achievements for the people

annual report **2016**

mauritius telecom

be your best

our vision

Our Vision is to connect everyone
to what is essential to them

our ambition

Our Ambition is to offer an
unmatched customer experience

our core values

Passion
Professionalism
Creativity & Innovation
Agility & Speed
Respect & Responsibility

contents

group financial highlights

for year ended 31 december 2016

Operating Revenue
The group revenue crossed the Rs 10 billion mark for the first time and has progressed by 2.5% during the year.

Gross Profit
is at Rs 7.8 billion, an increase of 1% compared to previous year.

Profit
for the year stands at Rs 1.19 billion representing an increase of 16% as compared to Rs 1.02 billion last year.

Capital Expenditure
has been at Rs 3.9 billion, that is 39% of operating revenue.

Earnings per Share
is at Rs 6.27 as compared to Rs 5.39 in 2015.

Return on Equity
Maintained at 16% as compared to last year.

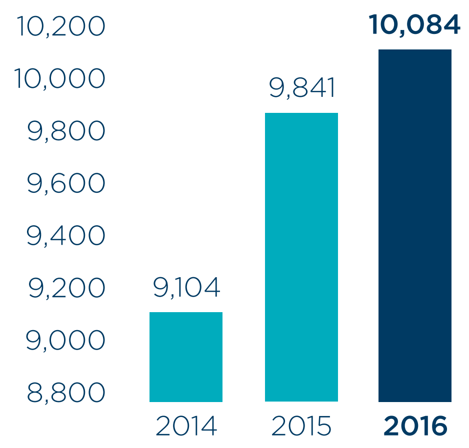
Rs 10 Bn
REVENUE

+16%
GROWTH IN PROFIT FOR THE YEAR

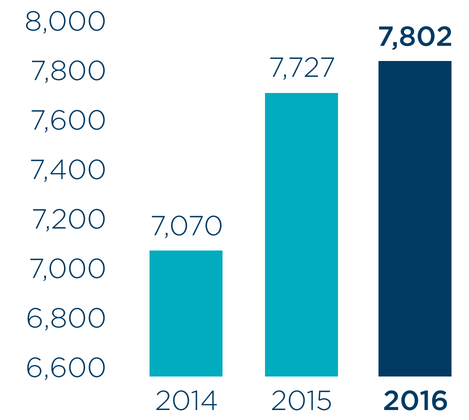
Rs 3.9 Bn
CAPITAL EXPENDITURE

+14%
GROWTH IN NET ASSETS

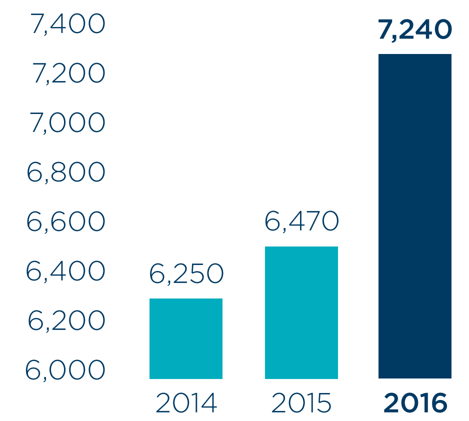
Operating Revenue
Rs Million



Gross Profit
Rs Million



Shareholders Equity
Rs Million



key financial figures

for the group

	2016 (Rs Million)	2015 (Rs Million)
Income Statement		
Operating Revenue	10,084	9,841
Gross Profit	7,802	7,727
Net Profit	1,191	1,024
Earnings per Share (Rs)	**6.27**	**5.39**
Balance Sheet		
Total Assets	18,539	16,115
Total Liabilities	11,299	9,645
Shareholders' Funds	7,240	6,470
Capital Expenditure	3.946	2,387
Return on Equity	16%	16%
Net Asset Value per Share (Rs)	**62.44**	**54.85**

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 2016.

P. C. COLIMALAY
Company Secretary

28 April 2017

corporate profile

Mauritius Telecom (MT) stands out as the leading provider of ICT services and solutions in Mauritius with a customer base of 1.3 million subscribers. It covers the full spectrum of the varied and continuously changing needs of homes as well as businesses.

The Company was initially incorporated in 1988 as Mauritius Telecommunication Services and in 1992, after merging with Overseas Telecommunications Services (previously British private company Cable & Wireless), it was renamed Mauritius Telecom. In 2000, Mauritius Telecom entered into a strategic partnership with France Telecom (now Orange S.A.) which acquired 40% of its shares in the context of the then forthcoming liberalisation of the telecommunications sector of the island.

Mauritius Telecom has played a prominent role in contributing to the socio-economic advancement of the Republic of Mauritius by investing in state-of-the-art technologies and the latest infrastructures.

By offering the best customer experience, seizing emerging market opportunities and tapping the full potential of innovations, the Company has been able to sustain its growth over the years.

Year 2016 had been marked by an unprecedented financial performance. For the first time since its creation, Mauritius Telecom has exceeded an annual turnover of Rs 10 billion. The bold and well-thought-out business plan devised by the top management of the Company, has maximised the spillover effects of the accelerated deployment of fibre, the densification of the 4G mobile network coverage over the island and the highly appealing TV bouquets in its IPTV offerings, amongst other factors.

Mauritius Telecom is actively supporting the transformation of Mauritius into a smart island, acting as one of the engines of its growth towards becoming a high income economy.

The whole island will be fully fibred by the end of 2017, enabling ultra-high-speed internet access to both businesses and home users. Mauritius Telecom has opened up new employment opportunities for Mauritians and enhanced the attractiveness of Mauritius as a global ICT destination for foreign investors by giving an impetus to the ICT/BPO sector. Above all Mauritius Telecom has contributed to creating an environment conducive to the rise of a new generation of techno-entrepreneurs.

Vision

Constantly seeking innovation and creating new uses and applications through partnerships with global companies, Mauritius Telecom believes that, in a rapidly evolving world, the best way of adapting to change is by being the change itself.

Mauritius Telecom's rebranding in March 2016 is a step further in its team's commitment to being the best and acting as the technological stepping stone which will allow its customers to offer their best in their respective fields.

Products and Services

Mauritius Telecom provides a large range of voice and data services using fixed-line, mobile and internet platforms and also offers convergent services through my.t, its multiplay IPTV service.

Over and above the usual internet and mobile applications, Mauritius Telecom's mobile users also have access to TV services, mobile banking and Orange Money. Recent launches have included the eCitizen and Traffic Watch apps, the latter winning the Best App for Africa 2016 title conferred by AfricaCom.

