mauritiustelecom

ANNUAL REPORT

2013

mauritiustelecom

OUR VISION

To be a Premier World Class Infocom Services Provider

OUR CORE VALUES

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

Contents

uploading

downloading

Streaming

decoding

Group Financial Highlights

For year ended 31 December 2013

Operating revenue

for the Group up by 6.1% during the year, reaching Rs 8.49 billion.

Gross profit

at Rs 6.9 billion, an increase of 3.2% over the previous year.

Profit for the year

at Rs 1.4 billion, compared with Rs 1.8 billion in 2012.

Capital expenditure

of Rs 2.1 billion, that is 24.7% of operating revenue.

Earnings per share

of Rs 7.56, compared with Rs 9.44 in 2012.

Return on equity

of 23% against 25% in the previous year.

+6.1%

Growth in Revenue

+3.2%

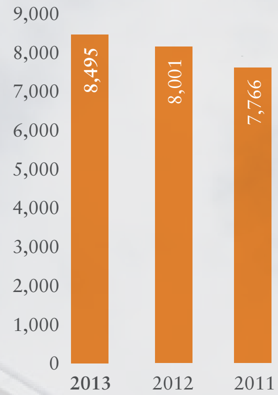
Growth in Gross Profit

23%

Return on equity

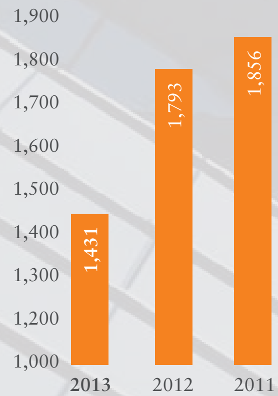
Operating revenue

(Rs million)



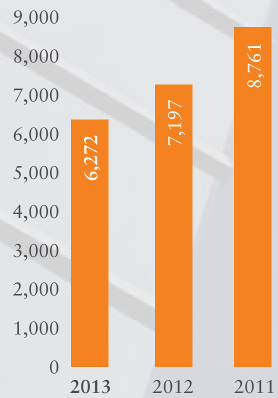
Profit after tax

(Rs million)



Shareholders' equity

(Rs million)



Key Financial Figures

for The Group

	2013 (MILLION RS)	2012 RESTATED (MILLION RS)
INCOME STATEMENT		
Operating revenue	**8,495**	8,001
Profit before tax	**2,045**	2,583
Profit after tax	**1,431**	1,793
Earnings per share (Rs)	**7.56**	9.44
BALANCE SHEET		
Total assets	**15,784**	15,813
Total liabilities	**9,512**	8,616
Shareholders' funds	**6,272**	7,196
Net asset value per share (Rs)	**48.94**	49.41

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 2013.

P.C. COLIMALAY
Company Secretary

29 April 2014

Company Profile

COMPANY PROFILE

Mauritius Telecom (MT) is the leading telecommunications operator and service provider in Mauritius. Incorporated in 1988 as Mauritius Telecommunication Services, it acquired the assets of Overseas Telecommunications Services in 1992 and was renamed Mauritius Telecom. It has since enjoyed a phenomenal rate of development and it is now one of the top companies in the country, with revenue of Rs 8.49 billion in 2013.

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

MT's strategy for growth is centred on innovation and enhanced customer experience as part of its Enabling ICT Evolution strategy, supported by its commercial slogan, 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 working conditions for its 2,170 employees, emphasising skill enhancement.

Shareholding

The Government of Mauritius, the State Bank of Mauritius (through its wholly owned subsidiary SBM NFC Investments) 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 Orange, through its investment vehicle, RIMCOM.

Investment

MT has invested in Orange Madagascar and holds a 90% share in Vanuatu Telecom through its investment vehicle Mauritius Telecom International Ventures, set up in 2011.

Products and services

MT provides a full spectrum of voice and data services using fixed-line, mobile and internet platforms. It also offers convergent services through My.T, its multiplay-IPTV service. Mobile users are now able to access MT's Internet and TV services. Since the rebranding of all mobile and internet services in April 2008 to Orange, a strong international brand, there has been a quantum leap in providing customers with innovative services and experiences.

To assist decision-making anytime, anywhere, the Company's real time technology services and solutions, coupled with its experience and know-how, nowadays provide businesses with a one-stop solution for IP-based services, virtual private networks and high-speed internet access and application services. MT is investing in Fibre to the Home (FTTH), Fibre to the Business (FTTB), Gigabit Passive Optical Network (GPON), ADSL and SHDSL technologies and is also now able to offer TelePresence and Cloud Computing solutions.

Customers

By the end of December 2013, the Company had acquired around 1.3 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.

Following on low-cost Orange tablets launched in October 2012 (to make ICT available and affordable to as many people as possible), access to broadband was improved through lower tariffs for both business and residential customers, all part of MT's commitment to aligning its strategy with that of the Government's vision of Broadband Mauritius.

1.2 million

Subscribers acquired in fixed, mobile and broadband services was over 1.2 million

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. A New Generation Network is now fully operational and currently being upgraded to include Voice over IP (VOIP) for FTTH customers.

As the provider of international band-width services for global connectiv-ity, MT continually upgrades available bandwidths on the SAFE cable and in-vests in new cable projects to meet the increasing demand of call-centre and BPO operators and of customers con-necting to bandwidth-hungry services.

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

Corporate social responsibility (CSR)

Mauritius Telecom fully engages in its CSR role and, through the Mauritius Telecom Foundation (MTF), actively participates in funding major national projects promoting social-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, Rs 201 million has been allocated to 95 NGOs to support 154 projects, while Rs 35 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 successfully managed to collect 11 tons of used batteries and over 3,500 mobile phones.

Risk management

The company has a Risk Management Division to provide reasonable assurance that significant risks are identified, assessed, addressed and monitored so as to meet the Group's objectives, build shareholder value and promote the interests of its various stakeholders. It has also developed incident management plans for increased preparedness to mitigate the impact of business continuity threats.

Rs35 million

The sum disbursed for CSR projects facilitating ICT education and access was Rs 35 million

BOARD OF DIRECTORS

CHAIRMAN
MAURITIUS TELECOM
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 Large Tax Payer 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.

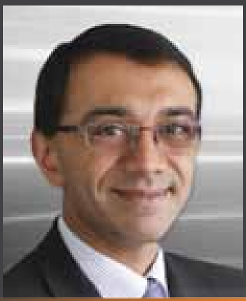
Michel BARRE
(to 14 June 2013)

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.



Vivek BADRINATH

Vivek Badrinath was the Deputy Chief Executive Officer in charge of Innovation, Marketing and Technologies for Orange Group from 1st May 2013.

He was born in 1969 and graduated from École Polytechnique and École Nationale Supérieure des Télécommunications (ENST).

He began his career in the French Ministry for Industry and has 20 years' experience in the NICT sector.

He joined the Group in 1996, working in various technical positions with the long-distance networks division, before being appointed CEO of Thomson India in 2000. After returning to the Group in 2004, he became technical director in charge of mobile activities, then joined the Group's Executive Committee in 2009, heading up the networks and operators division.

Between April 2010 and April 2012, he was then Executive Director of Orange Business Services.

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.

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 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 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 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 was appointed Permanent Secretary in April 2012.

He has served in a number of Ministries including the Ministry of Commerce and Industry, 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 is currently posted at the Ministry of Information and Communication
Technology.

Ali Michael MANSOOR
(to 31 October 2013)

Mr. Ali Mansoor has been the Financial Secretary at the Ministry of Finance and Economic Development in Mauritius and also Director of Air Mauritius Ltd since 2006.

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

From 1992 to 1995, he worked for the European Commission. He was subsequently the Country Economist for Madagascar at the World Bank from 1995 to 1997 and then the Executive Secretary of the COMESA Clearing House in Zimbabwe from 1997 to 1999.

From 1999 -2001, he occupied the post of Senior Economist in the Fiscal Affairs Department of the International Monetary Fund, Washington DC, USA. Subsequently he worked at the Independent Evaluation Office, International Monetary Fund, Washington DC, USA from 2001 – 2003.

Mr. Mansoor was also the Lead Economist at the World Bank's Economist Office for Europe and Central Asia Region from 2003 to 2006.

Mr. Ali Mansoor holds an MSc in Mathematical Economics and Econometrics from the London School of Economics and a Masters in Public Policy from the Kennedy School of Government.

Gérard RIES
(to 14 June 2013)

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

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

He started his career with the U.S. Group Dresser Industries Inc. where he held various financial and controlling positions for 12 years.

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

BOARD OF DIRECTORS (cont'd)

Suresh Chundre SEEBALLUCK, GOSK

Suresh Seeballuck is a graduate in Economics from the University of Delhi, a holder of a diploma in Public Administration from the University of Mauritius, a Diploma in Development Administration & Management from 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 (G.O.S.K.) in 2010.

Jean-Paul COTTET (from 14 June 2013)

Jean-Paul Cottet is the Senior Executive Vice-President Group Marketing & Innovation.

He started his career in France Telecom in 1980 in Network Operations and Marketing/Sales in Marseille, South of France.

After a 3 year period as special advisor for Telecom Policy in the French Government, he was appointed Head of France Telecom Operations for the Paris East Area.

From 1992 to 1996, he was in charge of the Sales Division in France, then the Soho and Professional Division.

In 1996-1997, he was responsible for France Telecom IPO. From 1998 to 2002 he was appointed Executive Vice-President in charge of Paris.

He joined the Executive Committee in 2002 first as Head of Public Relations, Regulation and Communication, and then in 2003 head of IT and International Division. From 2006 to 2008, he was in charge of Network and Field Operations Division in France. From September 2008 to March 2010, he was in charge of the French Enterprise Market Division.

In April 2010, he was appointed to France Telecom Group Executive Committee, as Senior Executive Vice-President for Marketing, Products and Innovation.

Jean-Paul Cottet is a graduate from Ecole Polytechnique and École Nationale Supérieure des Télécommunications. He is "Chevalier de l'Ordre National du Mérite".

Daniel DELESTRE from 14 June 2013)

Daniel Delestre is currently Senior Vice-President in charge of Orange's Africa, Pacific and Indian Ocean operations including Kenya, Uganda, Mauritius, Madagascar and Wallis and Futuna.

In 2008, he was appointed Senior Vice-President of Global Sales, Marketing & External Communications for Orange Business Services and reported to Vivek Badrinath, Senior Executive Vice President of Enterprise Communication Services.

In 2003, he was Senior Vice-President of French large accounts within Orange Business Services. In this position, he was responsible for all sales activities concerning the five large accounts agencies/business units. His overall mission was to increase revenue on French large accounts both in France and abroad.

He was previously regional director within the Group's Enterprise Communication Services (ECS) division and held a number of management positions in technical and IT domains. He has pursued his entire career within the France Telecom-Orange Group since he joined the National Centre for Telecoms R&D (CNET) in 1979.

He was awarded a diploma by the Ecole Polytechnique and by the Superior National School of Telecoms in Paris (ENST).

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

On behalf of the Board of Directors of the Mauritius Telecom Group, I have pleasure in presenting our 2013 Annual Report.

The macro-economic pressures and growing competition in the telecommunications market continued to impact on our business but the Company was nonetheless able to reinforce its leading position.

I wish therefore to express my appreciation to my fellow Board members, to the Chief Executive Officer and his management team and to all MT employees for their valuable share in this achievement. I would also like to thank our shareholders for their confidence in our strategy and our customers for their loyalty.

Financial review

Whilst the Mauritius Telecom Group's gross profit grew by 3.2% in 2013, net profit fell to Rs1.4 billion. Earnings per share were Rs7.56 compared with Rs9.44 in the previous year but the Group was able to pay an interim dividend of Rs10.54 per share against a total dividend of Rs11.80 per share in 2012. Capital and reserves amounted to Rs6.3 billion as compared to Rs7.2 billion in 2012. Capital investment totalled Rs2.1 billion, representing an increase of 39% year on year.

Corporate governance

Mauritius Telecom remains committed to implementing and maintaining best practices 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 2013, the MTF received funding of Rs40 million and it continued to support major national projects promoting social and economic integration and poverty alleviation. After the success of the *Je recycle les mobiles et les piles* initiative, in 2013 the foundation launched the *Unique comme toi* initiative to support awareness of autism and how the problem is handled. In view of the extraordinary circumstances, the Foundation also contributed Rs2 million to the Prime Minister's Office's Relief Fund as a measure of solidarity with families affected by the March 2013 flash floods.

"The macro-economic pressures and growing competition in the telecommunications market continued to impact on our business. The company has nonetheless been able to reinforce its leadership position in the telecommunications market."

3.2%

Mauritius Telecom Group's gross profit grew by 3.2% in 2013

Employee development

In 2013, employees received an average training of 25 man-hours, mainly in the latest technology involved in services like FTTH and 4G. Key staff in particular were provided with the opportunity to follow intensive courses at the FT-Orange Management Development School in areas such as leadership and management skills.

Telecommunications developments

In 2013, the Group increased its investment in network upgrade and extension projects, in order to further enhance the quality of mobile and broadband services and in parallel respond to increasing demand for data services. The year also saw the successful transition from a seven to eight digit numbering system on the mobile network, an exercise performed in close co-ordination with the Information and Communications Technologies Authority (ICTA).

Launched in 2012, the implementation of FTTH fibre technology continued, with the aim of connecting the whole island by 2020.

Investment in entities

The year under review also saw the consolidation of Mauritius Telecom's shareholding in Telecom Vanuatu, now at 90%, and the Company continued to explore new opportunities for similar investments.

Board membership

I express my gratitude to Ali Michael Mansoor, who retired after seven years on the Board. We are also grateful to Michel Barré, who retired after a five-year term, and to Gerad Ries, who was with us for two years. Their sound advice has contributed greatly to the Company's continued progress. Meanwhile, the Board had the pleasure of welcoming Daniel Delestre and Jean Paul Cottet of Orange, who have wide experience in the telecommunications sector.

Conclusion

It is clear that, as in recent years, economic pressures and fierce competition will continue to impact on our revenue and growth – but it is also a fact that our core business remains robust and provides a strong foundation for sustainable profitability. To meet these challenges, we will continue to focus on being competitive, fiscally disciplined and on always providing services that our customers will value.

Mohammed Asraf Ally DULULL
Chairman

June 2014

Chief Executive Officer's Review

"The introduction of trendy and innovative products and services was pursued in 2013, the major one being the launch of Fibre to the Home (FTTH) broadband offers of up to 10 Mbps and up to 30 Mbps. This responded to the increasing customer demand for higher speed and enhanced internet browsing experience."

6.1%

Mauritius Telecom Group's operating revenue grew by 6.1%

Mauritius Telecom brought in major innovations in 2013 in response to changes in customer usage trends, which will impact on the Group's future growth due to the full year impact on salary review.

The Group is working in an increasingly challenging environment reflected in its financial performance. Whilst operating revenue of Rs8.49 billion represented an increase of Rs494 million over 2012 and Group gross profit grew by 3.2%, net profit after tax fell by 20.2%, mainly due to the full year impact of salary review.

Subsidiaries

The internet segment recorded operating revenue of Rs951 million, representing growth of 14.3% over 2012. With operating revenue of Rs3.6 billion, the mobile segment also grew, by 0.7% compared with 2012. Among the subsidiaries, CSL achieved unprecedented growth of 54.24% and Teleservices revenue fell by 2.7%.

Innovations and initiatives

The introduction of trendy and innovative products and services was pursued in 2013, the major one being the launch of fibre-to-the-home (FTTH) broadband offers of up to 10 Mbps and up to 30 Mbps. This was in response to increasing customer demand for higher speeds and a superior internet browsing experience. In the context of a government initiative to make broadband internet more accessible to all, the Company launched the Orange Social offer priced at Rs200, subsidised by the Universal Service Fund. Meanwhile, fibre-to-the-business connectivity, providing speeds of up to 1 Gbps, has now reached 75% of the Top 100 companies in Mauritius.

With the new demand for combined mobile phone and tablet features, the Company introduced both the Huawei Ascend Mate and Orange phablets. Also during 2013, customers using the iPhone-brand were provided with the opportunity to stay tuned to recent innovations from Apple with the launch of the iPhone5s and iPhone5c. MT further launched the Deezer mobile app and introduced an Orange on-line top-up service.

Mobile payment was made easier with the launch a new Orange Money service, enabling income tax payments to be made by mobile phone. Another Orange Money service introduced means that micro payments can also be made via a mobile.

Low cost Orange tablets, introduced in 2012, continued their successful run with over 25,000 units sold during the year.

In pursuit of its strategy for innovation and the drive to provide new customer experiences, the Company launched a new IPTV platform for My.T with enhanced features for viewing contents including TVOD and enabling contents to be recorded.

Following the success of Les Rendez-Vous Orange in 2012, which had provided the opportunity to promote recent innovations in the various Orange shops around the island, the initiative was renewed in 2013, again receiving an overwhelming response. The Infotech event presented the company with a further occasion to promote recent products and services. Popular annual events such as the Orange International Marathon and Fun Run again attracted large public participation. Meanwhile, a new Orange Shop was opened at Grand Baie La Croisette.

The corporate, CSL and Teleservices websites were revamped, as was the Orange portal, to which Dailymotion video contents were added.

The customer experience

A new department, Customer Excellence, was created with the aim of transforming Mauritius Telecom's and its employees' commitment to providing an enhanced customer experience. As a result, a Customer Transformation Programme was initiated and both a Customer Testing Centre and a Complaints Monitoring Dashboard set up.

The New Integrated Customer Experience (NICE) project saw the completion of a key phase in its implementation with the automation of provisioning and activation processes for ADSL and My.T services.

Networks

The company's investment in network upgrade and extension projects was 20% greater than in the previous year. Among its key projects, the Company increased the capacity, resiliency and performance of the Mauritius Telecom ISP network. It also completed the replacement of the IPTV platform while pursuing the deployment of FTTH and the extension of the 4G network to new areas. OrangeCare app was the most widely used to that effect among the 1.3 million mobile subscribers.

MT further invested in equipment to substantially increase the volume of calls and text messages the mobile server can manage at one time. The initiative has increased server efficiency and will be particularly helpful in sending key alert information via mass text messages during natural calamities or other emergency situations.

Initiated by the ICTA, the transition from seven to eight digital numbering for mobile phones went smoothly, with the network rapidly up and running again as scheduled.

Partnerships

In 2013, the Ministry of Finance launched the Ebene Accelerator initiative, supported by Mauritius Telecom and other ICT partners. The aim is to promote the development of mobile applications in Mauritius, encouraging entrepreneurship, creativity and innovation amongst local developers.

In terms of exporting its expertise, Mauritius Telecom provided consultancy services to Orange Botswana in the implementation of enterprise processes and the launch of the SPICE project. The Company was also called upon to share its expertise in the setting up of a call centre in Swaziland.

External contracts

The company won the contract for the supply and provisioning of 26,000 tablets to secondary school students. The tablets, designed to revolutionise the learning approach in schools, are equipped with pedagogical software.

During the year, MT completed the project allocated by the ICTA to extend satellite broadband capacity between Mauritius and Rodrigues. The project is an interim measure to enhance internet facilties pending the commissioning of an undersea cable link between the two islands.

Tariffs

January 2013 saw new reductions in International Private Leased Circuit (IPLC) tariffs, priced at US$2,975, with a further 16% decrease scheduled from January 2014 to reach US$2,499. Further to a government decision to make broadband more accessible, a new broadband basic offer (256K), priced at Rs200 per month, was also introduced in the first quarter of the year under review.

