post Pay International Call . Prepaid Calling Cards . Phone Booths

BUSINESS SERVICES
TelePresence . Cloud Solutions . BPO & Call Centre Solutions . Telephony . Mobile Internet . International Connectivity
Intranet . Data & Defense Solutions . Customized Call Centre Information Hub Automated Services . CRM Services

PRINTED ON RECYCLED PAPER