For businesses, Mauritius Telecom is a one-stop solution, providing IP-based services, virtual private networks, high-speed internet access and application services along with Fibre-To-The-Home (FTTH), Fibre-To-The-Business (FTTB), a Gigabit Passive Optical Network (GPON), ADSL and SHDSL technologies, telepresence and cloud computing solutions. Business Boost is the latest solution proposed to small and medium enterprises as a stimulus to grow and evolve.

Recently, MT received the Avaya Africa Partner of the Year 2016 award at Avaya Engage held in Dubai following a significant increase in the SME/mid-market segment.

Shareholding

The Government of Mauritius, the State Bank of Mauritius (through its wholly owned subsidiary SBM Holdings Ltd) and the National Pensions Fund hold 59% of the shares in the company. 1% of Mauritius Telecom shares were sold to eligible employees and pensioners in 2007 at a discounted rate under an employee share-participation scheme. The remaining 40% are held by Orange, through its investment vehicle, RIMCOM.

Investment

Mauritius Telecom has invested in Orange Madagascar and as at 31 December 2016, held 100% share in Telecom Vanuatu Limited (TVL) through its investment vehicle MT International Ventures PCC, although since then Mauritius

Telecom has disposed of its 100% share in TVL.

As virtual reality and augmented reality become the next big computing platforms, Mauritius Telecom's partnership with EON Reality, the world leader in VR-based knowledge transfer for industry, education and edutainment, and the creation of the EON Mauritius Interactive Digital Centre (IDC) in Ebene, aim at bringing augmented and virtual reality-based knowledge transfer to mobile subscribers in Mauritius and across Africa.

Subsidiaries

As at the end of the reporting year, Mauritius Telecom had the following fully owned subsidiaries: Cellplus Mobile Communications Ltd, Telecom Plus Ltd, Teleservices (Mauritius) Ltd, Call Services Ltd, MT Properties Ltd, Mauritius Telecom Foundation, MT International Ventures PCC, MT Services Ltd and CSL Madagascar.

Network

In this digital and the internet-of-everything era, where an expected three billion people will be connected within the next decade, Mauritius Telecom has geared its focus towards creating as well as consolidating its foundations so as to position Mauritius as the role model in technological services for the region.

The accelerated deployment of the roll-out of fibre over the island, with a Rs 5.1 billion investment by 2017, will allow for an internet speed up to 1 Gbps. This has led to Mauritius Telecom winning the FTTH Council Africa's Operator of the Year award for its continuous endeavours to connect Mauritius to the rest of the world.

Mauritius Telecom has also initiated works for a Tier 4 level Data Centre for a reliable, flexible and scalable infrastructure so as to consolidate its capacity to handle the increasing number of computer systems and high volume of data that will be generated by different systems.

As Mauritius Telecom's international network operates by satellite as well as with fibre, the increase in its capacity on the SAFE submarine cable as well as its investment in other submarine fibre-optic cable projects (such as the Europe-India Gateway and the West Africa Cable System) is targeted at meeting the growing demand for high broadband speeds.

Following the 2016/2017 budget measures, which laid down the foundations for an investment-driven development model and towards a fullyfledged digital society, major investment are being undertaken to increase bandwidth and capacity. In this respect, Mauritius Telecom has been chosen to lead the private-sector consortium for a third undersea cable project.

Corporate Social Responsibility (CSR)

Mauritius Telecom understands that technological growth can only be achieved along with socio-economic growth. In this context, Mauritius Telecom, through the Mauritius Telecom Foundation, works with several NGOs to help promote technology as a whole as well as tackle other social issues within disadvantaged groups.

As digital technology is a formidable driver of education, training and professional integration, the Mauritius Telecom Foundation provides free access to the internet and basic training in ICT to 60,000 people monthly by financing 289 of the National Computer Board's computer clubs.

The Mauritius Telecom Foundation is also financing the installation of 350 Wi-Fi hotspots under the aegis of the Ministry of Technology, Communication and Innovation.

Environment

Mauritius Telecom is engaged in several activities such as reducing its power consumption as well as its carbon footprint in order to minimise any impact its operations might have on the environment.

Mauritius Telecom is also involved in various national campaigns to create awareness on this issue.

Risk Management

While consolidating its capacities, Mauritius Telecom also remains focused on business security and, through its Risk Management Division, has devised a risk management approach which facilitates appropriate identification, assessment and control of risks to operations and corporate strategy.

The Risk Management Division provides the framework for various activities to enhance their ability to achieve financial, customer and people goals, and meets legal and compliance responsibilities while protecting and increasing value for shareholders. Incident management plans have also been developed to mitigate the impact of business continuity threats.

events & highlights 2016

Unveiling of MT's new corporate identity

Mauritius Telecom embarked on a rebranding exercise to refresh its corporate identity. The new logo, new tagline and new colours were enthusiastically received by staff during an unveiling event organised for them at SVICC, Pailles.

contents

board of directors

Mr Nayen Koomar BALLAH – *Acting Chairman*

Mr Nayen Koomar Ballah was appointed as the Secretary for Home Affairs on 1 January 2015 and Secretary to Cabinet and Head of the Civil Service on 16 September 2016.

He has had a long career in the public service and has been the Secretary of the Public Service Commission and the Disciplined Forces Service Commission. He has served in senior positions in various ministries, such as the Ministry of Agriculture, Fisheries and Natural Resources, Ministry of Arts and Culture, Ministry of Youth and Sports, Ministry of Public Infrastructure, Land Transport & Shipping and the Prime Minister's Office. He has also served as Chairperson and member on various Boards and Committees.

Mr Ballah holds a Diploma in Public Administration and Management, a Bachelor of Arts in Political Science and Economics, and a Bachelor of Arts (Hons) in English.

Mr Léon-Charles CISS

Mr Léon-Charles Ciss is the Senior Vice-President for Southern Africa and Indian Ocean Operations, Orange Middle East & Africa in Orange Group.

He is also a Board member of Orange Botswana, of Orange Democratic Republic of Congo (DRC) and of Orange Madagascar.

He previously held various executive positions in Orange Group. He was Marketing Director for Africa, Middle East and Asia (AMEA zone) from 2009 to 2016 and in Sonatel Group, Senegal, as Head of Data Communication Department, Head of Plan and Development, Head of Sales and International Relations, Head of Technical Operations, and Managing Director for Sonatel Mobiles (a Sonatel subsidiary) from 2002 to 2009.

He has also represented Senegal on key international issues, taking part in working groups of the International Telecommunications Union (ITU) and on the restructuration of the International Telecommunications Satellite Organisation (INTELSAT).