People management

The Sourcing and Supply Chain and Internal Audit & Risk Management departments were restructured. Similarly, to meet the challenges of the changing environment, some 25 new talents were recruited to key positions. For the benefit of staff in general, a revised medical insurance scheme was introduced for staff and their family members.

Risk management

The Group put in place a Risk Management Division to provide reasonable assurance that significant risks are identified, assessed, addressed and monitored so as to meet Company objectives, build shareholder value and promote stakeholders interests. It also developed incident management plans to mitigate the impact of physical business continuity threats. In addition, the existing Business Continuity and Security Policy was updated to meet with new BCM ISO22301:2012 standards, while the existing Crisis Management Plan (CMP) was aligned with an Orange Crisis Management Group Directive.

CSR initiatives

Since 2009, more than 240,000 people have benefitted directly or indirectly from the 154 projects initiated by the MT Foundation in Mauritius and Rodrigues. One of the MTF's major initiatives in 2013 was the Unique comme toi autism-support project. Meanwhile, the Foundation continued to support community projects in the fields of ICT, Social Housing, Education, Health, Disabilities, Sports and the Environment.

Outlook

The deployment of FTTH will remain high on the agenda in 2014, with the objective of 65,000 Home Passed by year-end. The expected investment in this over the next five years currently stands at Rs5.5 billion. In parallel, the penetration rate of fibre-to-the-business (FTTB) will also be increased and 4G deployment will be extended to 50 new areas in Mauritius and Rodrigues.

The provisioning of Orange tablets to the Ministry of Education for students is a priority, as is the setting up of a Tier3+ Data Centre at Rose-Belle.

With the way people choose to live and connect ever-changing, the telecommunications environment will remain challenging and dynamic. This is why we are reshaping our business to focus more and more on the needs and wants of customers. MT's commitment to quality and excellence in service will therefore be pursued to meet the current and future needs of customers, be it in communication, entertainment, cloud services or any other developing sector.

we are reshaping our business to focus more and more on the needs and wants of customers

Sarat Dutt LALLAH
Chief Executive Officer

June 2014

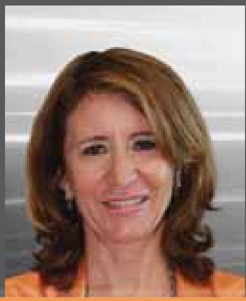
STRATEGIC EXECUTIVE COMMITTEE

Sarat Dutt LALLAH

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

Louis CELIER

Louis CELIER joined Mauritius Telecom as Chief Financial Officer on 1 September 2011. He studied Finance in London and subsequently completed his graduation from a French business school in 1994.

He started his career in 1995 with Bouygues Group where he worked for 5 years as Management Controller for the building industry. In 2000 he joined Orange Group at PagesJaunes for financial monitoring of Internet activity and also participated in the introduction of Initial Public Offering (IPO) of PagesJaunes in Paris Stock Exchange. In 2005 he was appointed Director of Missions in Orange Group Internal Audit. Prior to his appointment in Mauritius Telecom, he was from 2008 to 2011 Chief Financial Officer of Orange Madagascar, of which Mauritius Telecom is a shareholder.

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.

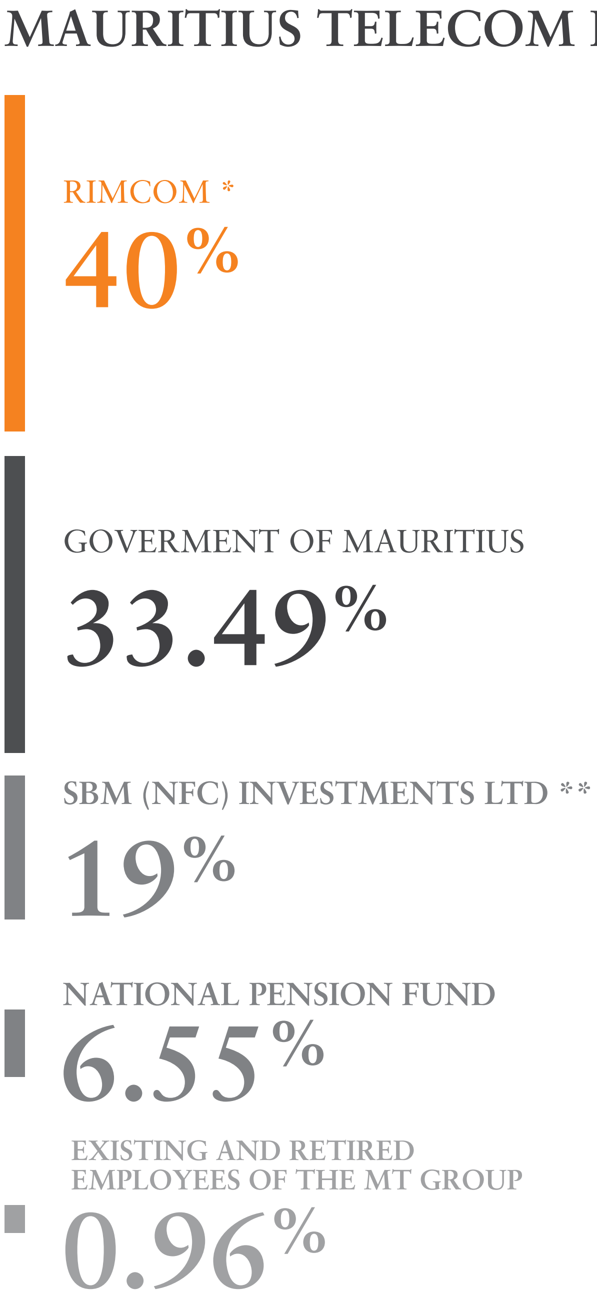
He joined Mauritius Telecom in September 1988 and reckons nearly 25 years of experience as a professional in the telecommunication and ICT field specialising in fixed, mobile and internet services for residential and enterprise market.

Prior to his appointment as Executive Head Commercial, he heads 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

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

Holding structure



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.

* RIMCOM is an investment vehicle wholly owned by Orange

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 9 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 to 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 36 to the Financial Statements.

155,330

Broadband subscribers

781,775

Mobile customers

352,231

Fixed line subscribers

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.

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 2013, the Remuneration Committee was composed of the following Board members:

Mohammed Asraf Dulull - Chairman	
Vishnou Gondeea	
Dheerendra Kumar Dabee, GOSK	
Michel Barré	(to 14 June 2013)
Daniel Delestre	(from 14 June 2013)
Gerard Ries	(to 14 June 2013)
Jean Paul Cottet	(from 14 June 2013)

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

The chairman of Audit Committee is appointed by the Board. There is no independent or non-executive director on the board. During 2013, the Audit Committee was composed of the following Board members:

Hugues Foulon	- Chairman
Ali Mansoor	(to 31 October 2013)
Michel Barré	(to 14 June 2013)
Daniel Delestre	(from 14 June 2013)

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

Risk Management Committee

The Chairman of the Risk Management Committee is appointed by the Board. There is no independent or non-executive director on the Board. During 2013, the Risk Committee was composed of the following Board members:

Hugues Foulon	- Chairman
Michel Barré	(to 14 June 2013)
Daniel Delestre	(from 14 June 2013)
Ali Mansoor	(to 31 October 2013)

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 theannual budget which is put to the Board for approval
- Monthly monitoring of the Group's performance against budgets with explanations on variances
- An Internal Audit Department with the Internal Auditor reporting to the Audit Committee.

Internal Audit

The internal audit function ensures that Mauritius Telecom and its subsidiaries are efficiently run in compliance with internal control mechanisms. It is headed by the Internal Auditor, K Goburdhun, who reports directly to the Audit Committee.

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

Board and Board Committee attendance

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

Risk management

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

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.

Charter for Ethical Business

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.

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.

There was no political funding.

On behalf of the Board of Directors

P. C. COLIMALAY
Company Secretary

29 April 2014

BOARD AND BOARD COMMITTEE ATTENDANCE DURING 2013

The table below details the record of attendance at Board and Committee meetings during the 2013 Financial Year.

	Board of Directors	Remuneration Committee	Audit Committee	Risk Management Committee
No of meetings held	5	3	3	1
Directors				
A Dulull (Chairman)	5	3	n/a	n/a
S C Seeballuck, GOSK	4	n/a	n/a	n/a
A Mansoor (to 31 October)	2 in person + 1 by alternate	n/a	2	1
D K Dabee, GOSK	4	2	n/a	n/a
V Gondeea	5	2	n/a	n/a
M Barré (to 14 June 2013)	2 by alternate	2 by alternate	1 by alternate	-
H Foulon	3 in person + 2 by alternate	n/a	3	1
V Badrinath	2 in person + 3 by alternate	n/a	n/a	n/a
G Ries (to 14 June 2013)	2	1	n/a	n/a
D Delestre (from 14 June 2013)	3	1	2	1
J P Cottet (from 14 June 2013)	3	1	n/a	n/a

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

DIRECTORS' 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 2013.

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, except for TVL, 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.
- Telecom Vanuatu Ltd (TVL) (90% owned by Mauritius Telecom) offers fixed, mobile and internet services in Vanuatu.

Results for the year

The Group's and Company's profits after tax, attributable to equity holders, for the financial year were Rs1,436,705,693 (2012 restated: Rs1,792,962,210) and Rs1,461,623,423 (2012 restated: Rs2,831,095,682) respectively.

Earnings per share for the year were Rs7.56 (2012 restated: Rs9.44 per share).

The audited financial statements of the Group and Company for the year ended 31 December 2013 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 2013:

<u>Mauritius Telecom</u>

Messrs

- Mohammed Asraf Ally Dulull - *Chairman*
- Suresh Chundre Seeballuck, GOSK
- Ali Michael Mansoor *(to 31 October 2013)*
- Dheerendra Kumar Dabee, GOSK
- Vishnou Gondeea
- Hugues Foulon
- Vivek Badrinath
- Michel Barré *(to 14 June 2013)*
- Daniel Delestre *(from 14 June 2013)*
- Gerard Ries *(to 14 June 2013)*
- Jean Paul Cotte *(from 14 June 2013)*

<u>Cellplus Mobile Communications Ltd</u>

- Mr Sarat Dutt Lallah - *Chairman*
- Mrs Nathalie Clere

<u>Telecom Plus Ltd</u>

- Mr Sarat Dutt Lallah - *Chairman*
- Mrs Nathalie Clere

Messrs

- Davendra Utchanah
- Rai Basgeet
- Michel Barré - *(to 27 June 2013)*
- Daniel Delestre - *(from 27 June 2013)*

<u>Call Services Ltd</u>

- Mr Sarat Dutt Lallah - *Chairman*
- Mrs Nathalie Clere
- Mr Tarkaswar Cowaloosur

<u>Teleservices (Mauritius) Ltd</u>

Mr Sarat Dutt Lallah - *Chairman*

Mrs Nathalie Clere

Mr Tarkaswar Cowaloosur

<u>MT Properties Ltd</u>

Messrs

- Sarat Dutt Lallah - *Chairman*
- Tarkaswar Cowaloosur
- Louis Celier
- Michel Barré *(to 27 June 2013)*
- Daniel Delestre *(from 27 June 2013)*

<u>Mauritius Telecom Foundation</u>

- Mr Sarat Dutt Lallah - *Chairman*
- Mrs Nathalie Clere

<u>MT International Ventures Ltd</u>

- Mr Sarat Dutt Lallah - *Chairman*
- Mrs Nathalie Clere
- Mr Rai Basgeet
- Mr Peter Conrad Colimalay - *Alternate to Mr Lallah*

<u>MT Services Ltd</u>

- Mr Sarat Dutt Lallah - *Chairman*
- Mrs Nathalie Clere

<u>Telecom Vanuatu Ltd</u>

- Mr Sarat Dutt Lallah - *Chairman*
- Mrs Nathalie Clere
- Mr Rai Basgeet
- Mrs Catherine Rumillat

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.

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 2013 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.

Declarations of interest

- Acquisition of 40% stake in TVL

  At the 139th Board of Directors' Meeting held on 23 May 2013, Messrs Ries, Foulon and Delestre (on behalf of Mr Barré) declared their interests and did not participate in deliberations and decision on the matter.

- Orange Innovation

  At the 141st Board of Directors' Meeting held on 26 September 2013, Messrs Delestre, Cottet and Barré (on his own behalf and on behalf of Mr Foulon) declared their interest and did not participate in deliberations and decision on this item.

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.

Governance

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

Dividends

Total dividends of Rs2,002,600,011 were declared during the year (2012: Rs2,242,000,012), detailed as follows:

	THE GROUP AND THE COMPANY	
	2013 Rs	2012 Rs
Interim dividend	1,001,300,005	1,240,700,006
Special dividend	1,001,300,006	1,001,300,006
	2,002,600,011*	2,242,000,012

*figures rounded to the nearest rupee.

Donations

Donations Rs15,000 were made by the Group during the year (2012: Nil).

There were no political donations during the year.

Auditors

The fees payable to the auditors for audit services in 2013 were:

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Audit services	2,895,000	2,930,767	1,525,000	1,510,330

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

V. GONDEEA
Director

29 April 2014

Highlights 2013

JANUARY

- Customer Testing Centre inaugurated for the pre-launch testing of products and services
- Construction work started on new warehouse at BPML Rose Belle
- Low-cost Orange Internet Social package and Orange Social Mobile Internet services launched
- IPLC (international private leased circuit) and IP VPN (internet protocol virtual private network) tariffs reduced by 15%

FEBRUARY

- **Orange Money income tax payment services launched**
- MT Group Customer Excellence Transformation Programme launched
- Orange.mu portal revamped, with a video section in partnership with Dailymotion

MARCH

- **New MT-Orange Shop opened in Grand Baie La Croisette**
- *Normalisation Française* certification obtained by CSL

- New TV channels added to My.T offer: Vijay TV, Eurosport News, Al Jazeera News, Vivolta, LCP, MCM POP, MTV India and three Fox channels
- New call-centre platform set up by CSL in Madagascar

APRIL

MAY

- **Rendez-Vous Orange event launched in 20 Orange Shops**
- SPICE launched in Orange Botswana, following contract to re-engineer processes
- CSL complaints monitoring dashboard and scorecard established
- New medical insurance scheme introduced for employees, including catastrophe cover
- OCS five-channel bouquet launched on My.T

JUNE

- **Huawei Ascend Mate Phablet launched**
- Sixth International Orange Marathon and Orange Fun Run held at Mon Choisy with the participation of 412 overseas runners from 10 countries
- CSL awarded a contract to set up a call centre in Swaziland
- MT Orange sponsored the National Cycling Championship 2013

- New IPTV platform launched with enhanced features including recording and TV video-on-demand (VoD)

JULY

- **Ebene Accelerator & Code Challenge Competition launched to encourage young entrepreneurs to develop mobile applications**
- Training course, Referentiel des managers , run for management cadres
- Rose Hill Data Centre equipped to provide cloud services
- 3G launched in Rodrigues and 4G in Port Mathurin, providing mobile internet surfing of up to 100Mbps

AUGUST

- **Orange phablet launched at La Croisette, Grand Baie Orange Shop**
- Setanta Africa sports channel launched on My.T
- Deezer Premium Plus launched for mobile access to songs and music tracks

SEPTEMBER

- **Fibre-to-the-home (FTTH) launched at the Hennessy Park Hotel in Ebene, with offers of up to 10 Mbps and up to 30 Mbps**
- Mobile network successfully switched from seven to eight digits
- Orange Tour 2013 held at the University of Mauritius
- HR Welfare Section organised an eye examination session and a talk on breast cancer for CSL agents
- Orange Golf challenge held at the Belle Mare Plage Hotel

- **MT awarded contract by the Ministry of Education & Human Resources to supply and commission 26,000 tablets**

OCTOBER

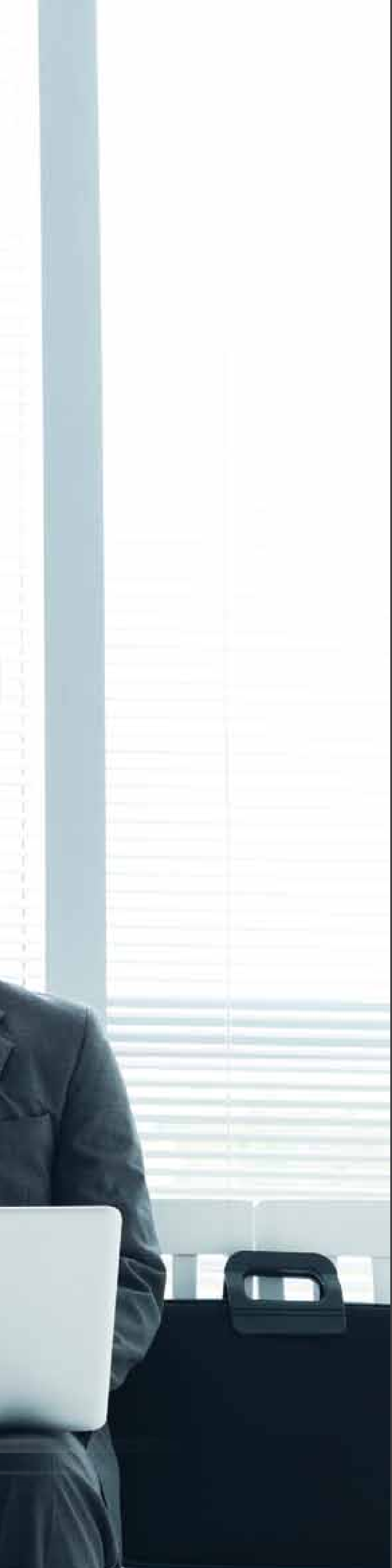
- **Launch of the "Unique comme Toi" initiative by the Mauritius Telecom Foundation to create awareness on autism and contribute in the support to families.**
- Tsunami simulation exercise carried out to evaluate the effectiveness of departmental recovery capabilities
- Sensor installation works to regulate energy usage, completed at Telecom Tower

NOVEMBER

- **A 2 day colloquium on autism held at Henessy Park Hotel where two French experts shared their knowledge and experience with doctors and autistic families, in context of "Unique comme Toi" initiative**
- MTF's ninth cheque presentation ceremony was held with cheques totalling Rs 13.4 million, presented to 24 NGOs and institutions
- Three business units created: Customer Excellence & Support, Sourcing & Supply Chain, and Internal Audit & Risk Management
- First edition of e-Link, an on-line internal magazine, launched
- Orange Money E-Voucher and Orange Money Micro-payment services launched

DECEMBER

- **iPhone5s and iPhone5c launched at the Bagatelle Mall Orange Shop**
- Orange Online Top Up service launched to allow mobile accounts to be recharged via the internet
- Government-supported project to increase satellite bandwidth between Rodrigues and Mauritius completed.



Business Review

COMMERCIAL

The key commercial initiatives have been centred on maintaining market leadership, through the broadening of MT's customer base, reinforcing the loyalty of existing customers and exploit new commercial opportunities.

Taking advantage of government budget initiatives, Orange Internet Social and Orange Social Mobile Internet services were launched in January 2013, to enable Mauritians with low income to have access to broadband on a fixed line or while on the move.

A new premium bouquet, OCS, was initially launched in the My.T package. It features five TV channels broadcasting Hollywood films and TV serials. Later in the year, OCS's new Generation HBO was added. Its new flagship channel, OCS City, gives viewers the opportunity to discover highly popular TV serials just 48 hours after their broadcast on the HBO network in the United States. More than fifty TV channels are now available on My.T.

A new Orange Shop was opened at Grand Baie La Croisette while the Orange Shop in Chemin Grenier was revamped. The Commercial Department also contributed to strengthening MT's links with customers and the public at large, by staging a Rendez-Vous Orange event in all 20 Orange shops, over a six-week period. The 2013 edition focused on Sharing Knowledge (Partage des connaissances), with Orange digital coaches explaining in layman's terms the advantages of the latest available products and technologies. Some 490,000 customers visited Orange Shops during the event, during which the Huawei Ascend Mate phablet and Orange phablet were launched.

More than 10,000 people took part in the 6th edition of the Orange Fun Run and 438 runners from more than ten countries, including Botswana, Kenya, Malaysia and South Africa, in the 2013 International Orange Marathon. Orange also sponsored the National Cycling Championships in a partnership aimed at nurturing new talent, started during the 2003 Indian Ocean Island Games.

In a different context, MT launched the Ebene Accelerator project in collaboration with the Ministry of Finance. The project provides a platform to help ICT start-ups and supports the development of apps by local entrepreneurs.

Meanwhile, the Commercial Department introduced the latest and most innovative smartphone in the world, the iPhone5s, and the most colourful one, the iPhone5c, on to the Mauritian market – and only a short time after their launch in the United States.

Other new products launched in 2013 included Orange's budget quad-core phablet, with a 5.7 inch HD touchscreen running on the Android OS 4.2.2 Jelly Bean system, as well as the Deezer Premium Plus service, which gives access on mobile devices to more than 20 million international songs and music tracks. Deezer is a legal platform offering local artists a worldwide distribution channel.

With fibre-to-the-home (FTTH) connectivity, MT's customers are able to download heavy files, watch HD TV and enter into gaming 'battles' thanks to internet speeds of up to 30 Mbps. Alongside the further deployment of FTTH, a new My.T IPTV platform was set up, providing subscribers with an array of features such as the Electronic Program Guide (EPG), programming recordings, catching up with favourite films and shows after they have been aired and being able to glance at all TV channels through a mosaic function.

From February, the Orange Money facility was extended from the secure payment of utility bills to include income tax payments. Two further services were added later in the year: Orange Money Micropayment, enabling people to pay for purchases by text message, and the Orange Money E-voucher service, enabling traders who market the E-voucher service to supply their own accounts from their mobile phones round the clock by paying with Orange Money. A new Orange on-line top-up service was also made available so that Orange prepay customers in Mauritius, or their parents and friends abroad, can recharge a mobile account via the internet. To promote the use of the new services, meetings were organised with retailers.

Importance was also given to after-sales services. A new repair centre was opened in Candos for the repair of fixed and mobile phones and accessories. With customer satisfaction always in mind, continuous training is given to the after-sales service technical team to enhance their capabilities.

Following government budget initiatives, a new satellite link was commissioned to increase the capacity between Mauritius and Rodrigues, improving internet facilities for customers in Rodrigues. Further, to mark ten years of mobile services in Rodrigues, 3G was launched there and the region of Port Mathurin was covered with 4G services, enabling web surfing at speeds of up to 100 Mbps. In Mauritius, MT extended its 4G coverage to new areas.

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 3.9% during the year under review and stood at 781,775 by the end of December 2013. Revenue for the year grew by 0.7%, slightly exceeding Rs3.6 billion.

Various innovations during the year included the launch of the iPhone5s, iPhone5c, Orange Phablet and Huawei Ascend Mate Phablet. The Deezer Premium Plus service was also launched for mobile devices, providing access to more than 20 million songs and music tracks. Another introduction was Orange Money Micropayment, enabling people to pay for purchases using their mobile phones, as well as the Orange Money e-voucher service for recharging mobile accounts via the internet.

In terms of infrastructure, 4G coverage was extended to Port Louis, Ebene, Bagatelle, Pailles and the vicinity of the airport. The island-wide HSPA network was upgraded to achieve higher data speeds at all 3G sites and a distributed antenna system (DAS) was installed within the new airport terminal to provide coverage for 2G, 3G and LTE. An important measure to allow for high volumes of traffic on the mobile network was the upgrade of subscriber data management (SDM). Always with the same aim of enhancing MT's services, a new mutualised value-added services (VAS) platform was also implemented.

During the year, there were some major developments in Rodrigues. 3G service was launched there and the region of Port Mathurin was provided with 4G. The existing 2G mobile radio access network was also upgraded to provide both 2G and 3G services.

TELECOM PLUS

Telecom Plus, a fully-owned MT subsidiary, today enjoys market leadership in internet and value-added services. The Company's mandate since 2007 has been to expand the content base of the Group and strenghten new revenue streams in line with customer needs. 2013 proved to be an eventful year with key initiatives including the conclusion of agreements with some existing content providers and the launch of new offers. The company registered turnover of Rs951 million during the year, which represents growth of 14.3% over 2012.

Telecom Plus also reinforced its image as an enabler of broadband internet. Broadband subscriptions grew by 12.1%, from138,503 to 155,330.

TV channel offers

Telecom Plus is now strongly positioned in the Pay-TV market through its Basic and Bollywood TV packages on My.T, with subscriber numbers exceeding 67,000 in 2013. Following the launch of the Explorer package (10 channels) in November 2012, the OCS package, featuring four premium cinema channels, was launched in May 2013. The new OCS City channel now offers HBO programmes 48 hours after their release in the US. The Basic TV bouquet was further enhanced with the Star Vijay channel in April 2013 and sports contents with the Setanta Africa channel, introduced in August 2013.

Subscribers to the Basic TV package increased by 27% - from 53,000 in December 2012 to 67,300 in December 2013. For the Bollywood package, subscriber numbers rose by 42%, from 4,500 in December 2012 to 6,400 by December 2013, while those to the Explorer package exceeded 11,500.

The total number of subscribers to My.T services stood at almost 80,000 at the end of the year under review.

Video on demand (VoD)

Revenue from VoD reached Rs10.5 million. The VoD catalogue was further enriched with new releases from Sony Pictures, Gaumont, Walt Disney, Mont Ida Films and Eros. Local contents also captured an important share of viewings in 2013.

Value-added services

In 2013, the range of value-added services (premium text-messaging services, mobile content downloads and applications, and Fun tones) were further enhanced. New contracts were signed with major record labels like Sony Music. The Unit's turnover was Rs48.2 million, representing an increase of 26% compared to 2012.

Web portal services

The orange.mu portal is hosted and operated by Telecom Plus and maintained its position as the leading Mauritian portal, with an average of 320,000 different visitors compared to 297,000 in 2012. Portal contents were enhanced to include local sports news, items on health and educational matters, a discussion forum for women and a video section launched in partnership with Dailymotion. Greater focus was also placed on Mauritius Telecom products and services. The SMS 789 info service was enriched with new content (Loto results) in September 2013.

Overall, the revenue derived from web services in 2013 amounted to Rs9.4 million compared to Rs7.5 million in 2012, with the sale of advertising banners on the orange.mu portal contributing Rs2.26 million.

By the end of 2013, the Deezer music service, launched in 2012 and bundled in our broadband offers, had 11,696 subscribers, numbers growing on average by 485 per month.

Web development

The Web Development team supports Group activities in areas like events management and digital marketing (marketing banners, digital signage, Facebook and mini-projects such as RDV Business, RDV Orange, Wifi Portal, My.T fibre-to-the-home and Infotech 2013) and other social media campaigns.

Orange.mu's homepage was revamped to simplify access to contents within a few clicks and to integrate a video section. The mauritiustelecom.com and myt.mu websites were also given a new look and feel, and a new MT self-care portal was developed. With the introduction of the new IPTV platform, the Web Development team contributed to the design of the new IPTV portal graphical user interface (GUI) and to the development of a back office for producing electronic programme guides (EPG) for some 60 TV channels.

On the international side, MT was awarded the contract for the development of the website for *Orange Cameroun.*

TELESERVICES

In the year under review, Teleservices recorded turnover of Rs138 million, a decrease of 2.7% over the previous year, and profit after tax of Rs26.6 million.

Directories

Teleservices Ltd's primary role is the production of directories for Mauritius Telecom: the MT Phonebook (residential and business listings) and the MT Yellow Pages (classified business listings) are produced annually and distributed free throughout the island. In line with MT's commitment to environmental protection, a Green Products & Services section was included in the most recent edition of the MT Yellow Pages directory

Teleservices also publishes the MT Business Directory, the 15th edition of which will be issued in 2014, and the MT Rodrigues Directory. Teleservices' on-line directory portal, http://www.mtyellowpages.mu, was recently revamped, to enhance its position as a valued B2B and B2C portal.

Advertising services

Teleservices is also a registered advertising agency and supports several companies' advertising campaigns, using a range of print, electronic and outdoor advertising methods. It can provide a whole gamut of services from 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.

CSL

CSL provides call-centre services, as well as non-voice business process outsourcing activities such as industry-specific back-office facilities, corporate services and data management.

Financial and operational achievements

Revenue in 2013 totalled Rs262 million against Rs170 million in 2012. In 2013, CSL handled on average over 1 million calls per month compared to 870,000 in 2012.

Business process outsourcing (BPO) and other services

CSL initially served as an in-house call centre for the MT Group, handling the helpdesk for fixed line, mobile and internet services. The call centre also provides the Group with services such as telephone surveys, appointment setting, debtor chasing, and data capture and maintenance.

CSL now also works for customers in sectors such as betting, utilities, finance and market research, as well as for government bodies. Major external BPO customers include the CEB, the CWA, the Ministry of Business, Enterprise, Cooperatives and Consumer Protection, and the Tourism Authority, together with international clients such as Orange Reunion and the Swaziland Posts and Telecommunications Corporation. CSL handles on average 60,000 inbound and outbound calls monthly for Orange Reunion.

Other than BPO services, CSL handles the 150 service (the national telephone directory service), as well as the Telmet, an automated service providing information on cyclones and natural disasters, and the round-the-clock 152 service. The 152 service provides contact details of Mauritian and Rodriguan companies, as well as cinema programmes, foreign exchange rates, flight schedules and horoscope predictions.

In the year under review, CSL was selected by Orange Madagascar as the supplier for its outbound calls campaign. The operations will be conducted in Madagascar. CSL was also awarded a consultancy contract by Swaziland Posts and Telecommunication Corporation (SPTC) for the preparation of a strategy paper for the setting up of a call centre in Swaziland.

Human Resources

Staff welfare is always a priority and CSL commissioned the Hay Group, an HR consultancy firm, to conduct a job evaluation, salary and grading exercise. It also launched a basic medical scheme in July 2013, with the Mauritius Employers Federation's Provident Association

IT development

CSL developed the post-call survey module in August 2013 for the conduct of automated surveys in order to measure the level of caller satisfaction. Further, to ensure business continuity in case of a force majeure or a crisis, an agreement was concluded between Continuity Mauritius and CSL for 16 disaster recovery seats at the Candos Disaster Recovery Centre.

Quality

CSL embarked on the process of obtaining NF Customer Contact Centre Certification with AFNOR Mauritius, the local branch of the *Association Française de Normalisation* and, in March 2013, CSL became the first call centre in Mauritius to obtain the NF 345 – EN 15838 certification.

The next quality step is to become COPC-certified. A baseline assessment was conducted by Customer Operations Performance Centre consultants in November 2013.

Future Projects

Having acquired a contract with Orange Madagascar, CSL is now planning to expand its call centre/BPO activities in Madagascar via this new platform, benefiting from low costs and the ready availability of labour there. A new local service is also planned for 2014, the Virtual Secretary, targeting small and medium enterprises, providing inbound call services and appointment management at very affordable rates.

BUSINESS DEVELOPMENT

The main functions of the Business Development Division are to lead innovation, introduce cutting-edge products and services, and develop new lines of business, all geared towards the Company's growth. The Division's activities and responsibilities were expanded in 2013, and its achievements were multiple.

Tablets for schools

Mauritius Telecom (MT) won a tender launched by the Ministry of Education and Human Resources for the supply and commissioning of 26,100 tablets for Form IV students and their educators. These tablets, integrated with classroom management software and educational content, are specifically designed to induce a paradigm shift in teaching and learning in Secondary schools and to encourage independent learning through the use of technology.

Expertise shared internationally

An additional 40% stake was taken in Telecom Vanuatu Limited (TVL) after an initial 50% acquisition in 2011. TVL is now an integral part of MT and both companies are working together to achieve maximum synergy. In particular, MT provided TVL with consultancy services based on MT's own experience and know-how. Consultancy services on process re-engineering and risk audit and risk management were also supplied to Orange Botswana.

The Ebene Accelerator

Another much publicised and highly successful event was the launch by the Ministry of Finance and Economic Development (MoFED), in partnership with MT, of the Ebene Accelerator, an incubator designed and devised for software developers, where they can create and boost start-up projects. The incubator also serves as a means to inculcate an entrepreneurial culture in youngsters in the ICT field. More specifically, MT sponsored the launch of the Ebene Accelerator, alongside the MoFED and other partners, and organised the hugely acclaimed Code Challenge, a set of programming competitions.

Apps development

2013 marked a turning point for MT in the field of apps development. Through the Ebene Accelerator, MT launched a number of apps, the most successful being the OrangeCare app, which was developed for smartphones to facilitate the migration from seven to eight digit mobile numbers. The app was designed by the Business Development team in collaboration with a young start-up company from the Ebene Accelerator, MobiMove Ltd. The app was so successful that it became the most popular item in both the local App Store (Apple iOS devices) and Play Store (Android-based devices).

Innovation

Other achievements in the year under review included:

- The provision and delivery of cloud services, following the set up of MT's new data centre in Rose-Hill, such as Infrastructure as a Service (IaaS), a provision model in which an organisation outsources the equipment used to support operations, including storage, hardware, servers and networking components, and Platform as a Service (PaaS), a category of cloud computing services that provides a computing platform and a solution stack.
- Orange Money service (mobile payment) upgrades, including Orange Money e-vouchers, enabling retailers to purchase e-voucher credits, and Orange Money Micropayment, enabling customers to make payment in shops using their mobile phones.
- An on-line recharge platform set up to allow customers wherever they are to top up their credit via the internet.

NETWORKS

In line with its long-term vision, in 2013 Mauritius Telecom continued to implement major projects in order to enhance the quality of its customer services.

Broadband Network

Caching solution for better customer broadband experience

Caching stores the most popular internet content and delivers it from the operator's network, rather than always retrieving it from a remote source. The operator benefits through reduced bandwidth consumption, and the content owner and subscriber benefit through better delivery quality. Accordingly, a transparent internet caching system was deployed on MT's network, especially with Peer to Peer (P2P) traffic in mind.

It is a cost-effective means of meeting the increasing consumption of video and other digital media, both P2P and HTTP contents. The platform applies caching based on content popularity, frequency of use and cost of the bandwidth. By caching popular P2P and HTTP content within the ISP network, repetitive or redundant downloading of identical contents is eliminated. It further improves user experience by delivering content to the subscriber at a faster rate.

Web content caching for enhanced customer internet browsing experience

Mauritius Telecom implemented a web content caching project in order to increase the storage capacity of its caching system and also to speed up page viewing of smaller objects on popular webpages such as newspapers. Previously this caching engine was used to keep certain data ready to swap, such as large video, music and software files from the internet. Since implementation, the system can also cache web pages and as a result provide an improved web-browsing experience.

Improved resiliency in managing broadband customer services

Mauritius Telecom embarked on a project to implement a geographically redundant server in Rose Hill to allow switch-over to a backup server in case of failure of the operational server and hence minimise any interruption in service management. The operational management server Access Management System (AMS), based at Cassis, is used for the supervision of broadband racks, troubleshooting and the provisioning of broadband customer ports. The implementation of the redundant AMS will enhance operational efficiency.

Capacity upgrade for broadband access servers

Mauritius Telecom successfully implemented an increase in the capacity, resiliency and performance of the Mauritius Telecom ISP network by upgrading the Broadband Access Servers (BAS). The first part of the project consisted of upgrading the BAS in Port Louis, Rose Hill and Floreal to the latest hardware and software version and installing additional licences to allow more subscribers to use the internet simultaneously. The second part consisted of replacing the old BAS in Rodrigues which was running out of support.

After this expansion project, the BAS network in Mauritius is now implemented in a distributed architecture and the BAS network in Rodrigues upgraded with a cold spare.

New IPTV experience

Mauritius Telecom successfully completed the replacement of its existing IPTV platform to the latest one, which provides a bundle of new features to meet customer expectations.

The system provides an integrated IPTV solution, with customer-oriented components such as content delivery network (CDN) nodes which boost efficient delivery, a conditional access system (CAS) for content encryption and security, an electronic programme guide (EPG), an automatic configuration server (ACS) to provide the zero-touch set-top-box (STB) installation function and a mosaic generator, to display live channels in the form of mosaic on a single screen.

Fixed Network

New session border controller

Mauritius Telecom implemented two session border controllers (SBC) on its NGN Network. The SBC enable the implementation of voice over internet protocol (VOIP) trunking with other international operators using session initiation protocol (SIP) signaling. VOIP will be brought in during 2014 for business companies using an IP PBX (internet protocol private branch exchange) and for residential customers on fibre-to-the-home (FTTH) networks.

Migration to 8 digits

Mauritius Telecom had initiated the project to migrate to an 8-digit numbering plan for mobile customers in September 2012, in line with an ICTA directive. The migration was implemented successfully on 1 September 2013. The transition from 7 to 8 digits was carried out without any major outage and the first calls and text messages using 8 digits were processed as from three minutes past midnight. To facilitate the conversion from 7 to 8 digits on smartphones, a mobile application (OrangeCare) was developed and provided free of cost to all mobile users, and proved of undoubted value to customers.

Fibre-to-the-home (FTTH) deployment

Mauritius Telecom embarked on its fibre-to-the-home project in January 2012. Phase I of the FTTH project aimed to connect 8,000 existing broadband customers in Beau Bassin, Rose Hill, Quatre Bornes, Floreal and Forest Side, and provided for an additional 7,000 new customers in 2013. Similar works will be undertaken during 2014 and 2015, during which 65,000 Home Passed will be targeted yearly.

Upgrade of IP core network in Rodrigues

IP network coverage in Rodrigues was extended following the upgrading of the port capacity on the existing internet protocol core node in Mont Venus and, with the installation of a new IP core node, coverage was expanded to Mont Lubin. Two new aggregate switches were installed in the La Ferme and Quatre Vents exchanges to allow the grooming (transition) of low-bandwidth business customers and internal MT IP services on to the IP Core network. Business customers at Mont Lubin, La Ferme and Quatre Vents in Rodrigues can now also seek connection to the IP network for their IP-based services.

Mobile Network

One RAN Network in Rodrigues

Mauritius Telecom upgraded the existing 2G mobile radio access network in Rodrigues in July to provide both 2G and 3G services. As a result of providing 3G service, high-speed packet access (HSPA) was also implemented and faster data speeds with 3G devices are now possible there.

3G Phase 9A

Mauritius Telecom also upgraded its island-wide HSPA network in order to achieve higher data speeds at all 3G sites. A second carrier frequency was also added to mitigate network complaints and improve the quality of both voice and data services.

New airport terminal

A distributed antenna system (DAS) was installed in the new airport terminal to provide 2G, 3G and LTE coverage. The move was intended primarily to facilitate mobile roaming services but also to provide full mobile coverage inside the terminal building.

SDM capacity upgrade

The Subscriber Data Management (SDM) system was upgraded and reconfigured to cope with sudden traffic surges and to curb congestion problems occurring due to sudden high traffic demand.

Mutualisation of VAS Platform

A new mutualised value-added services (VAS) platform was commissioned in order to host short message services which had been in service since 2006, including SMS Chat, Get2Net, Web2SMS, SMS Voter and SMS2TV. Each of these services was installed on a dedicated server and many of those servers had reached the end of the period when they could be supported.