Mr Ciss graduated in France in IT and Mathematics at the University of Nancy, in Engineering at the National Telecommunications Institute of Evry, in Organisational Management and Finance at the University of Paris Dauphine, as well as in a Masters in Marketing and Commercial Development at HEC.

board of directors (cont'd)

Mr Koosiram CONHYE

Mr Koosiram Conhye is an Associate Member of the Chartered Institute of Secretaries and Administrators (ICSA), and holds a Diploma from the Chartered Institute of Marketing (CIM) and an MSc (Finance) from the University of Mauritius.

He joined the public service in February 1981 and has served in various ministries and departments at senior management level for more than two decades. He has also been the Administrative Secretary of the EPZDA and Director (Corporate Affairs) at the Board of Investment. His areas of interest are public-sector management, governance, and public-sector finance.

He was assigned the duties of Permanent Secretary at the Ministry of Technology, Communication and Innovation on 15 March 2016. He was appointed in a substantive capacity on 5 January 2017 and has been assigned the duties of Secretary to the Public Service Commission and Disciplined Forces Service Commission.

He is also a part-time lecturer at the University of Mauritius and the University of Technology. He is currently a Director of the Board of Multi Carrier (Mauritius).

Mr Dheerendra Kumar DABEE – *GOSK, SC*

Mr Dabee, Solicitor-General at the Attorney General's Office, a Senior Counsel, and a former Laureate (Economics Side), is a graduate in Law and Political Science from Birmingham University and was called to the bar in the UK in 1981 at the Middle Temple.

He joined the Crown Law office in Mauritius in 1982 and occupied all higher positions at the Attorney General's Office, including those of Parliamentary Counsel and Acting Director of Public Prosecutions, until his appointment as Solicitor - General in 1998. He is the main non-political legal adviser to Government and the legal adviser to a number of public bodies.

In addition to more than thirty-four years' experience as a lawyer and legal adviser to, and Counsel for, government departments and a number of other public bodies, he has held various other positions in the regulatory, financial and commercial sectors. He has also previously been a Board member of Air Mauritius, the SBM and the Mauritius Revenue Authority.

He has acted as Chairman of the Stock Exchange Commission and the Mauritius Offshore Business Activities Authority prior to the FSC taking over the functions of these entities, and he is also a former member of the Arbitral Tribunal of the Commonwealth Secretariat.

Mr Dabee is the Chairperson of the Mauritius Cane Industry Authority's Control and Arbitration Committee and of the Medical Tribunal. He also represents the Attorney General's Office on the Board of the Independent Broadcasting Authority. He has participated in and also been Head of Delegation at many bilateral air-services negotiations and has extensive experience in labour law and industrial relations matters, as well as in contract negotiation.

He was appointed Vice-Chairman of the Financial Services Commission in February 2016 and Chairman of the Financial Intelligence Unit in November 2016.

board of directors (cont'd)

Mr Hugues FOULON

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

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

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

From October 2010 to March 2012, he was Chief of Staff to the CEO of France Telecom / Orange, in charge of the Secretariat of the Group Investment Committee.

After being the Chief Financial Officer of Orange Middle East and Africa for more than four years, he was appointed in mid-2016, by Mr Stephane Richard, as Head of the Chairman's and CEO's Office.

Note:
Mr Hugues Foulon has resigned as Director on 12 April 2017
Mr Ludovic Pech has been appointed Director on 12 April 2017

Mrs Shakuntala Devi GUJADHUR-NOWBUTH

Mrs Gujadhur-Nowbuth holds a BSc (Hons) in Economics, a Diploma in Public Administration and Management and an MSc in HRM from the University of Mauritius.

She has extensive experience in both the public and private sectors, having worked in various areas in the private sector and in government departments and ministries, including the Ministry of Information and Communication Technology. While serving there, she assisted in devising several policies and strategies for promoting and facilitating the development of the ICT sector, including the e-government strategy, the Government Information Highway, the School IT Project and the Open Data Initiative. One of her portfolios was also to formulate policies to enable the telecommunications sector become a facilitator for industry, business and innovation, and in making it become one of the main pillars of economic growth and development. She also assisted in the elaboration of the concept of Smart Mauritius.

She is currently Deputy Permanent Secretary at the Prime Minister's Office.

board of directors (cont'd)

Mr Dharam Dev MANRAJ – *GOSK*

Mr Dharam Dev Manraj holds a Post-Graduate Diploma in International Management from the International Institute for Management Development (IMD) Switzerland and is a Fellow of the Association of Chartered Certified Accountants (FCCA).

During his career, predominantly within the public and semi-governmental spheres in Mauritius, Mr Manraj occupied various positions in the Ministry of Finance between 1974 and 1998. He was appointed Financial Secretary in 1990 and participated in the drafting of several budget speeches and the formulation of capital and recurrent budgets and fiscal policies. In 2000, he was made Advisor to the Prime Minister and Senior Advisor in 2012.

Mr Manraj has contributed in the negotiations leading to the acquisition of double taxation avoidance agreements with several countries. He was part of the World Bank loan negotiations in Washington and has been involved in various road shows and international conferences on regional cooperation.

He has been very active in major projects in Mauritius, including the Ebene Cybercity, and helped in the setting up of the Financial Services Commission, the Mauritius Leasing Company Ltd, the National Transport Corporation and the State Investment Corporation. He has also been a Director of the Board of Investment, the Mauritius Sugar Authority and the Mauritius Broadcasting Corporation. In addition, he served as Chairman of the State Bank of Mauritius (SBM), the State Insurance Corporation of Mauritius Ltd (SICOM), the Mauritius Offshore Business Activities Authority (MOBAA), Airports of Mauritius Ltd and Business Parks of Mauritius Ltd (BPML).

Mr Bruno METTLING

After graduating in Political Studies, Mr Bruno Mettling began his career in the budget department of the Ministry of Finance in France before joining other government departments including the Ministry for Employment, Infrastructure and Urban Planning. In 1991, he became Inspector of Finance and joined the Ministry of Economy and Finance.

He was appointed Deputy Chief Financial Officer for La Poste before joining Caisses d'Epargne in October 1999 where he launched a reform of the HR function. Until 2009, he was CEO of the Banque Populaire Group.

Bruno Mettling joined France Telecom / Orange in 2010 as Deputy CEO in charge of Group Human Resources. On his appointment as Deputy CEO of Orange on 1 March 2016, he became Chairman of Orange Middle East and Africa, which controls affiliates in emerging countries.

Bruno Mettling commands a wide range of skills, spanning from high-level public and private experience in the services sector – Transport, Real Estate and Banking in particular.

board of directors (cont'd)

Mr Jean-François THOMAS

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

He has over 25 years' experience in the communications business where he occupied marketing, sales, business development, operations and management positions.