The new mutualised VAS platform will now ensure that all such services are provided without interruption while at the same time ensuring higher performance and greater traffic handling, combined with ease of expansion.

CUSTOMER EXCELLENCE & SUPPORT

Mauritius Telecom is focused on making customer service an integral part of every employee's job and not some mere adjunct. The aim is to create a positive impression during dealings with customers and to offer great service. Several measures were taken during the year.

Organisation

To achieve a customer-centric organisation, Mauritius Telecom created a Customer Excellence Department with direct access to the CEO, the DCE and the Board of Directors. The Department is responsible for quality, process improvement and customer experience, partner management for CSL and contractors, and complaints management. It is also concerned with the setting up of 15 transformational work streams.

MT Culture

To enhance the mind-set and attitudes of front liners, MT embarked on an MT Culture project. The Company strongly believes that every interaction should elicit customer satisfaction and is working with Orange Culture and the hospitality sector to create a unique service blend, combining the requirements of the ICT industry with the welcoming attitude of the hospitality sector.

Customer journeys

MT embarked on a project to improve customers' experience by reviewing the "customer journey", setting up action plans so that every contact with a customer is easy, effortless, effective and clear, and meets customer expectations.

The customer-journey methodology is being extended to all new and existing products and services.

SPICE (Smart processes for improved customer experience)

Processes are continually reviewed to be aligned with changes in tools, resources and methodologies. The company is focused on preventing any internal complexities from having an impact on customer service. During the year, Service Level Agreements (SLAs) for the release of broadband services were improved from 7 to 4 working days for ADSL and 14 to 7 calendar days for My.T. The Company also started reviewing several other SLAs to improve on both provisioning and fault resolution.

With strict follow-up on KPIs, SLAs and processes, SPICE has already had a positive impact on operational efficiency and customer service.

A Quality Team was also engaged for a mission to Botswana, to re-engineer Orange Botswana's product and service processes for businesses, and introduce the SPICE methodology.

Customer Testing Centre

The Customer Testing Centre (CTC) carried out more than 20 tests on customer journeys before and after a product launch. More than 60% of the resulting recommendations have already been implemented. This process also helped MT to launch products and services which are simpler and more attractive, and bring improvements to the customer journey. Gratifyingly, Mauritius Telecom won Orange Group's CTC best practice award during its Simplicity Week held in Paris in October 2013.

Standards

MT's Quality Management System (QMS) is based on ISO9001:2008. During the year, MT and its CSL and Telecom Plus companies successfully underwent an external audit of their QMS. Internal quality audits were also conducted throughout the year.

Partner management

A Partner Relationship Management strategy is being used for CSL and contractors so as to improve on communication and performance.

In relation to CSL, a unit has been set-up to put in place all the processes for effective vendor management, a system that acts as a mechanism for business to manage and procure staffing services. The performance of CSL has been monitored since March and improvements were noted in contact rates, service quality and a reduced need to reiterate information.

The work of contractors dealing with telephone line faults was also monitored through audits, dashboards (that provide at-a-glance views of KPIs) and regular meetings. This led to an improvement in customer satisfaction for fixed line repairs and a decrease in the number of repeated faults by 15% between August and December.

Complaints management

A service provider, such as MT, can never hope to escape complaints from time to time but the Company is determined to provide a reliable service and decrease the number of occasions when customers feel dissatisfied with a product or service. Several measures were taken during the year, including the creation of a specialised unit, and this led to a reduction of 30% in complaints between March and December.

Business continuity and security (BCM)

The existing BCM policy was updated in line with new BCM ISO22301:2012 standards. The new policy document also included a Business Continuity Management Policy Statement designed to facilitate the implementation of a Business Continuity Management System.

The existing Crisis Management Plan (CMP) has been updated in line with the Orange Crisis Management Group Directive, which defines an additional grey crisis level. This crisis level represents a crisis of medium impact affecting the group or multi-entities.

The Global Security Policy was also updated. It relates to the redefinition of risk and impact assessment levels and the replacement of the 4 x 4 risk/impact matrix by a 5 x 5 one.

Building and property management

Several improvements were made. The MT Orange shop in Grand Bay moved to Grand Baie La Croisette where it has greater visibility and can offer better service levels. Orange shops in Plaine Verte and Chemin Grenier were renovated. The second floor of the exchange building in Rose Hill was adapted to offer Data Centre Services and the construction of a new central warehouse building in Rose Belle was completed.

Carbon reduction commitment and green actions

With the importance it attaches to the environment, related matters are handled by the holding company, Mauritius Telecom, itself.

Environmental management system

Mauritius Telecom has engaged in a number of activities to minimise any impact on the environment from its operations. The ISO14001: 2004 standard is used to manage activities centrally and a risk analysis has been conducted and action plans drawn up.

Green activities

In 2013, Mauritius Telecom continued with the following:

- Collection of used batteries and mobiles
- Recycling of old modems, telephone sets and set-top boxes
- Collection of waste paper for recycling
- Action to decrease energy consumption on all sites through the installation of motion detectors, solar panels, the optimisation of equipment rooms so as to decrease air-conditioning usage and the use of free-cooling air-conditioning systems in exchanges
- Use of energy-efficient equipment.

In its 2012-2016 Strategic Plan, Mauritius Telecom set itself the objectives of achieving a 5% reduction in its power consumption by 2016 and in reducing its carbon footprint by 10%.

To meet these strategic objectives, MT has introduced various initiatives:

1 To know how, when and where energy is being used, MT is implementing a centrally managed energy metering solution (electricity and fuel) in order to have real-time visibility of energy usage and thus optimise consumption. Started in 2013, energy- metering systems are being installed on 100 sites, with 300 more to follow in the next three years.

2 The replacement of incandescent tubes by energy-saving ones on 75 sites, with remaining sites to follow.

3 The procurement and utilisation of sleep mode rectifier modules which save energy during low-peak periods.

4 The procurement and utilisation of digital scroll compressors for precision type air-conditioning units which are more energy efficient and provide flexible cooling capacity when cooling electronic telecom equipment.

5 The use of heat resistant paint on 60 sites, providing insulation from the sun and reducing ambient temperatures inside technical equipment rooms.

6 The procurement of mobile base stations of a sleep-mode type, entering sleep mode when there is low traffic.

7 The use of free cooling systems. The concept is to use the lower temperature of the atmosphere to cool equipment rooms.

8 The implementation of a solar-energy system in Agalega with a generator back-up, producing fuel – and allowing fuel transport savings.

9 The implementation of solar energy systems at ten mobile base stations in Mauritius.

10. The partitioning of technical rooms on 40 sites, 25 of which were completed in 2013. This separates equipment with higher power consumption from those with lower requirements. Openings in walls have also been closed to prevent cool air from escaping.
11. The setting up of the new Data Centre in Rose Hill, which can accommodate more servers, enabling other sites to be closed and old servers to be decommissioned, with a power saving of 115 MWh per year.
12. A server consolidation initiative, whereby applications running on stand-alone servers are being migrated to blade servers, contributing to energy savings.
13. From April 2013, the implementation of a no- annexed-detail policy for mobile invoices. The initiative led to a reduction in paper consumption. From July 2013, the details for value-added services were condensed, reducing paper use by another 34,000 sheets per month. The two initiatives are equivalent to saving 40 trees per month.

REGULATORY AND POLICY DEVELOPMENTS

Various regulatory developments in 2013 had a major impact on the ICT sector.

Social internet package

In line with the 2013 Budget's intention to spur broadband take-up, especially for low-income families, the ICT Authority designated Telecom Plus and Cellplus Mobile Communications as service providers for the provision of fixed and mobile broadband internet at 256 Kbps, with a download cap of 2 GB, at Rs 200 per month. The project was financed under the Universal Service Fund, managed by the ICT Authority..

Additional capacity for Rodrigues

In its commitment to bring Rodrigues to the same level of development as the island of Mauritius in the ICT sector, the government provided an additional satellite bandwidth capacity of 118 Mbps between Mauritius and Rodrigues increasing the total capacity between the two islands to 155 Mbps This project, with MT designated as the universal service provider, was also financed through the Universal Service Fund.

Telecom Plus and Cellplus were awarded 63 Mbps and 20 Mbps respectively for the provision of broadband and data services in Rodrigues, enabling them to improve customer provision.

Migration to 8-digit mobile phone numbers

The migration to eight-digit mobile phone numbers was successfully implemented in Mauritius and Rodrigues with effect from 1 September 2013. In order to ensure a smooth migration, both MT and Cellplus had invested heavily in network and service platform upgrades. MT further invested in communication and awareness campaigns for the benefit of the public at large.

Cellplus also developed an Orange Care app for all smartphone users, irrespective of their service providers. The Orange Care app enabled mobile users to convert their existing contact lists to eight digits during the migration; the app proved very popular.

Fibre network deployment

Given the huge investment in the deployment of fibre-to-the home (FTTH), MT asked the government for a moratorium period, during which such deployment would not be subject to any regulatory intervention or obligation.

Following this, the government conferred upon fibre network access-providers a three-year moratorium period to enable them to have the sole use of their fibre networks in the local loop and facilitate the deployment of emerging technologies such as 4G/LTE.

Broadband internet service quality

In order to regulate service quality standards and to improve customer experience, the ICT Authority issued a draft Quality of Service(QoS) directive to all internet service providers with the intention to implement framework for broadband internet. MT, Telecom Plus and Cellplus have already begun preparations for the implementation of the directive, scheduled for mid-2014.

The Competition Commission

Further to the moratorium given by Government to network access-providers for the deployment of FTTH, the Competition Commission of Mauritius agreed that MT's deployment of fibre is not subject to any obligation by the CCM, as MT is a new entrant in this market.

Integrated compliance approach

The re-definition of the ICT sector as a key pillar for the development of the economy and the accompanying rules and regulations concerning fraud, corruption, financial security, staff well-being and safety, information systems security, ethics, bribery, anti-trust legislation and data protection meant that MT is required to transform its multiple compliance programmes into an integrated compliance approach. MT is receiving full support in this from its strategic partner.

MT is also participating with the Mauritius Institute of Directors and the Joint Economic Council in a public/private platform against corruption, to foster interaction between the public and private sectors for a corruption-free Mauritius.

BUSINESS REVIEW (cont'd)

Business support

Support to the various business units translated into the Company securing over 250 approvals from the ICT Authority for the marketing of products and services and some 60 authorisations for mobile network development. This support has also enabled 50 new contractual agreements to be concluded in our dealings with our clients, blocking in the various mobile networks of over 700 International Mobile Equipment Identity (IMEI) for lost and stolen mobile phones and over 50 complaints referred by unsatisfied customers to the ICT Authority to be resolved.

Internet affordability index

Mauritius was ranked amongst the five top emerging economies globally, out of 46 participating, in the Internet Affordability Index compiled by the Alliance for Affordable Internet, along with Malaysia, Brazil, Peru and Columbia.

The index ranks nations on communications infrastructure for internet deployment, available internet access infrastructure and internet affordability.

Safer internet

The ICT Authority signed a Memorandum of Understanding with the UK's Internet Watch Foundation aimed at making the internet a safer place for children and young people. An on-line child sexual abuse reporting portal was also launched, through which internet users in Mauritius can report any website depicting child sexual abuse.

HUMAN RESOURCES

The Human Resources Department's key role is to ensure that the organisation has a competent, engaged and well-motivated workforce.

Learning and competency building

As the ICT industry is subject to rapid technological changes, employee skills and competencies need to be constantly upgraded. The MT Group therefore invests heavily in focused training and, in 2013, employees received an average of 25 man-hours, mainly in the latest technology products such as FTTH and 4G.

The in-house training team enhanced the e-learning platform, which can provide on-the-job and off-the-job learning opportunities to a large number of employees. Over 100 courses are available on the platform, which are complemented by face-to-face training managed by the Training Academy.

Meanwhile, key staff members were able to follow intensive courses at the FT-Orange Management Development School in areas such as leadership and management skills. Employees were also able to take part in workshops under the aegis of the Commonwealth Telecommunications Organisation.

Internal communication

Sharing information is of prime importance in securing employee engagement. To this end, a new bi-monthly on-line newsletter, E-link, was launched in November 2013 to provide an internal communication channel. Programmes were also organised to build awareness of the organisation's vision, mission and values.

Employee wellness

Mauritius Telecom places a high emphasis on employee wellness, health and safety. Several programmes were organised during the year, the most important ones dealing with the early detection of osteoporosis and cancer.

New wellness activities, including tai chi and zumba, were also implemented, complementing existing programmes such as yoga and physical workouts.

A new medical insurance scheme was introduced in May 2013 for staff and their family members. It now includes both out-patient benefits and catastrophic cover, and overall provides better and faster health services.

Several sports and recreational programmes were organised for employees and their families including badminton and volleyball tournaments and family outings. On average, an outdoor activity is organised every two months. It is pleasant to be able to record that Mauritius Telecom won the Mauritian Corporate Sports Federation's football, volleyball, petanque and table tennis tournaments.

Enabling change

HR actively supported MT's customer excellence transformation project, which included the creation of a new business unit, Customer Excellence and Support.

Further batches of employees involved in direct interaction with customers went on Orange Attitude courses in January and February 2013. Given the success of the programme, it was extended to back-office staff.

In addition, employees in back-office roles (Network, Finance and VAS departments) followed the Orange Ambassadorship programme from May to July 2013. The main objective was to sensitise back-office staff to their roles as brand ambassadors even though they have less daily interaction with customers

Two departments, Sourcing & Supply Chain and Internal Audit & Risk Management, were restructured in the interests of efficiency and productivity.

Building the talent pool

To meet ever-changing business challenges, especially the need for new, innovative and content-rich services, some 25 new talents were brought in to occupy key positions. The Group opened up some recruitment exercises internationally, including for the appointment of a CEO for Telecom Vanuatu. This policy will be pursued in 2014, particularly to meet the resources required for international ventures.

Mauritius Telecom Foundation

THE MAURITIUS TELECOM FOUNDATION

The Mauritius Telecom Foundation (MTF) has had responsibility for the management of the MT Group's Corporate Social Responsibility (CSR) funds since December 2009. However, even before then, corporate philanthropy was already well entrenched within the Company's culture and history. In 2013, Rs 40 million were placed at the Foundation's disposal.

The MTF concentrates on funding 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, Disabilities, Sports and the Environment.

Since 2009, more than 240,000 people have benefitted directly or indirectly from the 154 projects initiated by the Foundation in Mauritius and Rodrigues. In all, the Foundation has collaborated with 95 NGOs and institutions, including 20 in Rodrigues.

52

52 NGO's benefitted

95,000

95,000 beneficiaries

57

57 projects funded

11

11 tons of used batteries and 3,500 used mobile phones collected

1,620

Support to 1,620 persons with disabilities

289

289 computer clubs providing free internet

THE MAURITIUS TELECOM FOUNDATION

Reaching out

Some people have little or no access to Information and Communication Technology (ICT) as a result of their limited financial means or education. However, ICT can contribute to economic and social development and the MTF is using innovative strategies to overcome this digital divide so that more people can gain access to ICT in suitable conditions.

21% of the MTF's funds were allocated to ICT projects. The Foundation finances 314 of the National Computer Board's (NCB) computer clubs (with a total of 942 work stations), which provide free access to the internet. More than 60,000 people in Mauritius use this facility each month. For those in remote areas, a cyber-caravan was presented to the NCB to provide people there with ICT training.

Helping people with disabilities

One of the MTF's major initiatives in 2013 was *Unique comme toi*, a battle alongside other institutions to champion the cause of autism, to evolve mentalities and behaviour, to create appropriate structures and help families. The MTF produced and launched a comic book to inform people about autism and organised a colloquium with eminent French academics to share the last methodologies developed for autism, in which 263 parents and 155 health professionals took part.

The Foundation financed a further 14 projects with the aim of providing care for and empowering people with disabilities. The MTF seeks to ensure that people with intellectual and physical disabilities are afforded the same opportunities as others. MTF also donated 1,200 commode chairs to persons with limited mobility.

Inclusive development

The MTF continued to support the running costs of day-care centres and pre-primary schools, which provide a valuable and safe environment for children, while enabling their parents to work or attend training. Those helped were La Maison de L'Enfance in St Croix, Les Abeilles in Vallée Pitot, La Valette Terre de Paix and Le Flamboyant in Cité Richelieu. The MTF also part financed the construction of 23 social houses at Karo Kalyptis.

Over in Rodrigues, the Foundation contributed to nine empowerment programmes run by various NGOs.

Respecting the environment

The MTF is firmly committed to respecting the environment and the battle to limit climate change. It aims to optimise waste management and find responsible solutions to environmental issues.

Through its ongoing scheme, 11 tons of used batteries and 3,500 used mobile telephones were collected for recycling. The MTF also continued its support to the Mauritius Wildlife Foundation to save the endemic skinks on Round Island, Gunner's Quoin (*Coin de Mire)* and Ile aux Aigrettes, and provided the Gandhian Basic School with a rain-harvesting system.

Education

Investing in education is the single most effective means of reducing poverty. The MTF financed eight projects targeting the education of 705 children and adolescents from vulnerable backgrounds. MTF also financed the work of TIPA, which provides and promotes a holistic and innovative educational approach favouring the overall development of a child through art and culture, involving 190 students from ZEP schools, which are generally in deprived areas.

Encouraging sporting activity

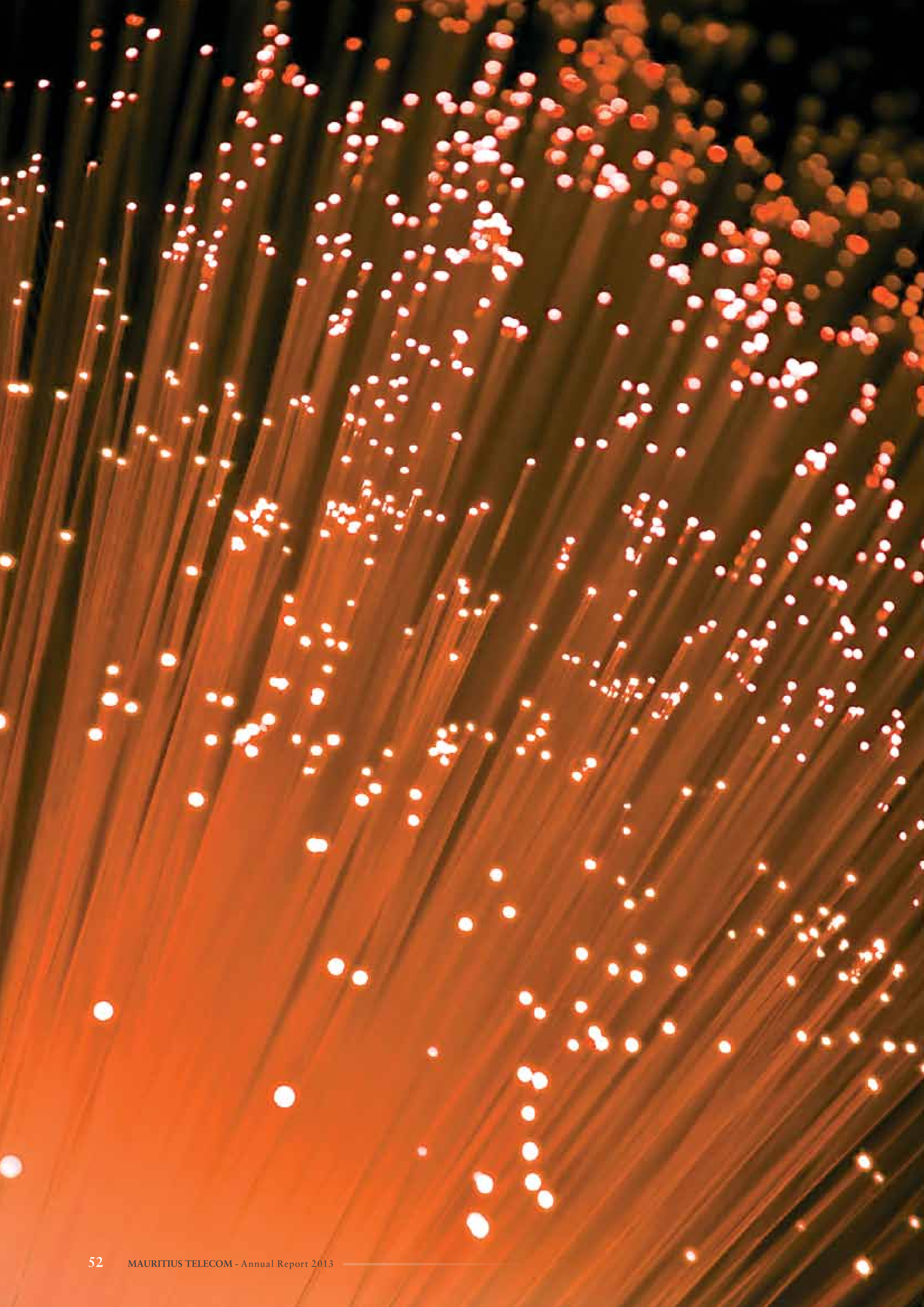
The MTF's involvement with sport is not just because of the health effects or its popularity. Team sports support learning, accountability, dedication and leadership, which is why the *Foundation supports the Fondation pour la Formation au Football*, which trains 4,000 young people every year. It also contributed to volleyball and triathlon training for young athletes from disadvantaged neighbourhoods.

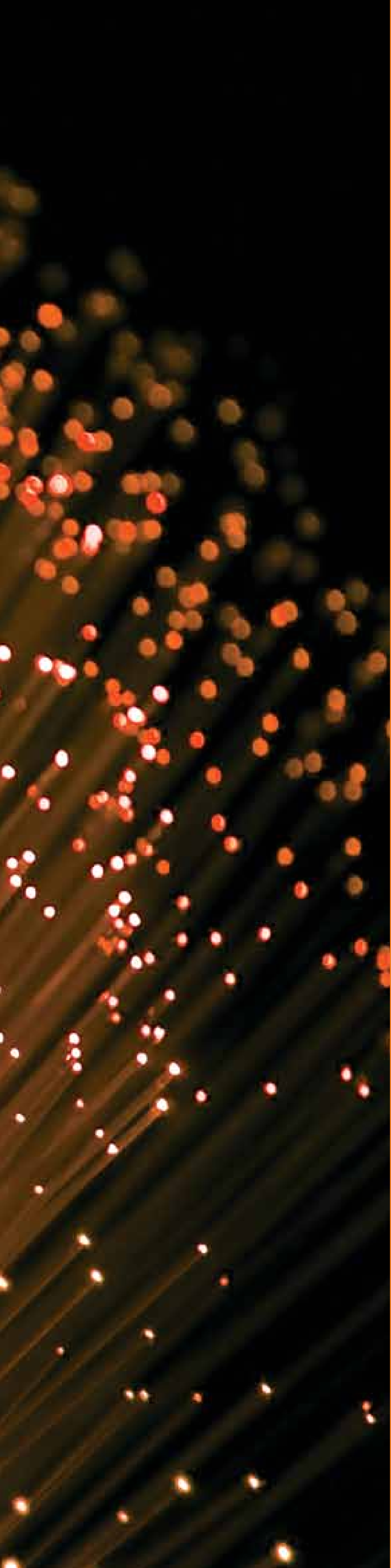
Solidarity

The MTF contributed Rs 2 million to the PMO's relief funds for the victims of the March 2013 flash flood. It also continued its support to the fight against cancer.

Social engagement and voluntary action (SEVA)

SEVA is the MT Group's employee volunteer programme. Amongst the various activities organised, employees met with pre-primary school children and distributed books to them. Senior citizens were introduced to computing and the internet, and women were trained in bookkeeping to help them run their own businesses. Supporting nature conservation, 47 employees took part in a weeding and cleaning operation on Ile de la Passe. Also under the SEVA programme, 60 children from Bois Marchand were taken to a cinema for the first time in their lives and 50 children with disabilities on a historical and cultural trip to the Sugar Museum (L'Aventure du Sucre).





Financial Statements

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 57 to 109 which comprise the statements of financial position at 31 December 2013 and the statements of profit or loss and other 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 57 to 109 give a true and fair view of the financial position of the group and of the company as at 31 December 2013, 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; and
- in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

The Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the Annual Report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the Annual Report is consistent with the requirements of the Code.

Deloitte

DELOITTE
Chartered Accountants

Twaleb BUTONKEE, FCA
Licensed by FRC

29 April 2014

CONTENTS

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2013

		THE GROUP			THE COMPANY		
	Notes	31 December 2013 Rs	31 December 2012 Rs (Restated)	1 January 2012 Rs (Restated)	31 December 2013 Rs	31 December 2012 Rs (Restated)	1 January 2012 Rs (Restated)
ASSETS							
Non-current assets							
Property, plant and equipment	5	9,276,328,573	8,190,670,764	8,164,912,384	6,378,682,834	6,000,346,074	6,186,880,322
Goodwill	6	80,980,030	80,980,030	80,980,030	-	-	-
Intangible assets	7	398,954,175	326,783,522	130,573,038	334,318,362	263,002,548	71,505,153
Investments in subsidiaries	8	-	-	-	270,961,125	270,961,125	242,862,325
Investments in associates	9	290,099,373	258,618,265	248,491,621	40,934,881	40,934,881	40,934,881
Available-for-sale investments	10	8,971,001	10,963,001	24,296,359	8,971,001	10,963,001	24,296,359
Loan to a subsidiary	11	-	-	-	133,651,158	163,007,367	161,065,955
Total non-current assets		10,055,333,152	8,868,015,582	8,649,253,432	7,167,519,361	6,749,214,996	6,727,544,995
Current assets							
Inventories	12	444,087,593	371,714,224	320,972,415	283,676,760	300,644,540	257,693,431
Trade receivables	13	1,435,877,215	1,207,189,603	1,285,102,134	996,756,808	911,846,770	862,227,195
Other receivables	14	431,520,494	580,688,897	512,526,631	1,499,796,354	1,021,174,845	719,472,118
Loan to a subsidiary	11	-	-	-	33,412,790	-	-
Held to maturity investments	15	-	-	153,686,318	-	-	153,686,318
Cash and cash equivalents		3,417,352,417	4,785,557,962	5,109,344,236	3,312,871,866	4,734,015,860	5,079,432,012
Total current assets		5,728,837,719	6,945,150,686	7,381,631,734	6,126,514,578	6,967,682,015	7,072,511,074
Total assets		15,784,170,871	15,813,166,268	16,030,885,166	13,294,033,939	13,716,897,011	13,800,056,069
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	2,496,000	2,188,000	2,026,000	2,496,000	2,188,000	2,026,000
Translation reserve		(12,824,087)	(2,054,615)	(7,672,849)	-	-	-
Retained earnings		6,095,445,828	7,006,820,096	8,576,822,598	4,814,370,329	5,666,948,417	6,196,526,697
Equity attributable to owners of the Company		6,275,117,742	7,196,953,482	8,761,175,750	5,006,866,330	5,859,136,418	6,388,552,698
Non-controlling interest		(3,003,416)	-	-	-	-	-
Total Equity		6,272,114,326	7,196,953,482	8,761,175,750	5,006,866,330	5,859,136,418	6,388,552,698
Non-current liabilities							
Loans	18	240,605,257	-	201,734	-	-	201,734
Deferred tax liabilities	19	134,607,076	150,428,041	212,261,567	37,240,132	47,648,789	83,589,808
Retirement benefit obligations	20	2,650,692,000	2,039,681,000	1,936,619,000	2,567,437,000	2,002,434,000	1,907,815,000
Total non-current liabilities		3,025,904,333	2,190,109,041	2,149,082,301	2,604,677,132	2,050,082,789	1,991,606,542
Current liabilities							
Loans	18	1,931,443	-	36,009,423	-	-	36,009,423
Trade payables	21	2,467,350,519	1,819,876,183	1,696,334,945	1,560,777,785	1,249,251,321	1,346,274,193
Other payables and accrued expenses	22	1,254,232,778	1,458,672,309	1,476,128,668	1,549,020,060	1,642,734,516	2,357,949,559
Deferred revenue	23	321,623,559	329,022,603	211,348,557	218,205,032	262,980,556	168,442,966
Dividends	24	2,002,600,011	2,242,000,012	1,170,400,006	2,002,600,011	2,242,000,012	1,170,400,006
Current tax liabilities		117,387,610	309,379,633	282,224,243	84,855,196	163,333,394	101,680,215
Provisions	25	321,026,292	267,153,005	248,181,273	267,032,393	247,378,005	239,140,467
Total current liabilities		6,486,152,212	6,426,103,745	5,120,627,115	5,682,490,477	5,807,677,804	5,419,896,829
Total liabilities		9,512,056,545	8,616,212,786	7,269,709,416	8,287,167,609	7,857,760,593	7,411,503,371
Total equity and liabilities		15,784,170,871	15,813,166,268	16,030,885,166	13,294,033,939	13,716,897,011	13,800,056,069

Approved by the Board of Directors and authorised for issue on 29 April 2014.

Mohammed Asraf DULULL
Director

V. GONDEEA
Director

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	THE GROUP 2013 Rs	THE GROUP 2012 Rs (Restated)	THE COMPANY 2013 Rs	THE COMPANY 2012 Rs (Restated)
Revenue	26	8,494,838,743	8,001,276,065	5,016,121,419	4,892,507,482
Cost of sales		(1,609,677,318)	(1,332,099,435)	(1,034,723,742)	(1,004,146,987)
Gross profit		6,885,161,425	6,669,176,630	3,981,397,677	3,888,360,495
Operating expenses		(5,104,017,817)	(4,446,928,268)	(3,923,418,164)	(3,511,937,379)
Profit from operations	27	1,781,143,608	2,222,248,362	57,979,513	376,423,116
Other income	28	42,348,829	61,241,990	523,114,052	528,710,427
Other gains and losses	29	30,430,825	103,960,819	24,757,162	87,469,520
Investment income	30	107,792,705	183,564,890	1,196,431,724	2,390,693,063
Finance costs	31	(4,013,625)	(4,321,060)	(43,935,851)	(133,931,367)
Share of profits from associates	9	87,068,803	16,243,048	-	-
Profit before tax		2,044,771,145	2,582,938,049	1,758,346,600	3,249,364,759
Income tax expense	19	(613,416,540)	(789,975,839)	(296,723,177)	(418,269,077)
PROFIT FOR THE YEAR		1,431,354,605	1,792,962,210	1,461,623,423	2,831,095,682
Other comprehensive income, net of income tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of retirement benefit obligation		(345,479,950)	(1,120,964,700)	(311,601,500)	(1,118,673,950)
Items that may be reclassified subsequently to profit or loss					
Fair value gain on available-for-sale-investments		308,000	162,000	308,000	162,000
Exchange difference on translating foreign operations		(11,647,274)	5,618,234	-	-
Other comprehensive loss for the year, net of tax		(356,819,224)	(1,115,184,466)	(311,293,500)	(1,118,511,950)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,074,535,381	677,777,744	1,150,329,923	1,712,583,732
Profit for the year attributable to:					
Owners of the Company		1,436,705,693	1,792,962,210	1,461,623,423	2,831,095,682
Non controlling interest		(5,351,088)	-	-	-
		1,431,354,605	1,792,962,210	1,461,623,423	2,831,095,682
Total comprehensive income for the year attributable to:					
Owners of the company		1,080,764,271	677,777,744	1,150,329,923	1,712,583,732
Non controlling interest		(6,228,890)	-	-	-
		1,074,535,381	677,777,744	1,150,329,923	1,712,583,732
Earnings Per Share	32	7.56	9.44		

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

GROUP	Notes	Stated capital Rs	Fair value reserve Rs	Translation reserve Rs	Retained earnings Rs	Attributable to Owners of the Company Rs	Non-controlling Interest Rs	Total Rs
At 1 January 2012, as previously stated		190,000,001	2,026,000	(7,672,849)	9,082,928,756	9,267,281,908	-	9,267,281,908
Effect of adopting IAS 19 (revised)	40	-	-	-	(506,106,158)	(506,106,158)	-	(506,106,158)
As restated		190,000,001	2,026,000	(7,672,849)	8,576,822,598	8,761,175,750	-	8,761,175,750
Profit for the year		-	-	-	1,792,962,210	1,792,962,210	-	1,792,962,210
Other comprehensive income for the year, net of income tax		-	162,000	5,618,234	(1,120,964,700)	(1,115,184,466)	-	(1,115,184,466)
Total comprehensive income for the year		-	162,000	5,618,234	671,997,510	677,777,744	-	677,777,744
Dividends	24	-	-	-	(2,242,000,012)	(2,242,000,012)	-	(2,242,000,012)
At 31 December 2012 (restated)		190,000,001	2,188,000	(2,054,615)	7,006,820,096	7,196,953,482	-	7,196,953,482
Profit for the year		-	-	-	1,436,705,693	1,436,705,693	(5,351,088)	1,431,354,605
Other comprehensive income for the year, net of income tax		-	308,000	(10,769,472)	(345,479,950)	(355,941,422)	(877,802)	(356,819,224)
Total comprehensive income for the year		-	308,000	(10,769,472)	1,091,225,743	1,080,764,271	(6,228,890)	1,074,535,381
Non controlling interest arising on acquisition of a subsidiary		-	-	-	-	-	3,225,474	3,225,474
Dividends	24	-	-	-	(2,002,600,011)	(2,002,600,011)	-	(2,002,600,011)
At 31 December 2013		190,000,001	2,496,000	(12,824,087)	6,095,445,828	6,275,117,742	(3,003,416)	6,272,114,326

COMPANY	Notes	Stated capital Rs	Fair value reserve Rs	Retained earnings Rs	Total Rs
At 1 January 2012, as previously stated		190,000,001	2,026,000	6,692,932,647	6,884,958,648
Effect of adopting IAS 19 (revised)	40	-	-	(496,405,950)	(496,405,950)
As restated		190,000,001	2,026,000	6,196,526,697	6,388,552,698
Profit for the year		-	-	2,831,095,682	2,831,095,682
Other comprehensive loss for the year, net of income tax		-	162,000	(1,118,673,950)	(1,118,511,950)
Total comprehensive income for the year		-	162,000	1,712,421,732	1,712,583,732
Dividends	24	-	-	(2,242,000,012)	(2,242,000,012)
At 31 December 2012 (restated)		190,000,001	2,188,000	5,666,948,417	5,859,136,418
Profit for the year		-	-	1,461,623,423	1,461,623,423
Other comprehensive loss for the year, net of income tax		-	308,000	(311,601,500)	(311,293,500)
Total comprehensive income for the year		-	308,000	1,150,021,923	1,150,329,923
Dividends	24	-	-	(2,002,600,011)	(2,002,600,011)
At 31 December 2013		190,000,001	2,496,000	4,814,370,329	5,006,866,330

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	THE GROUP 2013 Rs	THE GROUP 2012 Rs (Restated)	THE COMPANY 2013 Rs	THE COMPANY 2012 Rs (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		2,044,771,145	2,582,938,049	1,758,346,600	3,249,364,759
Adjustments for:					
Profit on disposal of property, plant and equipment		(2,334,096)	(7,176,715)	(2,334,096)	(7,176,715)
Interest expense		4,013,625	4,321,060	43,935,851	133,931,367
Interest income		(104,212,857)	(180,133,631)	(161,264,182)	(216,045,400)
Dividend income		(3,579,848)	(3,431,259)	(1,035,167,542)	(2,174,647,663)
Retirement benefit obligations		204,564,000	(1,215,720,000)	198,413,000	(1,221,468,000)
Share of profits of associates		(87,068,803)	(16,243,048)	-	-
Depreciation and amortisation		1,360,321,300	1,246,043,108	952,082,813	901,932,519
Impairment loss on property, plant and equipment		12,680,032	34,037,147	-	2,328,016
Impairment loss on intangible asset		426,055	-	-	-
Gain on deemed disposal of an associate		(16,127,375)	-	-	-
Provision for impairment of other investments		2,300,000	13,495,358	2,300,000	13,495,358
Unrealised finance cost		(212,977)	(519,785)	(212,977)	(519,785)
Unrealised exchange gain		380,169	(93,907,197)	(36,195,910)	(73,199,731)
Operating profit before working capital changes		3,415,920,370	2,363,703,087	1,719,903,557	607,994,725
(Increase)/decrease in trade receivables		(181,881,397)	77,912,531	(84,910,038)	(49,619,575)
Decrease/(increase) in other receivables		12,524,692	(75,739,325)	(394,849,976)	(321,121,278)
(Increase)/decrease in inventories		(42,226,247)	(50,741,810)	16,967,780	(42,951,109)
Increase/(decrease) in trade payables		590,492,429	123,541,238	311,526,464	(97,022,872)
Decrease in other payables and accrued expenses		(253,847,718)	(243,021,327)	(141,660,948)	(911,835,177)
(Decrease)/increase in deferred revenue		(7,399,055)	117,674,046	(44,775,524)	94,537,590
(Decrease)/increase in provisions		(20,995,641)	18,971,732	19,654,388	8,237,538
Cash generated from/(used in) operations		3,512,587,433	2,332,300,172	1,401,855,703	(711,780,158)
Interest paid		(4,013,625)	(4,408,054)	(43,722,874)	(133,498,577)
Taxation paid		(760,270,731)	(626,836,676)	(416,314,012)	(201,910,975)
Net cash flows generated from / (used in) operating activities		2,748,303,077	1,701,055,442	941,818,817	(1,047,189,710)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in a subsidiary		-	-	-	(28,098,800)
Purchase of property, plant and equipment		(1,841,560,699)	(1,123,053,577)	(1,237,093,828)	(617,896,908)
Purchase of intangible assets		(197,276,495)	(140,125,653)	(124,675,969)	(81,909,279)
Proceeds from sale of property, plant and equipment		6,119,384	7,176,715	5,286,077	7,176,715
Proceeds from maturity of held-to-maturity investments		-	205,700,000	-	205,700,000
Purchase of held-to-maturity investments		-	(50,509,368)	-	(50,509,368)
Net cash outflow on acquisition of a subsidiary	33(f)	(428,011)	-	-	-
Interest received		104,212,857	206,465,793	161,264,182	242,377,562
Dividend received		59,167,542	9,547,664	1,035,167,542	2,174,647,663
Net cash (used in)/generated from investing activities		(1,869,765,422)	(884,798,426)	(160,051,996)	1,851,487,585
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of loans		-	(36,211,157)	-	(36,211,157)
Loan repaid by a subsidiary to parent company		-	-	-	8,000,000
Repayment of loan by a subsidiary		(45,650,057)	-	-	-
Dividend paid		(2,242,000,012)	(1,170,400,006)	(2,242,000,012)	(1,170,400,006)
Net cash used in financing activities		(2,287,650,069)	(1,206,611,163)	(2,242,000,012)	(1,198,611,163)
Net decrease in cash and cash equivalents		(1,409,112,414)	(390,354,147)	(1,460,233,191)	(394,313,288)
Cash and cash equivalents at beginning of the year		4,785,557,962	5,109,344,236	4,734,015,860	5,079,432,012
Effect of exchange rate changes on the balance of cash held in foreign currencies		40,906,869	66,567,873	39,089,197	48,897,136
Cash and cash equivalents at end of the year		3,417,352,417	4,785,557,962	3,312,871,866	4,734,015,860

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 2013.