He served as Regional Director (September 2006–February 2008) at France Telecom, Orange Alsace, Strasbourg. He previously held several senior management positions at France Telecom in France, Japan and Hong Kong. He was subsequently Deputy Chief Executive and Chief Operating Officer at Mauritius Telecom from February 2008 to September 2012, and served as CEO of Orange Jordan / Jordan Telecom from October 2012.

Since October 2015, he is the Senior Vice-President of International Business Development for the Orange Group in the Middle East & Africa, based in Paris.

company secretary

Mr Conrad COLIMALAY – *Company Secretary*

Mr Conrad Colimalay is qualified as a Barrister-at-Law. He holds a Master 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, it gives me great pleasure to present the 2016 Annual Report of Mauritius Telecom. I seize this opportunity to extend my appreciation to Board members, to the Chief Executive Officer and all MT employees, to our stakeholders and to our customers, for enabling Mauritius Telecom to attain its cruising speed and sustain the growth it has witnessed since 2015.

Over and above offering high-quality technological services and solutions to homes and businesses and continually innovating, our objective is also to simplify the lives of Mauritians by providing them with exemplary customer experience. Moreover, while assisting in the progress of digitalising Mauritius, we never lose sight of our wider social responsibilities, inter alia, reflected in the work of the MT Foundation and the green initiatives we have adopted.

Financial Review

2016 has been another positive year for the Mauritius Telecom Group with an increase of 16.32% in net profit. Earnings per share stood at Rs 6.27 compared to Rs 5.39 in 2015. Capital and reserves amounted to Rs 7.24 billion as compared to Rs 6.47 billion in the previous year.

Corporate Governance

Mauritius Telecom commits itself to good governance both for ethical reasons and because it is aware that abiding by best practices is essential for the success of a company. In line with good corporate governance practices, our strategies demonstrate the high standards we set in our business behaviour and culture. Our core principles comprise transparency, integrity, professionalism, sustainability and ethics. We also believe in providing fair working conditions, in encouraging the personal growth of our staff and in promoting environmental and community projects.

Corporate Social Responsibility

Corporate social responsibility is embedded in the philosophy of Mauritius Telecom, as witnessed by the contribution of the Mauritius Telecom Foundation (MTF) in several projects focused on education, the environment and empowering the vulnerable.

In the year under review, the Foundation has invested Rs 39 million in 30 projects through 16 NGOs and institutions, including 9 in Rodrigues; in total reaching 133, 000 beneficiaries.

To help democratise digital technology and narrow the digital divide, across the country, the MTF has financed the installation of 350 Wi-Fi hotspots which provide free

chairman's statement (cont'd)

16.32%

MAURITIUS TELECOM GROUP'S NET PROFIT GREW IN 2016

internet connection. Moreover, the MTF enables 60,000 citizens to have free access to internet and to basic training in ICT by funding 289 computer clubs of the National Computer Board.

As a socially responsible company, Mauritius Telecom is fully aware of the major role played by education and schooling in the empowerment of those from vulnerable backgrounds. In this connection, the MTF gave 2,000 school bags and 100,000 copybooks to disadvantaged children, thus alleviating the costs of school materials for the parents. The Foundation also donated Rs 300,000 to help *Atelier Mo'Zar* in the running of its music school, which particularly helps children who would have few other opportunities to learn a skill.

Another component of empowerment is to help the disabled gain some mobility and autonomy and in this vein, the MTF presented 208 commode wheelchairs to people with severe physical disabilities.

Green Initiatives

Achieving a balance between the economy, society and the environment is considered fundamental to meeting the needs of the present without jeopardising the ability of the next generations to meet theirs. Mauritius Telecom as a leading ISO-certified organisation has adopted a systematic approach and aligned its strategic plan 2012-2016 by implementing environmental management systems and promoting green initiatives throughout the organisation. The Company's strategic plan targeted a 5% reduction in its power consumption and a 10% reduction in its carbon footprint, targets which have been achieved.

Human Resource Management

The Mauritius Telecom Group embarked on an organisational restructuring exercise in 2015, which was fully implemented in 2016, with various actions initiated to reinforce MT's position as a caring organisation. The accent has been on training in various fields and reinforcing employee engagement.

The voluntary retirement scheme, introduced in 2015, was implemented in the year under review, with 225 employees taking advantage of the scheme. A further 27 requests were processed after an invitation from Mauritius Telecom to take part in an early retirement scheme.

Conclusion

Mauritius Telecom is the leading company in the telecommunications industry, indeed one of the leading companies in Mauritius, thanks to our strategy targeting profitable growth and our strong ethical values, supported by a committed and motivated team.

Customer satisfaction will remain high on our agenda in the coming year, along with building a more inclusive society through investment in social and environmental causes and working in the best interest of our shareholders.

Nayen Kumar BALLAH

Board Director / Acting Chairman

June 2017

Mauritius surfs at 100 Mbps

The rebranding exercise, coupled with the launch of the first-ever 100 Mbps package, was revealed to the public and the media during a gala event at SVICC, Pailles. With the 100 Mbps offer, customers can enjoy TV channels, ultra-high-speed internet bandwidth intensive applications and also run multiple applications such as online chat, and music and video downloads.

events & highlights 2016








chief executive officer's review

It is with renewed pleasure and great satisfaction that I present the 2016 Annual Report. The 5 key objectives set in 2015 and the internal restructuring of the company embarked upon, have started bearing fruit. A powerful rebranding of Mauritius Telecom, with a newly contextualized Vision and Values, kick-started an exciting new momentum at the beginning of the year.

Despite being in a period of transition both internally as well as in terms of infrastructure renewal, a record Turnover of over Rs 10 billion and a 16% increase in Net Income were achieved. Mauritius Telecom also won two important international awards: The 'Africa Operator of the Year 2016' and the 'Best App for Africa 2016' award for Traffic Watch, crowning the efforts of the team for an exceptionally fulfilling year.

The key drivers of growth have been the acceleration of the FTTH (Fibre-To-The-Home) project, enriched content on my.t (pay-TV service), increased demand for Mobile Data services and a stimulated Enterprise market after a bold price decrease at the end of 2015 for sophisticated connectivity solutions.

Performance of Subsidiaries

The key performance indicators of our different subsidiaries substantiate the high level of performance of Mauritius Telecom in 2016.

Cellplus Mobile Communications was one of Mauritius Telecom's main revenue generators, contributing Rs 3.7 billion in 2016. It strengthened its leadership position in the Mauritius mobile market with a 4.7% year-on-year increase in its customer base. By 31 December 2016, it had attracted and retained a total of more than 900,000 customers. The increasing use of multi-devices and MT's innovative services on the market such as Gift Data and Love Pack are among the different strategies that have been profitable to the company. Moreover, MT successfully entered emerging markets with its WeChat SIM card targeting tourists and business people from the People's Republic of China.