2.1 New and revised IFRSs and IFRICs applied affecting amounts reported and/or disclosures in the financial statements

The following relevant new and revised Standards and Interpretations have been applied in these financial statements.

(a) Amendments to IAS1 Presentation of items of other comprehensive income

The Group and the company have applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 has not had any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) Amendments to IAS 1 Presentation of Financial Statements

(as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group and the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group and the company have applied a number of new and revised IFRSs which has resulted in material effects on the information in the statements of financial position as at 1 January 2012. In accordance with the amendments to IAS 1, the Group and the company have presented a third statement of financial position as at 1 January 2012 without the related notes except for the disclosure requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (cont'd)

2.1 New and revised IFRSs and IFRICs applied affecting amounts reported and/or disclosures in the financial statements (cont'd)

(c) IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group and the company have applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes 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 the 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. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statements 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 under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The Group and the company have applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

(d) Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The Group and the Company have applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group and the Company do not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

(e) New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group and the Company have applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) has had not any significant impact as it deals only with separate financial statements.

(f) Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The application of IFRS 10 has not had any impact on these financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (cont'd)

2.1 New and revised IFRSs and IFRICs applied affecting amounts reported and/or disclosures in the financial statements (cont'd)

(g) IFRS 11 Interests in joint ventures

The group and the company do not have any interests in Joint Ventures. The application of IFRS 11 has not had any impact on these financial statements.

(h) IFRS 12 Disclosure of interests in other entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The application of IFRS 12 has resulted in more disclosures in the financial statements.

(i) IFRS 13 Fair Value Measurement

The Group and the Company have applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group and the Company have not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

2.2 New and revised IFRS's and IFRIC's applied with no material impact on amounts reported and /or disclosures in the 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 and/or disclosures in these financial statements but may impact the accounting for future transactions or arrangements.

IAS 16 Property, plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 cycle (servicing equipment)

IAS 27 Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)

IAS 28 Investments in Associates - Reissued as IAS 28 Investment in Associates and Joint Ventures (as amended in 2011)

IAS 32 Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 cycle (tax effect of equity distributions)

IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (cont'd)

2.3 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 16	Property, plant and Equipment - Amendments resulting from Annual Improvements 2010 - 2012 cycle (proportionate restatement of accumulated depreciation on revaluation) (effective 1 July 2014)
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities) (effective 1 July 2014)
IAS 27	Consolidated and Separate Financial Statements - Amendments for investment entities (effective 1 January 2014)
IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective 1 January 2014)
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for Non-Financial Assets (effective 1 January 2014)
IAS 38	Intangible assets - Amendments resulting from Annual Improvements 2010 - 2012 cycle (proportionate restatement of accumulated depreciation on revaluation) (effective 1 July 2014)
IAS 39	Financial Instruments: Recognition and measurement - Amendments for novations of derivatives (effective 1 January 2014)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective on 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective on 1 January 2018)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective on 1 January 2018)
IFRS 9	Financial Instruments - Classification and measurement of financial assets (effective on 1 January 2018)
IFRS 9	Financial Instruments - Reissue classification and measurement of financial liabilities and derecognition requirements (effective on 1 January 2018)
IFRS 9	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective on 1 January 2018)
IFRS 9	Financial Instruments: Disclosures - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 (effective on 1 January 2018)
IFRS 10	Consolidated Financial Statements - Amendments for investment entities (effective 1 January 2014)
IFRS 12	Disclosures of interests in Other Entities - Amendments for investment entities (effective 1 January 2014)
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables) (Amendments to basis for conclusion only)
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52) (effective 1 July 2014)

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 assessed the potential impact of the application of these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Basis of consolidation (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. 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 the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(d) Investments in subsidiaries

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

(e) 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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, 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 in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Investments in associates (cont'd)

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.

(f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Business combinations (cont'd)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(g) 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.

<u>Sales of goods and services rendered</u>

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.

<u>Deferred revenue</u>

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.

<u>Dividend and interest income</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Revenue recognition (cont'd)

Rental income

Rental income is recognised on an accruals basis.

(h) 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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 profit or loss.

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.

(i) Intangible assets

- Goodwill

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

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

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

- Computer software

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

(j) Impairment of tangible and intangible assets other than 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of tangible and intangible assets other than goodwill (cont'd)

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.

(k) 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.

(l) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Foreign currencies (cont'd)

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.

(m) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

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

(iii) Current and deferred taxes for the year

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) 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.

(o) Retirement benefit costs and termination benefits

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.

Payments 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 annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Group and the company present the first two components of defined benefit costs in profit or loss in the line item operating expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligations recognised in the statements of financial position represent the actual deficit or surplus in the Group's and the company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(p) Financial assets

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Financial assets (cont'd)

(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, to the net carrying amount on initial recognition.

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) Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated AFS or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss account. Listed shares held by the group and the company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the statement of comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in the statement of comprehensive income for the period.

Dividends on AFS equity instruments are recognised in the statement of comprehensive income when the group's and the company's right to receive the dividends is established.

(iv) Loans and receivables

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

(v) Impairment of financial assets

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

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

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

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

The disappearance of an active market for that financial asset because of financial difficulties

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Financial assets (cont'd)

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

For financial assets that are carried at cost, the amount of the impairment because of financial difficulties, loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows discounted at the financial asset's original effective interest rate.

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

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

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

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

(vi) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(q) Financial liabilities and equity instruments

(i) Classification as debt or equity

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

(ii) Equity instruments

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

(iii) Financial liabilities

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

(iv) Financial liabilities at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Financial liabilities and equity instruments (cont'd)

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL

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

(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.

(r) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Leases

The company as lessor

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

The company as lessee

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

(t) Borrowing costs

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

(u) 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.

(v) 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 profit or loss and other 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.

(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.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land Rs	Plant and equipment Rs	Plant and equipment in progress Rs	Buildings on leasehold land Rs	Furniture, fittings and equipment Rs	Motor vehicles Rs	Total Rs
COST							
At 1 January 2012	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
Acquisitions through business combination	-	3,331,537,576	-	-	-	-	3,331,537,576
Additions	-	1,118,476,307	613,910,705	134,093,931	23,140,213	3,562,799	1,893,183,955
Disposals	-	(42,610,927)	-	-	-	(4,916,321)	(47,527,248)
Transfer	-	391,864,310	(391,864,310)	-	-	-	-
Adjustments	-	14,980,652	-	-	(23,516,656)	-	(8,536,004)
Effect of foreign currency exchange differences	-	(194,934,900)	-	-	-	-	(194,934,900)
At 31 December 2013	23,748,617	26,473,100,356	817,535,711	1,124,284,326	1,459,357,677	61,470,046	29,959,496,733
DEPRECIATION							
At 1 January 2012	-	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
Acquisition through business combination	-	2,841,530,732	-	-	-	-	2,841,530,732
Charge for the year	-	1,171,270,653	-	59,566,356	20,301,876	2,400,889	1,253,539,774
Disposals	-	(41,777,620)	-	-	-	(1,964,340)	(43,741,960)
Adjustments	-	14,980,652	-	(34,061,590)	-	-	(19,080,938)
Impairment loss	-	12,680,032	-	-	-	-	12,680,032
Effect of foreign currency exchange differences	-	(156,862,070)	-	-	-	-	(156,862,070)
At 31 December 2013	-	19,460,778,059	-	514,652,887	653,185,502	54,551,712	20,683,168,160
NET BOOK VALUE							
At 31 December 2013	23,748,617	7,012,322,297	817,535,711	609,631,439	806,172,175	6,918,334	9,276,328,573
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

During the year the group performed an impairment review of the assets which required the recognition of an impairment loss of Rs 12,680,032 (2012: Rs 34,037,146). The impairment is recognised within operating expenses as per note 27. The loan of a subsidiary is secured against property, plant and equipment of the subsidiary.

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) THE COMPANY

	Land Rs	Plant and equipment Rs	Plant and equipment in progress Rs	Buildings on leasehold land Rs	Furniture, fittings and equipment Rs	Motor vehicles Rs	Total Rs
COST							
At 1 January 2012	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
Additions	-	620,588,397	613,910,705	29,173,466	15,438,198	3,562,799	1,282,673,565
Disposals	-	(41,777,620)	-	-	-	(4,916,321)	(46,693,941)
Transfer	-	391,864,310	(391,864,310)	-	-	-	-
Adjustment	-	14,980,652	-	-	(23,516,656)	-	(8,536,004)
At 31 December 2013	23,748,617	18,231,599,647	817,535,714	645,357,673	1,271,765,899	55,959,666	21,045,967,216
DEPRECIATION							
At 1 January 2012	-	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
Charge for the year	-	871,478,201	-	35,781,290	2,269,378	2,400,889	911,929,758
Disposals	-	(41,777,620)	-	-	-	(1,964,340)	(43,741,960)
Adjustment	-	14,980,652	-	(34,061,590)	-	-	(19,080,938)
At 31 December 2013	-	13,603,530,284	-	457,839,978	556,872,787	49,041,333	14,667,284,382
NET BOOK VALUE							
At 31 December 2013	23,748,617	4,628,069,363	817,535,714	187,517,695	714,893,112	6,918,333	6,378,682,834
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

No impairment has been recognised in 2013 after review of the assets (2012: Impairment loss of Rs 2,328,016). The impairment was recognised within operating expenses as per note 27.

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 2013, no impairment charge was required for goodwill that arose 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 ASSETS

	THE GROUP	THE COMPANY
	Computer software	
	Rs	Rs
COST		
At 1 January 2012	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
Additions	198,459,170	130,549,807
At 31 December 2013	1,484,922,435	977,386,654
AMORTISATION		
At 1 January 2012	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
Charge for the year	125,862,462	59,233,993
Impairment loss	426,055	-
At 31 December 2013	1,085,968,260	643,068,292
NET BOOK VALUE		
At 31 December 2013	398,954,175	334,318,362
At 31 December 2012	326,783,522	263,002,548

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

The impairment loss recognised during the current year and included in operating expenses pertains to a subsidiary's software that does not support 3G double carrier and future long term evolution network.

8. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2013 Rs	2012 Rs
At cost, unquoted		
At beginning of year	**270,961,125**	242,862,325
Addition	**-**	28,098,800
At end of year	**270,961,125**	270,961,125

The directors have assessed at 31 December 2013 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, the group acquired an additional equity interest of 40% in Telecom Vanuatu Ltd through MT International Ventures Ltd, such that after the acquisition the group has a 90% equity interest in the subsidiary.

The subsidiaries of Mauritius Telecom Ltd are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2013	2012		Principal activity
Teleservices (Mauritius) Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Directory publication
Cellplus Mobile Communications Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Mobile phone operator
Call Services Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Call centre services
Telecom Plus Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Internet service provider
Mauritius Telecom Foundation	Mauritius	Ordinary	**100%**	100%	Direct	Corporate Social Responsibilities
MT Properties Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Real estates
MT International Ventures Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Investment vehicle
MT Services Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Human resources services
Telecom Vanuatu Ltd	Republic of Vanuatu	Ordinary	**90%**	-	Indirect	Fixed & mobile phone operator

The group has a 90% equity interest in Telecom Vanuatu Ltd and the non controlling interest is not material to the group.

9. INVESTMENTS IN ASSOCIATES

THE GROUP

	2013 Rs	2012 Rs
Costs of investment in associates	**85,346,173**	104,749,981
Provision for impairment loss	**(44,411,292)**	(44,411,292)
Share of post-acquisition profits, net of dividend received	**249,164,492**	198,279,576
	290,099,373	258,618,265

9. INVESTMENTS IN ASSOCIATES (cont'd)

THE COMPANY

	2013 Rs	2012 Rs
Costs of investment in associates	85,346,173	85,346,173
Provision for impairment loss	(44,411,292)	(44,411,292)
	40,934,881	40,934,881

The directors have assessed at 31 December 2013 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.

(a) The material associates of the group are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2013	2012		Principal activity
Telsea Investment Ltd	Mauritius	Ordinary	24.50%	24.50%	Direct	Investment holding

Summarised financial information in respect of the group's material associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with International Reporting Standards.

THE GROUP

	2013 Rs	2012 Rs
Current assets	806,733,735	819,536,308
Non-current assets	2,038,544,691	2,113,202,286
Current liabilities	(1,030,050,197)	(1,694,180,449)
Non-current liabilities	(558,926,215)	(612,720,126)
Net assets	1,256,302,014	625,838,019
Group's share of associate's net assets	274,832,436	236,957,590
Revenue	2,920,370,478	3,359,125,766
Profit for the year	384,074,501	50,067,262
Other comprehensive income for the year	-	-
Total comprehensive income for the year	384,074,501	50,067,262
Dividend received	55,587,694	6,116,404
Group's share of profit of associates for the year	94,098,253	17,831,457

The non material associates of the group are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2013	2012		Principal activity
HDM Interactive Ltd	Mauritius	Ordinary	30.00%	30.00%	Direct	Internet Kiosks
Continuity Mauritius Co Ltd	Mauritius	Ordinary	50.00%	50.00%	Direct	Business Continuity Services
Telecom Vanuatu Ltd	Republic of Vanuatu	Ordinary	-	50.00%	Indirect	Fixed and mobile phone operator

9. INVESTMENTS IN ASSOCIATES (cont'd)

Aggregate information of associates that are not individually material:

	2013 Rs	2012 Rs
Total assets	**47,162,551**	71,874,545
Total liabilities	**(31,248,547)**	(31,830,515)
Net assets	**15,914,004**	40,044,030
Group's share of associates' net assets	**15,266,937**	21,660,675
Revenue	**33,075,901**	17,948,763
Loss for the year	**(8,885,001)**	(3,176,818)
Group's share of loss of associates for the year	**(7,029,450)**	(1,588,409)

(b) Unrecognised share of losses of an associate

	2013 Rs	2012 Rs
Unrecognised share of loss of an associate	**26,755,438**	25,739,759
Cumulative share of loss of an associate	-	25,739,759

(c) The group held a 50% equity interest in Telecom Vanuatu Ltd and accounted for the investment as an associate. On 12 July 2013, the group acquired an additional 40% equity interest and as a result obtained control of the company.

This transaction has resulted in the recognition of a gain included in profit or loss, calculated as follows:

	Rs
Fair value of previously held interest	16,127,375
Less: carrying amount of the investment	-
Gain recognised	16,127,375

10. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY	
	2013 Rs	2012 Rs
(a) <u>At cost</u>		
At beginning and end of year	**60,270,359**	60,270,359
<u>Impairment</u>		
At beginning and end of year	**53,495,358**	40,000,000
Impairment	**2,300,000**	13,495,358
At end of year	**55,795,358**	53,495,358
Carrying amount	**4,475,001**	6,775,001

The directors believe that the market value of the other investments approximate their costs. The impairment loss recognised in operating expenses during the current year pertains to an investment made in a company that has ceased operations.

10. AVAILABLE-FOR-SALE INVESTMENTS (cont'd)

	THE GROUP AND THE COMPANY	
	2013 Rs	2012 Rs
(b) At fair value		
At beginning of year	4,188,000	4,026,000
Change in fair value	308,000	162,000
At end of year	4,496,000	4,188,000
Total	8,971,001	10,963,001

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

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	
	2013 Rs	2012 Rs
At beginning of year	163,007,367	161,065,955
Exchange difference	4,056,581	1,941,412
At end of year	167,063,948	163,007,367
Analysed as:		
Current	33,412,790	-
Non-current	133,651,158	163,007,367
	167,063,948	163,007,367

This pertains to a loan made to a subsidiary which is unsecured, repayable as from June 2014, in consecutive semi-annual instalments and bears interest at rates which varied between 1.42% and 1.53% (2012: 1.53% and 1.73%) USD six month libor rates.

12. INVENTORIES

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Trading inventories at cost	219,733,615	168,714,113	59,599,279	96,892,247
Provision for obsolete stock	(16,573,730)	(24,878,247)	(9,747,255)	(18,729,818)
Net realisable value	203,159,885	143,835,866	49,852,024	78,162,429
Non-trading inventories at cost	278,491,996	227,878,358	271,389,024	222,482,111
Provision for obsolete stock	(37,564,288)	-	(37,564,288)	-
Net realisable value	240,927,708	227,878,358	233,824,736	222,482,111
	444,087,593	371,714,224	283,676,760	300,644,540

Non-trading inventories pertain to items held for use in the maintenance of network infrastructure.

13. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	**2013 Rs**	2012 Rs
Trade receivables	**2,333,019,759**	2,136,696,990	**1,646,350,030**	1,589,307,984
Provision for doubtful debts	**(897,142,544)**	(929,507,387)	**(649,593,222)**	(677,461,214)
	1,435,877,215	1,207,189,603	**996,756,808**	911,846,770

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 Rs492,259,088 (2012: Rs494,900,799) and Rs366,883,634 (2012: Rs365,196,952) 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 is determined 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 36.

More information on credit risk management is provided in note 34.8.

Movement in provision for doubtful debts

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	**2013 Rs**	2012 Rs
At beginning of year	**929,507,387**	812,948,468	**677,461,214**	680,563,835
Acquired in business combination	**9,506,654**	-	**-**	-
Impairment losses recognised on trade receivables	**35,740,747**	134,206,498	**-**	14,544,958
Amounts written off	**(49,744,252)**	(17,647,579)	**-**	(17,647,579)
Reversal during the year	**(27,867,992)**	-	**(27,867,992)**	-
At end of year	**897,142,544**	929,507,387	**649,593,222**	677,461,214

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 Rs31m (2012: Rs 37m) 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.

13. TRADE RECEIVABLES (cont'd)

Ageing of impaired trade receivables

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Under 180 days	150,303,942	96,821,452	118,567,517	65,600,803
180 to 360 days	73,476,323	59,850,132	42,946,833	28,846,116
> 360 days	673,362,280	772,835,803	488,078,872	583,014,295
Total	897,142,545	929,507,387	649,593,222	677,461,214

Trade receivables past due but not impaired

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Under 180 days	378,336,058	429,799,596	308,234,878	341,681,394
180 to 360 days	110,337,496	61,978,123	55,063,222	20,392,478
> 360 days	3,585,534	3,123,080	3,585,534	3,123,080
Total	492,259,088	494,900,799	366,883,634	365,196,952

14. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Outside parties	417,315,760	419,966,468	312,796,520	269,701,898
Subsidiaries	-	-	1,093,014,347	734,206,879
Associates	1,525,897	157,759,812	1,525,897	7,536,342
Related parties	12,678,837	2,962,617	-	2,962,617
Tax receivable	-	-	92,459,590	6,767,109
	431,520,494	580,688,897	1,499,796,354	1,021,174,845

The amounts due from subsidiaries bear interest at rates which varied between 8.15% and 8.40% per annum (2012: between 8.40% and 8.90% per annum. The company does not hold collaterals over these balances.

Included in amounts due from associates of the group at 31 December 2012 was an amount of Rs150,223,471 which carried interest at rates varying between 4.89% and 6.25% per annum. The amounts due from the other associates are unsecured, interest free and do not have fixed terms of repayment.

The amounts due from related parties are unsecured, interest free and do not have fixed terms of repayment.