Call Services Ltd (CSL) had a turnover of Rs 398 million in 2016 against Rs 370.1 million in 2015 while the total number of incoming calls in 2016 was 14.8 million against 14.7 million in 2015.

Teleservices, by adapting to the growing trend of information searches carried out on digital platforms, is now proposing a range of omni-channel product offers for its advertisers. In 2016, Teleservices started offering competitive marketing solutions for SMEs and governmental and parastatal institutions. The agency has also overhauled its online directory by revamping the mobile app and by launching two new print directories in 2017. In addition to diversifying its products, cost-cutting measures were adopted.

Telecom Plus maintained its position in the pay-TV market with 132,000 my.t subscribers as at December 2016. Besides the enrichment of existing packages, Nina TV for popular Latin-American telenovelas, the Bollywood Mega Pack and the Kids Pack were launched. In August 2016, there was a major breakthrough with the English Premier League in the my.t Sports Pack.

The VoD catalogue was enhanced in 2016 to provide quality contents and continuously enriched with new releases. Western contents contributed to around 70% of revenue, Bollywood contents to 20% and local contents to 10%.

Innovation and Initiatives

It has been a prolific year for Mauritius Telecom in terms of innovation and initiatives.

The innovation team and other business units developed apps to simplify the life of citizens. For example, Traffic Watch Mobile App which provides live video feeds on traffic conditions at strategic points. It received international recognition with the 'Best App for Africa 2016' award by AfricaCom.

Another innovative concept, the eCitizen app is a platform which enables immediate interaction between the authorities and citizens to address societal or environmental issues. Launched in June 2016 in St. Pierre, the service will be extended to all local authorities.

The Orange Money Service is continuously evolving, with more services added to the existing range of mobile payment services. The recent ones: the mobile top-up and data-pack allow customers to buy airtime and mobile data from their mobile phones.

chief executive officer's review (cont'd)

Overseas Involvement

The business world is changing with new forms of competition and Mauritius Telecom is not immune to its impact. This is why the company cannot rely solely on the local market and is reinventing itself as a regional player to sustain growth.

Mauritius Telecom's International Business Development Division is thus aggressively prospecting international opportunities.

Network

In 2016, the acceleration of Fibre-To-The-Home (FTTH) Project moved up a gear.

By the end of December, more than 145,000 connections had been completed, representing 78% of MT's current broadband customers.

Thanks to the FTTH Project, Mauritius is the most fibred country in Africa and ranks among the Top 10 in the world. The FTTH Council Africa conferred the 'Africa Operator of the Year 2016' award to Mauritius Telecom in recognition of its achievements in the rolling-out of fibre in Mauritius and its efforts to accelerate the deployment of fibre over the island.

Mauritius Telecom achieved a major breakthrough after obtaining live broadcast rights for all 380 English Premier League matches in the new Sports Pack bouquet on my.t. The Sports Pack channels are streamed from Paris through submarine cables to Mauritius to be injected into the IPTV platform.

Mobile broadband is constantly being enhanced to meet customer experience. In this context, the network team has installed more than fifty 3G mobile sites in residential regions across the country.

The state-of-the-art Tier IV Data Centre in Rose Belle, an ambitious project initiated by Mauritius Telecom, is on the verge of materialising. It will accommodate some 500 racks and provide IaaS, PaaS, SaaS, disaster recovery and business continuity services to local and international customers.

Business Security

MT pursued its project for ISO22301:2012 Societal Security and Business Continuity certification on part of its network. Several new business continuity plans were developed, risk assessment and business impact analyses were carried out and several policies defined. Forty-eight major stakeholders were trained on the ISO22301:2012 standard and business continuity.

Customer Experience

Customer satisfaction is essential to Mauritius Telecom which is why the company endeavours to better its customers' experience of service delivery, usage and value-creation and thus provide an Unmatched Customer Experience.

In this regard, surveys are carried out to collect customers' feedback so as to live up to their expectations. Processes are continually being simplified and automated where possible. Additionally, further training of frontline staff is provided for a better service to customers.

Owing to the large demand for broadband services on fibre in 2016, the focus was on improving the customer journey in the provision of fixed line and broadband services for both consumer and business markets. Emphasis was also laid on improving the hotline services for mobile users and retailers, as well as providing broadband solution services online for consumer and business markets.

CSR Initiatives

Well aware that the digital transformation of the island cannot be a reality without including those on the lower rungs of the social ladder, Mauritius Telecom, through its CSR branch, finances numerous projects to empower people in the field of education, to encourage eco-friendly practices and to facilitate the everyday integration of people with disabilities.

In 2016, some Rs 39 million were invested in 30 projects of 16 NGOs, which were beneficial to 151,000 people in Mauritius and Rodrigues.

Through the Mauritius Telecom Foundation, MT provides free access to internet and basic training in ICT to 60 000 citizens by funding 289 of the National Computer Board's (NCB) computer clubs.

The Way Forward

The challenges of the Industry have not changed and great vigilance is required in terms of the potential threats. Disruptive new trends like OTT or the 'war on roaming' as announced by the GSMA chairman, Mr Sunil Mittal, could mean rapid erosion of revenues. With a limited and saturated market, growth becomes an increasingly challenging prospect.

To ensure sustainable progress, Creativity is the operative word. New solutions and ways of doing things have to be adopted and... fast! The internal challenge is not so much the evolution of Technologies as ensuring the evolution of People and Processes. The external challenge is the rapidly changing expectations of customers and their

need for connectivity and service anywhere, everywhere. A new generation of customers are defining what they expect and only companies agile enough to adapt and even lead this new mindset shall succeed.