15. HELD TO MATURITY INVESTMENTS

	THE GROUP AND THE COMPANY	
	2013 Rs	2012 Rs
At amortised cost		
At beginning of year	-	153,686,318
Additions	-	50,509,368
Interest income	-	1,504,314
Proceeds on maturity	-	(205,700,000)
At end of year	-	-

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

16. STATED CAPITAL

	THE GROUP AND THE COMPANY	
	2013 Rs	2012 Rs
Issued and fully paid up		
190,000,001 Ordinary shares of Rs1 each	**190,000,001**	190,000,001

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

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

17. FAIR VALUE RESERVE

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

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

	THE GROUP AND THE COMPANY	
	2013 Rs	2012 Rs
At beginning of year	**2,188,000**	2,026,000
Movement for the year	**308,000**	162,000
At end of year	**2,496,000**	2,188,000

18. LOANS

The loans pertain to those of a subsidiary which are as follows:

	THE GROUP	
	2013 Rs	2012 Rs
Bank loan	203,527,422	-
Other loan	6,944,536	-
Shareholder's loan	32,064,742	-
	242,536,700	-
Analysed as:		
Current	1,931,443	-
Non current	240,605,257	-
	242,536,700	-

(a) The bank loan is denominated in Vatu and carries interest at 8.99% per annum payable for the first year in quarterly instalments. The term of the loan is 5 years and is secured against the property of the subsidiary, Telecom Vanuatu Ltd.

(b) The other loan is an unsecured Euro loan which carries interest at 3% per annum repayable in forty half yearly instalments commencing 30 April 1998.

(c) The shareholder loan carries interest at Euribor 6 month rate + 4.63% per annum. The loan is repayable by 30 June 2015.

19. INCOME TAXES

Income tax

The group and the company are subject to income tax at the statutory rate of 15% (2012: 15%) on the profit for the year as adjusted for tax purposes. Income is not subject to tax in the Republic of Vanuatu.

19.1 Income tax recognised in profit or loss

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Current tax liabilities	260,155,861	261,269,923	61,731,289	-
Under/(Over) provision of tax in previous year	1,604,732	(42,890,353)	-	(42,890,353)
Deferred tax expense	45,146,085	135,983,774	44,579,843	161,472,031
Tax assessment	-	45,323,568	-	32,134,438
	306,906,678	399,686,912	106,311,132	150,716,116
Solidarity levy	306,509,862	390,288,927	190,412,045	267,552,961
Tax expense	613,416,540	789,975,839	296,723,177	418,269,077

19. INCOME TAXES (cont'd)

19.2 Tax reconciliation

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Profit before tax	2,044,771,145	2,582,938,049	1,758,346,600	3,249,364,759
Tax at the rate of 15% (2012: 15%)	306,715,672	387,440,707	263,751,990	487,404,714
Tax effect of:				
- Non allowable expenses	19,849,128	12,133,956	15,475,976	5,363,073
- Expenses eligible for 200% deduction	(4,065,747)	(3,909,803)	(4,065,747)	(3,909,803)
Expenses deductible for tax purposes	(2,301,480)	-	-	-
- Exempt income	(31,210,337)	(5,243,464)	(170,655,387)	(327,273,657)
- Underprovision of deferred tax in prior years	-	173,744	-	173,744
- Under/(over) provision of tax in current year	1,804,300	(286,040)	1,804,300	(286,040)
- Under/(over) provision of current tax in prior years	1,604,732	(42,890,353)	-	(42,890,353)
- Additional tax assessment	-	45,323,568	-	32,134,438
- Tax loss of a subsidiary	14,510,410	6,944,597	-	-
	191,006	12,246,205	(157,440,858)	(336,688,598)
	306,906,678	399,686,912	106,311,132	150,716,116

19.3 Income tax recognised in other comprehensive income

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Deferred tax				
Arising on income and expenses recognised in other comprehensive income				
Remeasurement of defined benefit obligation	60,967,050	197,817,300	54,988,500	197,413,050

19.4 Deferred tax liabilities

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
At beginning of year	150,428,041	212,261,567	47,648,789	83,589,808
Charge to profit or loss	45,146,085	135,983,774	44,579,843	161,472,031
Reversed to other comprehensive income	(60,967,050)	(197,817,300)	(54,988,500)	(197,413,050)
At end of year	134,607,076	150,428,041	37,240,132	47,648,789

19. INCOME TAXES (cont'd)

Deferred tax liabilities arise from the following:

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Temporary differences				
Property, plant and equipment	678,033,900	646,652,978	530,396,498	499,300,500
Other temporary differences	(145,823,024)	(190,272,787)	(108,040,816)	(151,286,611)
Retirement benefit obligation	(397,603,800)	(305,952,150)	(385,115,550)	(300,365,100)
	134,607,076	150,428,041	37,240,132	47,648,789

20. RETIREMENT BENEFIT PLANS

Defined benefit plans

The group and the company contribute to defined benefit pension plans for their employees and have recognised a net defined benefit liability of Rs 2,650,692,000 and Rs 2,567,437,000 for the group and the company respectively in respect of pension benefits under the Mauritius Telecom Staff Pension Fund (including OTS and widow's Schemes) in the statements of financial position as at 31 December 2013.

The amount included in the statements of financial position arising from the group and the company's obligations in respect of the defined benefit plans are as follows:

	THE GROUP			THE COMPANY		
	31 December 2013 Rs	31 December 2012 Rs (Restated)	1 January 2012 Rs (Restated)	31 December 2013 Rs	31 December 2012 Rs (Restated)	1 January 2012 Rs (Restated)
Present value of funded obligations	6,250,955,000	5,256,048,000	3,624,142,000	6,113,107,000	5,173,626,000	3,556,130,000
Fair value of plan assets	(3,600,263,000)	(3,216,367,000)	(1,687,523,000)	(3,545,670,000)	(3,171,192,000)	(1,648,315,000)
	2,650,692,000	2,039,681,000	1,936,619,000	2,567,437,000	2,002,434,000	1,907,815,000

Reconciliation of Net Defined Benefit Liability/ (Asset)

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Opening Balance	2,039,681,000	1,936,619,000	2,002,434,000	1,907,815,000
Amount Recognised in P&L	342,310,000	249,924,000	331,174,000	240,175,000
Amount Recognised in OCI	406,447,000	1,318,782,000	366,590,000	1,316,087,000
Less Employer Contributions	(137,746,000)	((1,465,644,000)	(132,761,000)	(1,461,643,000)
Closing Balance	2,650,692,000	2,039,681,000	2,567,437,000	2,002,434,000

20. RETIREMENT BENEFIT PLANS (cont'd)

Reconciliation of Fair Value of Plan Assets

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Opening balance	**3,216,367,000**	1,687,523,000	**3,171,192,000**	1,648,315,000
Interest income	**289,732,000**	257,859,000	**285,527,000**	253,831,000
Employer contributions	**137,746,000**	1,465,644,000	**132,761,000**	1,461,643,000
Employee contributions	**6,810,000**	5,779,000	**6,810,000**	5,779,000
(Benefits paid)	**(137,436,000)**	(113,908,000)	**(136,853,000)**	(113,630,000)
Return on plan assets excluding interest income	**87,044,000**	(86,530,000)	**86,233,000**	(84,746,000)
Closing Balance	**3,600,263,000**	3,216,367,000	**3,545,670,000**	3,171,192,000

Reconciliation of Present Value of Defined Benefit Obligation

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Opening balance	**5,256,048,000**	3,624,142,000	**5,173,626,000**	3,556,130,000
Current service cost	**165,247,000**	151,207,000	**157,100,000**	143,939,000
Employee contributions	**6,810,000**	5,779,000	**6,810,000**	5,779,000
Interest expense	**466,795,000**	356,576,000	**459,601,000**	350,067,000
(Other benefits paid)	**(137,436,000)**	(113,908,000)	**(136,853,000)**	(113,630,000)
Liability experience (Gain)/ Loss	**2,687,000**	(276,301,000)	**-**	(271,426,000)
Liability (Gain)/ Loss due to change in financial assumptions	**490,804,000**	1,508,553,000	**452,823,000**	1,502,767,000
Closing balance	**6,250,955,000**	5,256,048,000	**6,113,107,000**	5,173,626,000

Amounts recognised in comprehensive income in respect of the defined benefit plans are as follows:

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs (Restated)	2013 Rs	2012 Rs (Restated)
Current service cost	165,247,000	151,207,000	157,100,000	143,939,000
Past service cost	-	-	-	-
Settlement (gain)/loss	-	-	-	-
Service cost	165,247,000	151,207,000	157,100,000	143,939,000
Net interest on net defined benefit liability/(asset)	177,063,000	98,717,000	174,074,000	96,236,000
Components of defined benefit costs recognised in profit or loss	342,310,000	249,924,000	331,174,000	240,175,000

20. RETIREMENT BENEFIT PLANS (cont'd)

Remeasurement on the net defined benefit liability:

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Return on plan assets (above)/below interest income	(87,044,000)	86,530,000	(86,233,000)	84,746,000
Liability experience (gain)/loss	2,687,000	(276,301,000)	-	(271,426,000)
Liability (gain)/loss due to change in financial assumptions	490,804,000	1,508,553,000	452,823,000	1,502,767,000
Components of defined benefit costs recognised in other comprehensive income	406,447,000	1,318,782,000	366,590,000	1,316,087,000

The Current service costs and the net interest expense for the year are included in operating expense.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

Allocation of Plan Assets at End of Year

	%	%
Equity - Local quoted	20	19
Equity - Local unquoted	1	1
Debt - Overseas unquoted	4	4
Debt - Local unquoted	61	62
Property Local	1	1
Investment Funds	13	13
Total	100	100

Principal Assumptions Used at End of Period

	2013 %	2012 %
Discount rate	7.5	9.0
Rate of salary increases	7.5	8.5
Rate of pension increases	5.0	6.0
Normal retirement age	60 Yrs	60 Yrs
Average life expectancy for:		
Male at NRA	19.5 Yrs	19.5 Yrs
Female at NRA	24.2 Yrs	24.2 Yrs
Early retirement rate on undiscounted benefits from ages 55 to 59	5%	5%

Sensitivity Analysis on Defined Benefit Obligation at End of Period

	2013 Rs	2012 Rs
Increase due to 1%decrease in discount rate	930,671,000	N/A
Decrease due to 1% increase in discount rate	708,384,000	N/A

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

20. RETIREMENT BENEFIT PLANS (cont'd)

Future cashflows

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

The Company expects to contribute Rs 149,394,000 to its pension plan in 2014 and the weighted average duration of the defined benefit obligation is 13 years.

Retirement benefit obligations have been based on the report submitted by AON Hewitt Ltd dated 11 December 2013.

21. TRADE PAYABLES

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Outside parties	2,393,030,446	1,799,686,388	1,522,788,548	1,244,702,118
Shareholders	18,936,598	20,189,795	18,936,598	4,549,203
Related parties	55,383,475	-	19,052,639	-
	2,467,350,519	1,819,876,183	1,560,777,785	1,249,251,321

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 related parties and shareholders are unsecured, have no fixed terms of repayment and are interest free.

Included in outside parties are refundable security deposits of Rs450,713,818 (2012: Rs435,233,989) for the group and the company. The group and the company do not expect the security deposits to be refundable within one year.

22. OTHER PAYABLES AND ACCRUED EXPENSES

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Operating taxes accrued	44,162,072	87,516,712	41,275,612	71,340,286
Subsidiaries	-	-	376,462,260	356,995,202
Related party	2,781,119	-	2,781,119	-
Other payables and accrued expenses	1,158,572,014	1,126,485,708	1,079,783,496	999,181,533
Work in progress	48,717,573	244,669,889	48,717,573	215,217,495
	1,254,232,778	1,458,672,309	1,549,020,060	1,642,734,516

The amounts due to subsidiaries are unsecured, bear interest at rates which varied between 8.15% and 8.40% per annum (2012: between 8.40% and 9.00% per annum) and have no fixed terms of repayment.

The amount due to related party is unsecured, interest free and do not have any terms of repayment.

23. DEFERRED REVENUE

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
At beginning of year	329,022,603	211,348,557	262,980,556	168,442,966
Deferred rental and prepaid card sales	2,077,732,402	2,198,077,788	5,133,005	125,170,509
Revenue recognised during the year	(2,108,306,275)	(2,092,623,595)	(47,547,858)	(37,788,552)
Advance from customers	25,535,500	5,064,220	-	-
Amount received on ICT equipment	25,076,896	13,357,062	25,076,896	13,357,062
Revenue recognised on ICT equipment	(27,437,567)	(6,201,429)	(27,437,567)	(6,201,429)
At end of year	321,623,559	329,022,603	218,205,032	262,980,556

24. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2013 Rs	2012 Rs
Interim dividend of Rs 6.53 per share for 2012	-	1,240,700,007
Special dividend of Rs 5.27 per share for 2012	-	1,001,300,005
Interim dividend of Rs 5.27 per share for 2013	1,001,300,005	-
Special dividend of Rs5.27 per share for 2013	1,001,300,006	-
	2,002,600,011	2,242,000,012

Interim dividend of Rs 5.27 and special dividend of Rs 5.27 per share amounting to Rs 1,001,300,005 and Rs 1,001,300,006 respectively pertaining to current year were declared by the directors on 12 December 2013 and accrued in the financial statements in year 2013.

25. PROVISIONS

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Employee benefits	292,503,023	242,425,045	261,507,456	242,425,045
Dismantling costs	28,523,269	24,727,960	5,524,937	4,952,960
	321,026,292	267,153,005	267,032,393	247,378,005

25. PROVISIONS (cont'd)

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 2012	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)
Utilised in current year	(34,949,646)	-	(34,949,646)	-
At 31 December 2012	242,425,045	24,727,960	242,425,045	4,952,960
Additional provisions recognised	58,170,025	818,332	57,281,468	571,977
Acquired in business combination	42,072,682	2,976,977	-	-
Utilised in current year	(50,164,729)	-	(38,199,057)	-
At 31 December 2013	292,503,023	28,523,269	261,507,456	5,524,937

(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	
	2013 Rs	2012 Rs	**2013 Rs**	2012 Rs
Sale of goods	**432,037,337**	418,942,586	**128,369,899**	236,581,448
Rendering of services	**7,679,402,660**	7,076,800,594	**4,887,751,520**	4,655,926,034
Roaming in revenues	**383,398,746**	505,532,885	**-**	-
	8,494,838,743	8,001,276,065	**5,016,121,419**	4,892,507,482

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 2013 was 36.4 million minutes (2012: 29.9 million minutes).

27. PROFIT FROM OPERATIONS

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

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
- Depreciation of property, plant and equipment	1,253,539,774	1,167,224,574	892,848,820	875,804,934
- Impairment loss on property, plant and equipment	12,680,032	34,037,146	-	2,328,016
- Staff costs (a)	2,121,316,492	1,846,668,474	1,826,837,407	1,667,201,873
- Costs of inventories recognised as expense	419,472,793	393,278,593	86,263,452	196,966,861
- Amortisation and impairment of intangible assets	126,288,517	78,818,534	59,233,993	26,127,585
- Provision for slow moving stock	29,259,771	1,226,102	28,581,725	1,226,102
- Impairment of other investments	2,300,000	13,495,358	2,300,000	13,495,358
- Impairment loss net of reversal recognised on trade receivables	7,872,755	134,206,498	(27,867,992)	14,544,958
- Directors' emoluments (part time)	6,763,090	4,847,874	6,763,090	4,847,874
- Auditors' remuneration:				
- Audit fees	2,895,000	2,930,767	1,525,000	1,510,330
- Donation	15,000	-	15,000	-
- Gain on deemed disposal of an associate	(16,127,375)	-	-	-

(a) Staff costs include employee benefits expense as follows:

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Post employment benefits				
- Defined benefit plan	340,209,900	248,002,000	331,174,000	240,175,000
- Termination benefits	10,313,772	20,617,883	10,313,772	20,617,883
	350,523,672	268,619,883	341,487,772	260,792,883

28. OTHER INCOME

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Rental income	39,455,964	34,345,496	68,900,345	65,888,258
Management fees	-	-	452,048,548	433,000,810
Other income	2,892,865	26,896,494	2,165,159	29,821,359
	42,348,829	61,241,990	523,114,052	528,710,427

29. OTHER GAINS AND LOSSES

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Gain on deemed disposal of an associate	16,127,375	-	-	-
Net exchange gains	14,269,354	110,279,462	24,723,066	93,788,163
Profit on disposal of property, plant and equipment	2,334,096	7,176,715	2,334,096	7,176,715
Impairment of other investments	(2,300,000)	(13,495,358)	(2,300,000)	(13,495,358)
	30,430,825	103,960,819	24,757,162	87,469,520

The net exchange 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	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Dividend income	3,579,848	3,431,259	1,035,167,542	2,174,647,663
Interest income				
- Bank deposits	99,537,251	164,107,427	94,373,535	163,420,614
- Held-to-maturity investments	-	1,504,314	-	1,504,314
- Current accounts with subsidiaries	-	-	57,480,732	40,871,024
- Loan to subsidiaries	-	-	4,734,309	6,047,995
- Others	4,675,606	14,521,890	4,675,606	4,201,453
	107,792,705	183,564,890	1,196,431,724	2,390,693,063

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

	THE GROUP		THE COMPANY	
	2013	2012	2013	2012
Non-financial Investment	3,579,848	3,431,259	1,035,167,542	2,174,647,663
Loans and receivables (including cash and bank balances)	104,212,857	178,629,317	161,264,182	214,541,086
Held-to-maturity investments	-	1,504,314	-	1,504,314
	107,792,705	183,564,890	1,196,431,724	2,390,693,063

31. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Interest expense				
- Bank borrowings	2,982,314	1,102,458	-	1,102,458
- Current accounts with subsidiaries	-	-	43,722,874	132,309,124
- Others	1,031,311	3,218,602	212,977	519,785
	4,013,625	4,321,060	43,935,851	133,931,367

32. EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year after taxation attributable to owners of the company of Rs 1,436,705,693 (2012: Rs 1,792,962,210) and on 190,000,001 shares in issue for the two years ended 31 December 2013.

33. BUSINESS COMBINATION

(a)

Subsidiary acquired	Principal activity	Date of acquisition	Proportion of additional voting equity interests acquired (%)	Consideration transferred Rs
Telecom Vanuatu Ltd	Fixed and mobile phone operator	12 July 2013	40%	12,901,901

Telecom Vanuatu Ltd has been acquired so as to expand the group's foreign activities in the telecommunication sector.

(b) **Consideration transferred**

	Rs
Cash	12,901,901

Acquisition-related costs amounting to Rs561,600 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

(c) Assets acquired and liabilities recognised at the date of acquisition.

	Total Rs
Non-current asset	
Property, plant and equipment	490,006,844
Current assets	
Inventory	30,147,122
Trade and other receivables	69,887,968
Cash and cash equivalents	12,473,889
	112,508,979
Non-current liabilities	
Loans	430,952,596
Others	31,322,947
	462,275,543
Current liabilities	
Trade and other payables	100,527,898
Short term loans	7,457,632
	107,985,530
Net assets	32,254,750

(d) **Non controlling interests**

The non controlling interest recognised at the acquisition date referred to in note (a) above was measured by reference to the fair value as at that date and amounted to Rs3,225,474.

33. BUSINESS COMBINATION (cont'd)

(e) **Goodwill on acquisition**

	Rs
Fair value of consideration given	12,901,901
Plus: non-controlling interests	3,225,474
Fair value of previously held interest	16,127,375
Sub total	32,254,750
Less: fair value of identifiable net assets acquired	(32,254,750)
Goodwill arising on acquisition	-

(f) **Net cash outflow on acquisition of subsidiaries**

	Rs
Consideration paid in cash	12,901,901
Less: cash and cash equivalent balances acquired	(12,473,890)
	428,011

(g) **Impact of acquisition on the results of the group**

Included in the profit for the year is loss of Rs53,510,876 attributable to Telecom Vanuatu Ltd which was acquired during the year. Revenue for the year includes Rs 246,678,557 in respect of Telecom Vanuatu Ltd acquired during the year.