Conclusion

I can safely say that Mauritius Telecom has already embarked on its transformation and is making good progress towards being a new generation company. We are now poised to start a new wave of growth, improved quality of service, world-class efficiency, practical innovation and overseas diversification. The goal is ambitious and the timeline seemingly implausible for an incumbent operator the size of Mauritius Telecom. I am however confident as the most important asset of the company, its People, have started acting as one family. It might be a tad old fashioned in the Tech world to say this, but I shall say it anyway...*When a family acts as One, everything is possible!*

Sherry SINGH
Chief Executive Officer

June 2017

group executive committee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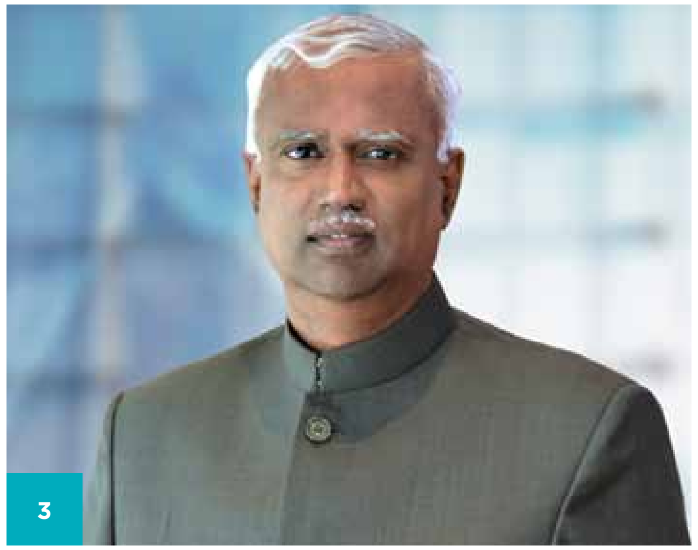
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1. **Mr Manvendra (Sherry) SINGH**
   Chief Executive Officer
2. **Mrs Claire PAPONNEAU**
   Deputy Chief Executive/Chief Operating Officer
3. **Mr Tarkaswar (Raj) COWALOOSUR**
   Chief Human Resources Officer
4. **Mr Leckraj Raja Rai BASGEET**
   Chief Technical Officer
5. **Mr Jerome DE LATTRE**
   Chief Financial Officer
6. **Mr Preetam Kumar (Bobby) RAMSOONDUR**
   Chief Marketing and Consumer Sales Officer
7. **Ms Velamah CATHAPERMAL-NAIR**
   Chief Legal & Regulatory Affairs Officer
8. **Mr Virendra K. BISSOONAUTH**
   Chief Information Officer
9. **Mr Khoymil GOBURDHUN**
   Chief Internal Auditor and Risk Management Officer
10. **Mr Neeraj MOUNIEN**
    Chief Enterprise Solutions Officer
11. **Mr Dharmayashdev (Dharma) Rai BASGEET**
    General Manager – Call Services Ltd

group executive committee (cont'd)

1 **Mr Manvendra (Sherry) SINGH**
Chief Executive Officer

Mr Manvendra (Sherry) Singh is the Chief Executive Officer of Mauritius Telecom since February 2015.

He is an ICT and Marketing professional with a long career in Telecommunications and Marketing in the private sector, namely as the Marketing and Customer Service Manager in a well-established Mauritian telecom company. Mr Manvendra Singh also gained expertise from leading international companies such as Vodafone UK, Tele2 Sweden, Celltel Sri Lanka and Mobitel Cambodia.

In 2003, Mr Manvendra Singh started his own business and specialised in marketing and telecommunications services. He also held the position of Senior Advisor to the Vice Prime Minister and Minister of Finance & Economic Development from July 2010 to July 2011. During the same period, he was a Board member of the State Investment Corporation, the Mauritius Duty Free Paradise and the State Land Development Company.

2 **Mrs Claire PAPONNEAU**
Deputy Chief Executive / Chief Operating Officer

Mrs Claire Paponneau holds a Master's degree in Science in Engineering from Telecoms ParisTech as well as a university research degree (PhD level) in Mathematics and Economics from l'Ecole Normale Supérieure.

She now has over 30 years' international experience in the telecom industry, having joined France Telecom in 1984 and climbed the hierarchy ladder to become the Senior Vice-President Industrial Relationship, followed by International Network Operations responsibilities for the Orange Group. From 2002-2009, Mrs Paponneau occupied the post of Senior Vice-President, International Wholesale Solutions, a fully integrated division of 20 countries, and she managed the Group International Wholesale. From 2009, Mrs Paponneau held the post of Senior Vice-President International Operations for the Orange Group in West and Central Africa, covering seven countries, during which time she was in charge of business results, good governance and crisis management in those countries. She also launched programmes to increase turnover and reduce costs, as well as successfully leading the acquisition of new operations in three African countries.

Mrs Paponneau has been decorated Knight of the French National Order of Merit and is also an Advisor for French International Trade. She is a Board member and treasurer, as well as chairperson of NGOs. She was appointed as Deputy Chief Executive and Chief Operating Officer of Mauritius Telecom on 22 August 2016.

3 **Mr Tarkaswar (Raj) COWALOOSUR**
Chief Human Resources Officer

Mr Tarkaswar (Raj) Cowaloosur is the Chief Human Resources Officer since September 2015. He has been cumulating both the responsibilities of Senior Executive Customer Excellence & Support along with that of Human Resources, since April 2016.

Mr Cowaloosur holds a Diploma in Mechanical and Electrical Engineering as well as a Diploma in Management Studies. He has attended numerous workshops, seminars and training in the ICT field, management and leadership. He has also been an active member in several international organisations such as Commonwealth Telecommunications Organisation (CTO) and GSM Association (GSMA).

He has a long career in the Company which spans over 39 years, out of which thirty years in managerial positions.

Mr Cowaloosur started his first position as Manager Administration and Supplies in 1986 and subsequently held other senior positions as Station Director, Senior Executive Quality and Support, General Manager Support Services and Executive Director Commercial. He launched Cellplus, the first GSM network operator in Mauritius.

group executive committee (cont'd)

4 **Mr Leckraj Raja Rai BASGEET**
Chief Technical Officer

Mr Leckraj Raja Rai Basgeet has been Mauritius Telecom's Chief Technical Officer since June 2015, with the role of ensuring that the Company's technology strategy serves and develops its business strategy. He also leads the International Business Development and Innovation Divisions.

He holds a Bachelor of Technology (Hons) in Electrical & Electronics Engineering and an MBA with specialisation in Marketing. He has over 20 years' experience in the MT Group and has been a key contributor in several projects encompassing fixed, mobile and broadband technologies.

From 2001 to 2007, he was Head of Cellplus Networks Division and from 2007 to 2010 he led MT Networks Planning Division. Until 2015, he then led the Business Development Division and contributed considerably in expanding the Company's footprint internationally.

5 **Mr Jerome DE LATTRE**
Chief Financial Officer

Mr Jerome De Lattre is the Chief Financial Officer of Mauritius Telecom since 15 August 2015. He studied in France and graduated from a French Business School in 1994.

Mr De Lattre started his career in 1996 with Ernst & Young in Paris where he worked for 4 years as Audit Manager. In 2000, he joined France Telecom / Orange as Head of Subsidiaries in the Media & Broadcasting Department and subsequently as Head of Controlling for portal and content activities of Wanadoo France.

In 2005, on top of his existing activities, Mr De Lattre was appointed CFO of w-HA, a payment solution provider wholly owned by Orange Group and in 2006, he was appointed Deputy CFO of Orange Jordan.

Prior to joining Mauritius Telecom, Mr De Lattre was a member of the Executive Committee of Meditelecom (Morocco's second operator and a subsidiary of Orange Group) in charge of Group Controlling.

6 **Mr Preetam Kumar (Bobby) RAMSOONDUR**
Chief Marketing and Consumer Sales Officer

Mr Bobby Ramsoondur studied Electrical and Electronics Engineering at the Institut des Sciences de L'Ingénieur in Clermont-Ferrand, France. Since his Masters, he has held several operational, sales, marketing and management positions in the Mauritius Telecom Group.

He joined Telecom Plus as a Systems Engineer in 1997 before being promoted to the post of Manager Content & Application Development and afterwards Sales Manager.

He then completed an MBA at the *Institut d'Administration des Entreprises* in Poitiers (France) in 2006 and subsequently, in 2009, an Executive MBA jointly awarded by the *Ecole de Management* in Lyon, France, and The Cranfield School of Management, UK.

He became Sales Manager Business Market in 2007, before serving as Senior Executive Marketing of Mauritius Telecom between 2011 and 2015. Thereafter, on 1 September 2015, he was appointed MT's Chief Marketing and Consumer Sales Officer.

7 **Ms Velamah CATHAPERMAL-NAIR**
Chief Legal & Regulatory Affairs Officer

Ms Velamah Cathapermal-Nair is a member of the Canadian Bar and Mauritian Bar and an accredited mediator. She started her career as a State Law Counsel for the government of Québec in Montréal and afterwards practiced with a private legal firm in Montréal mainly in ICT, Media, Competition and Business law.

At Mauritius Telecom, Ms Velamah Cathapermal-Nair deals with both contentious and transactional issues and advises on strategic and legal issues in managing the products and services portfolio.

She provides legal advice and support to MT Group of Companies and regularly appears before the Information and Communication Technologies Authority, the Independent Broadcasting Authority and the Competition Commission of Mauritius for MT commercial operations. She has a strong following in the technology, telecommunications and media fields and is also involved in the policy-making in the ICT Legal and Regulatory environment.

group executive committee (cont'd)

8 Mr Virendra K. BISSOONAUTH
Chief Information Officer

Mr Virendra Kumar Bissoonauth joined Mauritius Telecom on 6 July 2015 as the Chief Information Officer. He holds a Bachelor's degree in Computer Science from Acadia University, Canada, and holds a Master in Management International (MMI) from the University of Phoenix, USA.

He was formerly the Head of IT Division at Mauritius Telecom until October 2006, after which, he joined the private sector and worked in France, Djibouti and Algeria. A commercially focused, results-oriented technology industry leader, pioneering and managing complex IT solution designs including cloud-based applications, Mr Bissoonauth is a service-oriented professional with over 25 years of experience in the ICT sector and has held various top positions in the private sector, locally and internationally. He has also acted as consultant for various projects worldwide.

9 Mr Khoymil GOBURDHUN
Chief Internal Auditor and Risk Management Officer

Mr Khoymil Goburdhun is the Chief Internal Auditor and Risk Management Officer of the Mauritius Telecom Group. He is a Fellow of the Association of Chartered and Certified Accountants, a Certified Internal Auditor and he also holds a Master in Business Administration, specialising in Marketing.

With more than 25 years' experience in the telecommunication sector, Mr Goburdhun served in different management positions within the group and was the Finance and Administration Manager of Telecom Plus from 1996 to 2001.

He is the immediate past president of the Institute of Internal Auditors of Mauritius and a member of the Audit Committee Forum, set up to help Audit Committees in Mauritius improve their effectiveness.

10 Mr Neeraj MOUNIEN
Chief Enterprise Solutions Officer

Mr Neeraj Mounien joined Mauritius Telecom on 12 November 2015 as the Chief Enterprise Solutions Officer. He holds a Post-Graduate degree in Computer Science from London Guildhall University and an MBA from Poitiers University, France. He has more than 15 years of experience as a professional in the ICT Sector, specialising in Software Development, Network Infrastructure, Cloud Computing and Enterprise Sales.

Prior to his appointment as Chief Enterprise Solutions Officer, Mr Mounien worked during eight years at Microsoft Indian Ocean Islands and French Pacific where he cumulated different functions, namely as Business Development Manager, Senior Account Manager, Public Sector Manager and Channel Manager.

Mr Mounien is also a seasoned volleyball player and was the Team Captain and gold medalist with the National Volleyball Team in the 2003 Indian Ocean Games.

11 Mr Dharmayashdev (Dharma) Rai BASGEET
General Manager of Call Services

Mr Dharma Basgeet was appointed General Manager of Call Services in January 2017. He holds a Master of Science degree from Imperial College of Science, Technology and Medicine in Advanced Communication and Signal Processing, and a PhD in Mobile Computing from the University of Bristol.

He is a Chartered Engineer (CEng) with sound experience in applying technology to empower business and has 18 years' experience in the Telecom, Media and Technology (TMT) sector.

In 2000, he joined the University of Bristol as a Research Associate, prior to moving to Toshiba Research Laboratories as a Research Engineer in 2004, where he was involved in wireless research. He then joined Deloitte Consulting UK as a Management Consultant in 2004, before moving to Altran Consulting UK in 2005, where he worked with a number of customers in the TMT sector. In 2010, Mr Basgeet joined Ceridian Mauritius as Director of Implementation and Product Development where he built a strong management team, streamlined the business to achieve greater efficiency and effectiveness, and was instrumental in growing the capabilities around the Ceridian cloud offering, Dayforce, at their Mauritius office.

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 except for those listed in the statement of compliance. The present report sets out how the principles of the Code have been applied within the Company. Based on "apply and explain" approach, the new code of Corporate Governance for Mauritius (2016) introduced on 13 February 2017 shall be applied from 1 July 2017 onward.

Holdings Structure

19%	SBM Holdings Ltd
6.55%	National Pensions Fund
33.49%	Government of Mauritius
40%	Rimcom Ltd*
0.96%	Existing and retired employees of MT Group

* *Rimcom is an investment vehicle wholly owned by Orange SA (formerly France Telecom).*

Substantial Shareholders

Details of shareholders holding more than 5% of the company's shares are included in the table above.

In addition, employees and past employees together hold 0.96% of the company shares further to a share participation scheme introduced in June 2007.

Dividends

Having regard *inter alia* to net results, general financial performance, and subject to capital requirements and investment needs, the Company distributes 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 (MT's strategic partner). The Shareholders' Agreement provides that the Government of Mauritius shall nominate for appointment five out of nine directors while Rimcom shall nominate four directors.