Had these business combinations been effected at 1 January 2013, the revenue of the Group from continuing operations would have been Rs 8,745,792,097, and the profit for the year from continuing operations would have been Rs1,354,842,135.

The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

34. FINANCIAL INSTRUMENTS

34.1 *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 group and the company strategy remain unchanged from 2012.

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.

34.2 *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.

34. FINANCIAL INSTRUMENTS (cont'd)

34.3 *Categories of financial instruments*

Financial assets

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Loans and receivables (including cash and cash equivalents)	5,002,155,995	6,387,097,830	5,785,673,932	6,771,767,632
Available for sale financial assets	8,971,001	10,963,001	8,971,001	10,963,001
	5,011,126,996	6,398,060,831	5,794,644,933	6,782,730,633
Financial liabilities				
Amortised cost	6,072,542,915	5,370,768,390	5,273,751,104	5,036,323,864

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

34.4 *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.

34.5 *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

34.6 *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.

34. FINANCIAL INSTRUMENTS (cont'd)

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

THE GROUP

Currency profile

Currency	2013 Financial Assets Rs	2013 Financial liabilities Rs	2012 Financial assets Rs	2012 Financial liabilities Rs
EUR	358,797,847	119,644,796	213,851,442	76,853,323
GBP	1,752,470	457,923	3,287,423	2,107
MUR	4,325,149,330	5,044,982,755	5,879,342,567	5,225,073,023
USD	224,785,449	515,140,641	293,451,841	60,553,791
Others	100,641,900	392,316,800	8,127,558	8,286,146
	5,011,126,996	6,072,542,915	6,398,060,831	5,370,768,390

THE COMPANY

Currency profile

Currency	2013 Financial Assets Rs	2013 Financial liabilities Rs	2012 Financial assets Rs	2012 Financial liabilities Rs
EUR	50,425,805	99,372,714	7,413,181	63,945,997
GBP	1,724,436	457,923	3,137,339	2,107
MUR	5,069,560,550	4,850,308,503	6,449,277,159	4,937,832,241
USD	667,172,345	312,390,112	314,775,397	26,257,373
Others	5,761,797	11,221,852	8,127,557	8,286,146
	5,794,644,933	5,273,751,104	6,782,730,633	5,036,323,864

Foreign currency sensitivity

The group and the company are mainly exposed to the USD and Euro.

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

THE GROUP

	Euro Impact 2013 Rs	Euro Impact 2012 Rs	USD Impact 2013 Rs	USD Impact 2012 Rs
Profit or loss on equity	23,915,305	13,699,812	29,035,519	23,289,805

THE COMPANY

	Euro Impact 2013 Rs	Euro Impact 2012 Rs	USD Impact 2013 Rs	USD Impact 2012 Rs
Profit or loss on equity	4,894,691	5,653,282	35,478,223	28,851,802

34. FINANCIAL INSTRUMENTS (cont'd)

34.7 *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	
Currency	2013 % Interest Rate p.a.	2012 % Interest Rate p.a.
MUR	**2.65-4.25**	2.65-4.67
USD	**0.10-1.30**	0.10-0.50
GBP	**-**	0.25-0.40
EUR	**0.05-0.25**	0.02-2.67

Interest rate risk would arise on renewal of the short term fixed deposit at maturity date. Any variation in future interest rate by 50 basis points will impact profit by Rs0.4M (2012: Rs0.6M).

The group is subject to interest rate risk on the loans. Any variation in future interest rate by 50 basis points will impact profit by Rs2,655,595 (2012: Rs1,983,572). The company is not subject to interest rate risk on the loan.

34.8 *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 4.7% (2012: 4.8%) and 30.6% (2012: 30.9%) 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.

34. FINANCIAL INSTRUMENTS (cont'd)

Total trade receivables (net of allowances) held by the group and the company at 31 December 2013 amounted to Rs1,435,877,215 (2012: Rs1,207,189,603) and Rs996,756,808 (2012: Rs911,846,770) respectively. An ageing of the trade receivables at end of 2013 and movement in provision for bad debts during 2013 is disclosed under note 13.

Any variation in future recovery ratio of trade receivables by 0.5% will affect profit of the group and the company by Rs6.8m (2012: Rs5.3m), Rs 4.6m (2012: Rs 3.8m) respectively.

34.9 *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.

34. FINANCIAL INSTRUMENTS (cont'd)

34.9 *Liquidity risk management (cont'd)*

Maturities of Financial Assets and Financial Liabilities

GROUP

Item	Weighted average effective Interest rate %	Less than 1 month Rs	1-3 months Rs	3 Months to 1 year Rs	1-5 years Rs	5+years Rs	Total Rs
2013							
FINANCIAL ASSETS							
Fixed Interest Rate Instruments	0.30%-3.45%	2,828,326,608	-	94,880,103	-	-	2,923,206,711
Fixed Interest Rate Instruments	7.5%-10%	1,275,146	20,181,692	89,927,280	-	-	111,384,118
Non Interest Bearing		221,738,540	1,087,071,717	262,168,882	8,971,001	-	1,579,950,140
Variable Interest Rate Instruments	3.5%-4.10%	395,313,279	-	-	-	-	395,313,279
Variable Interest Rate Instruments	8.15%-10%	1,272,748	-	-	-	-	1,272,748
		3,447,926,321	1,107,253,409	446,976,265	8,971,001	-	5,011,126,996
FINANCIAL LIABILITIES							
Non Interest Bearing		2,155,850,053	2,805,641,508	742,178,604	-	-	5,703,670,165
Fixed interest Rate		-	-	1,931,443	200,504,380	40,100,877	242,536,700
Variable Interest Rate Instruments	3.15%-10%	2,781,120	-	123,554,930	-	-	126,336,050
		2,158,631,173	2,805,641,508	867,664,977	200,504,380	40,100,877	6,072,542,915
2012							
FINANCIAL ASSETS							
Fixed Interest Rate Instruments	0%-3.68%	4,371,013,335	-	-	-	-	4,371,013,335
Fixed Interest Rate Instruments	7.50%-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	3.50%-4.10%	324,796,745	-	-	-	-	324,796,745
Variable Interest Rate Instruments	8.65%	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	584,374,472	-	-	5,264,043,224
Variable Interest Rate Instruments	3.80%-8.65%	110,910	-	106,614,256	-	-	106,725,166
		2,384,559,157	2,295,220,505	690,988,728	-	-	5,370,768,390

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

34. FINANCIAL INSTRUMENTS (cont'd)

34.9 *Liquidity risk management (cont'd)*

Maturities of Financial Assets and Financial Liabilities

COMPANY

Item	Weighted average effective Interest rate %	Less than 1 month Rs	1-3 months Rs	3 Months to 1 year Rs	1-5 years Rs	5+years Rs	Total Rs
2013							
FINANCIAL ASSETS							
Fixed Interest Rate Instruments	0.30% - 3.45%	2,828,576,097	-	33,412,790	133,651,158	-	2,995,640,045
Fixed Interest Rate Instruments	7.50% - 10.00%	-	-	78,420,968	-	-	78,420,968
Non Interest Bearing		167,014,823	989,562,310	254,300,829	8,971,001	-	1,419,848,963
Variable Interest Rate Instruments	3.15%	319,509,795	-	-	-	-	319,509,795
Variable Interest Rate Instruments	8.27%	981,225,162	-	-	-	-	981,225,162
		4,296,325,877	989,562,310	366,134,587	142,622,159	-	5,794,644,933
FINANCIAL LIABILITIES							
Non Interest Bearing		2,157,150,517	2,015,037,019	598,765,258	-	-	4,770,952,794
Variable Interest Rate Instruments	3.15% - 8.27%	379,243,380	-	123,554,930	-	-	502,798,310
		2,536,393,897	2,015,037,019	722,320,188	-	-	5,273,751,104
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							
Non Interest Bearing		2,433,837,909	1,635,910,802	580,546,715	-	-	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	687,160,971	-	-	5,036,323,864

35. FAIR VALUE MEASUREMENTS

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.

	THE GROUP AND THE COMPANY			
	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
2013				
Available for sale investments	**4,496,000**	**-**	**4,475,001**	**8,971,001**
2012				
Available for sale investments	4,188,000	-	6,775,001	10,963,001

The reconciliation of Level 3 fair value measurement is provided in note 10(b) to the financial statements.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except for the financial instruments classified under Level 2 detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in these financial statements approximate their fair values due to their short term nature (less than 12 months). These financial assets and financial liabilities would have been classified as Level 3 in fair value hierarchy.

THE GROUP	2013		2012	
	Carrying amount Rs	**Fair value Rs**	Carrying amount Rs	Fair value Rs
Financial liabilities				
Financial liabilities held at amortised cost				
Bank loans	**242,536,700**	**223,801,335**	-	-

THE COMPANY	2013		2012	
	Carrying amount Rs	**Fair value Rs**	Carrying amount Rs	Fair value Rs
Financial assets				
Loans and receivables				
Loan to a subsidiary	**167,063,948**	**165,088,809**	163,007,367	151,775,947

36. 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 2013, the group and the company entered into the following transactions with related parties.

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
(i) Sales of services				
- Subsidiaries	-	-	1,203,020,005	1,193,772,576
- Shareholders	406,450,903	388,963,850	330,730,820	323,273,858
- Associate	4,776,288	-	4,776,288	-
(ii) Purchases of services				
- Subsidiaries	-	-	601,086,563	445,925,251
- Associate	-	-	3,479,819	-
- Shareholders	263,058,303	102,065,551	191,886,308	47,008,484
- Related parties	-	-	46,414,340	1,428,912
(iii) Dividend income				
- Subsidiaries	-	-	976,000,000	2,165,100,000
- Associates and related parties	3,579,848	3,431,259	59,167,542	9,547,663
(iv) Other income and management fees				
- Subsidiaries	-	-	518,300,712	490,714,515
- Associate	360,000	2,474,553	360,000	2,474,553
- Related Party	-	5,700,000	-	5,700,000
(v) Interest expense				
- Subsidiaries	-	-	43,722,874	132,309,124
(vi) Interest income				
- Subsidiaries	-	-	57,480,732	40,871,024
- on loan to subsidiary	-	-	4,734,309	6,045,995
(vii) Emoluments of Key management personnel				
- Short term benefits	59,935,663	65,597,657	57,967,063	61,336,225
(viii) Outstanding balances receivable from related parties				
- Subsidiaries	-	-	1,093,014,347	734,206,879
- Associates	1,525,897	157,759,812	1,525,897	7,536,342
- Shareholders	52,626,376	55,680,232	52,626,376	54,834,116
- Related Parties	7,116,599	2,962,617	5,885,881	2,962,617
(ix) Outstanding balances payable to related parties				
- Subsidiaries	-	-	376,462,260	356,995,202
- Shareholders	18,936,598	20,189,795	18,936,598	4,549,203
- Related parties	58,164,594	-	21,833,758	-
(x) Loan to subsidiaries	-	-	167,063,948	163,007,367

37. COMMITMENTS FOR EXPENDITURE

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Commitments for the acquisition of property, plant and equipment	**634,000,000**	615,000,000	**375,000,000**	457,500,000

38. 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	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Within one year	**106,244,186**	105,013,963	**73,716,029**	80,758,601
Between two and five years	**188,083,100**	190,077,600	**75,811,268**	108,571,031
After five years	**274,153,202**	195,222,724	**16,230,450**	11,929,999
	568,480,488	490,314,287	**165,757,747**	201,259,631

Payments recognised as an expense

	THE GROUP		THE COMPANY	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
Minimum lease payments	**109,112,622**	105,451,877	**74,256,375**	80,163,056

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 THE COMPANY	
	2013 Rs	2012 Rs
Within one year	**113,118,063**	60,299,582
Between two and five years	**99,508,691**	108,401,766
After five years	**122,230,648**	139,073,765
	334,857,402	307,775,113

39. CONTINGENT LIABILITIES

There are contingent liabilities not provided for in the financial statements in respect of guarantees amounting to Rs130,437,032 (2012: Rs133,519,488) for the group and Rs86,532,671 (2012: Rs133,519,488) for the company respectively. The directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

40. PRIOR YEAR ADJUSTMENTS

(a) Retirement benefit obligations

During the current financial year the group and the company have adopted IAS 19 Employees benefits (as revised in 2011). The revised IAS 19 has been applied retrospectively and the impact on total comprehensive income for 2012, liabilities and equity at 1 January 2012 is provided in the table below.

	THE GROUP 2012 Rs	THE COMPANY 2012 Rs
Impact on profit for the year		
As previously stated	1,779,720,060	2,816,715,382
Decrease in operating expenses	15,579,000	16,918,000
Income tax	(2,336,850)	(2,537,700)
Increase in profit for the year	13,242,150	14,380,300
As re-stated in 2013	1,792,962,210	2,831,095,682
Impact on total comprehensive income for the year		
As previously stated	1,785,500,294	2,816,877,382
Increase in profit for the year	13,242,150	14,380,300
Increase in remeasurement of defined benefit obligation	(1,318,782,000)	(1,316,087,000)
Decrease in deferred tax liabilities	197,817,300	197,413,050
As re-stated in 2013	677,777,744	1,712,583,732

	THE GROUP		
	As previously stated at 1 January 2012 Rs	IAS 19 adjustment Rs	As restated at 1 January 2012 Rs
Impact on liabilities and equity			
Retirement benefit obligations	1,341,200,000	595,419,000	1,936,619,000
Deferred tax liabilities	301,574,417	(89,312,850)	212,261,567
Equity	9,267,281,908	(506,106,158)	8,761,175,750

	THE COMPANY		
	As previously stated at 1 January 2012 Rs	IAS 19 adjustment Rs	As restated at 1 January 2012 Rs
Impact on liabilities and equity			
Retirement benefit obligations	1,323,808,000	584,007,000	1,907,815,000
Deferred tax liabilities	171,190,858	(87,601,050)	83,589,808
Equity	6,884,958,648	(496,405,950)	6,388,552,698

(b) Reclassification

The group and the company have reclassified the refundable security deposits as current liabilities in accordance with IAS 1. This has resulted into a presentation change which has been applied retrospectively. The group and the company do not expect the security deposits to be refundable within one year.

MILESTONES

1876-1988

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

1992-2006

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 upp

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

2007-2009

2007
- 1% of shares in Mauritius Telecom allocated to employees at a reduced price
- EDGE island-wide coverage provided
- Blackberry® smartphones and wireless solutions introduced in Mauritius by Cellplus
- First MT Rodrigues Directory published by Teleservices
- 100% IP network, in partnership with Cisco, installed for a major customer
- Business Everywhere Solution launched
- Organisational Restructuring finalised
- Application Service Provider (ASP) service launched
- Very high bit-rate (45 Mbps) IPLC connection introduced for Orange Business Services in Mauritius
- First 3G roaming service introduced with Orange France
- R4NGN (Release 4 Next Generation Networks) introduced allowing access to IP services on mobile terminals
- First NGN (New Generation Network) installed in Rodrigues

2008
- Mobile and Internet services rebranded as 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

2010-2011

2012

2013

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
- Launch of Bollywood WAP portal
- Installation of a Zebra testbed on the Orange network for testing new features
- Implementation of a mobile supply-chain barcode system at the Central Warehouse
- Agreement signed with Emtel for co-sharing of telecommunication towers
- Installation of a telephone exchange in Bagatelle
- Implementation of IPtune service manager tool to monitor mobile data services(NOC)
- Upgrading of the gigabit passive optical network (GPON) to service new buildings in the Ebene Cybercity and new customers in Port Louis
- Call Services rebranded to CSL
- Launch of job portal on orange.mu

2012

- Bagatelle exchange commissioned
- Implementation, peering with Orange Madagascar, of network-to-network multi-protocol label switching (MPLS) on existing MT core IP network
- Commissioning of new wireless application protocol (WAP) gateway, enabling faster browsing of web pages and downloading of contents
- Launch of Orange Concept Store in Bagatelle
- Entry into service of LION 2 cable system
- Launch of Orange Money, enabling users to make payments via mobile phones for Orange, MT and CEB utility bills
- Commissioning of automatic roaming tester supplied by SIGOS, facilitating prompt testing and solving of roaming issues
- Launch of Deezer, a music platform for streaming music
- Launch of Kongsberg Satellite Services (KSAT) antennas at Jacotet Bay for telemetry and tracking of satellites in the Southern Hemisphere
- Launch of TelePresence HD videoconference services at Orange Tower, Ebene
- Launch of 4G, featuring Alain Robert, the French Spiderman, climbing Telecom Tower
- Seventeen Orange Shops connected to fibre-optic networks
- Launch of mobile portal m.orange.mu

2013

- Ten sites upgraded to provide 2G and 3G services in Rodrigues
- Deployment of transparent internet caching system within ISP network to reduce internet transit and bandwidth consumption
- IP core expansion in Rodrigues to provide business customers with connection to the IP network
- Implementation of eight-digit numbering for mobile network
- Implementation of a distributed antenna system (DAS) at the new SSR International Airport to provide 2G, 3G and LTE coverage
- Implementation of access control system based on biometric technology
- Installation and commissioning of CCTV and intruder alarms at Rose Hill Data Centre and 20 mobile sites
- Installation of incoming international toll-free equipment in Port Louis Exchange
- Launch of FTTH broadband offers of up to 10 Mbps and up to 30 Mbps
- Launch of 3G and 4G in Rodrigues
- Launch of Ascend Mate Phablet, in partnership with Huawei, and Orange Phablet
- Launch of cloud services at Rose Hill Data Centre
- Launch of iPhone5s and iPhone5c
- Launch of new IPTV platform providing enhanced features on My.T
- Improvement in My.T and broadband service-level agreements from 14 days to 7 days and 7 working days
- MT awarded contract by the Ministry of Education & Human Resources to supply and commission 26,000 tablets
- Upgrade of the subscriber data management system (SDM) to cater for high volumes of traffic on the mobile network
- WACS cable system brought into service
- New 4G (LTE) network launched in Port Louis and Bagatelle regions
- Launch of low-cost Orange tablets to promote access and ICT usage
- 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
- Launch of Orange Emergency Credit for prepay customers.

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

ACS
Automatic Configuration Server

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)

AMS
Access Management System

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

BAS
Broadband Access Servers

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

CAS
Conditional Access System

CDN
Content Delivery Network

DAS
Distributed Antenna System

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

EASS (EAST AFRICA SUBMARINE SYSTEM)
It is an undersea fibre optic cable that will link the countries of East Africa and Madagascar between themselves and to the rest of the world

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortization

EIG
Europe-India Gateway (submarine cable system)

EPG
Electronic Program Guide

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

Home Passed Fibre deployed to the nearest Distribution Point for Residential connection

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 Internetn iPhone with a fast wireless 3G technology

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

IPTV
Internet Protocol Television

IP PBX
Internet Protocol Private Branch Exchange

ISP
Internet Service Provider

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

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

P2P
Peer to Peer

SAFE
South Africa Far East submarine cable system

SBC
Session Border Controllers

SDH
Synchronous Digital Hierarchy are standardised multiplexing protocols that transfer multiple digital bit streams over optical fibre

SDM
Subscriber Data Management

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

SIP
Session Initiation Protocol

STB
Set-top-box

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

VAS
Value Added Services

WACS
West Africa Cable System

NOTES

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

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

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

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