Board of Directors

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

No director of MT 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.

corporate governance (cont'd)

Chief Executive Officer

Pursuant to Section 4.2 (c) of the Shareholders' Agreement, the Chief Executive Officer is appointed by the Board of Directors upon proposal of Government after consultation with MT's strategic partner.

The duties and responsibilities of the Chief Executive Officer are:

- To be responsible and accountable to the Board of Directors of the Company for the overall management of the Company and MT Group, including responsibility for the conduct of the day-to-day operations of the Company and the Group.

Senior Management

The profiles of Senior Management members can be found on pages 26 to 30 of the Annual Report.

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 Mauritius Companies Act 2001 and other relevant legislation. He ensures that the legal interests of the Company are safeguarded.

Related-Party Transactions

Related-party transactions are disclosed in note 34 to the Financial Statements.

Memorandum and Articles of Association

The Memorandum and Articles of Association of Mauritius Telecom is in conformity with the Mauritius 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, attend and 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 26 to the Financial Statements.

Remuneration Policy

The remuneration of directors is considered by the Board's Remuneration Committee.

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

Board Committees

Board committees are as follows:

<u>Remuneration Committee</u>

In 2016, the Remuneration Committee was composed of the following Board members:

Messrs: Sateeaved Seebaluck, GOSK (to 1 November 2016) – Chairman
Nayen Koomar Ballah (as from 8 December 2016) – Chairman
Dheerendra Kumar Dabee, GOSK, SC
Daniel Delestre (to 20 April 2016)
Jean Paul Cottet (to 30 June 2016)
Jugdish Dev Phokeer (to 30 June 2016)
Koosiram Conhye (from 22 September 2016)
Bruno Mettling (from 22 September 2016)
Léon-Charles Ciss (from 22 September 2016)

corporate governance (cont'd)

Board Committees (cont'd)

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.

<u>Audit Committee</u>

The Chairman of the Audit Committee is appointed by the Board. There is no independent or executive director on the Board.

During 2016, the Audit Committee was composed of the following Board members:

Messrs: Hugues Foulon – Chairman
Dharam Dev Manraj, GOSK
Daniel Delestre (to 20 April 2016)
Jean-François Thomas (from 22 September 2016)
Koosiram Conhye (from 22 September 2016)

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 and Corporate Governance.

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

<u>Corporate Governance Committee</u>

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

<u>Risk Management Committee</u>

The Chairman of the Risk Management Committee is appointed by the Board. There is no independent or executive director on the Board.

During 2016, the Risk Management Committee was composed of the following Board members:

Messrs: Hugues Foulon – Chairman
Dharam Dev Manraj, GOSK
Daniel Delestre (to 20 April 2016)
Jean-François Thomas (from 22 September 2016)
Koosiram Conhye (from 22 September 2016)

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.

corporate governance (cont'd)

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

Internal Control Mechanisms

To promote the adequacy and effectiveness of internal controls within the Group, the following mechanisms are used to ensure that operations are adequately monitored and in line with established policies and processes:

- Board committees with specific focus as described above.
- Clear roles and responsibilities for each employee within the organisational structure with well-defined lines of reporting.
- A full set of ISO-certified written internal procedures covering all the major processes across the Group.
- A formalised annual budgetary exercise driven by all departments leading to the annual budget which is put to the Board for approval.
- Monthly monitoring of the Group's performance against budgets with explanations on variances.
- An Internal Audit Department with the Internal Auditor reporting to the Audit Committee.

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 Chief Internal Audit and Risk Management, 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, 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 and Green Actions

Initiatives relating to MT's carbon reduction commitment and green actions at Group level can be found in the Business Review section of the Annual Report.

Business Continuity and Security

MT is pursuing its project for ISO22301:2012 Societal Security and Business Continuity certification on part of its network. In this context, several new business continuity plans have been developed, risk assessment and business impact analysis have been carried out and several policies have been defined. Also forty-eight major stakeholders have been provided training on the ISO22301:2012 standard and business continuity.

Physical Security

a) Intruder alarms have been installed at 27 remote exchanges and 80 mobile sites, with monitoring and rapid intervention systems in order to improve MT asset and infrastructure security.

b) Additional biometric readers have been installed at MT sites and Orange Tower.

c) The access control system server has been upgraded and secured in order to achieve zero downtime.

d) New contracts for security services with more stringent security measures have been awarded to improve the security of MT assets.

e) Night patrols in the four regions (namely North, South, Central and East) have been implemented to prevent vandalism on MT's network.

f) Panic button implementation for all Telecom Shops with a rapid intervention system has been put in place.

g) Cloud CCTV for MT Exchanges has been implemented.

h) A new access card has been deployed, in line with MT rebranding.

Conflicts of Interest

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

Ethics

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

corporate governance (cont'd)

Ethics (cont'd)

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

Courses have been delivered by a team of trainers so as to sensitise 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.

The 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 the 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 Shareholders Meeting

The Company is not currently listed. Therefore, it does 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 2001, is issued to directors and all shareholders.

The calendar of key events is as follows:

EVENTS	MONTH
Financial Year	December
Dividend Declaration	December
Annual Meeting of Shareholders	June

Donations

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

There was no political funding.

On behalf of the Board of Directors

P. C. COLIMALAY

Company Secretary

28 April 2017

English Premier League on my.t

For the first time since it launched its IPTV service, Mauritius Telecom obtained the rights to broadcast the 380 English Premier League matches through a three-year partnership with SFR Sport. The kick-off was given during an event held at the Hennessy Park Hotel, when the official EPL ball was also unveiled. In addition to EPL, sports fans now have access to a variety of sports channels with the new my.t Sports Pack.

events & highlights 2016

board and board committee

attendance during 2016

The table below details the record of attendance at Board and Board Committee meetings during the year.

	BOARD OF DIRECTORS	REMUNERATION COMMITTEE	AUDIT COMMITTEE	RISK MANAGEMENT COMMITTEE
No of meetings held	**5**	**1**	**2**	**1**
Directors				
S. Seebaluck, GOSK (Acting Chairman) (to 1 November 2016)	3 in person + 1 by alternate	1	n/a	n/a
D. K. Dabee, GOSK, SC	2	-	n/a	n/a
D. D. Manraj, GOSK	4 in person + 1 by alternate	n/a	2 by alternate	By alternate
J. D. Phokeer (to 30 June 2016)	2	1	n/a	n/a
D. Delestre (to 20 April 2016)	1 by alternate	-	1 by alternate	-
H. Foulon	2 in person + 3 by alternate	n/a	2	1
J. P. Cottet (to 30 June 2016)	3	1	n/a	n/a
V. Thérond (to 30 June)	1 in person + 1 by alternate	n/a	n/a	n/a
B. Mettling (from 21 April 2016)	2 in person + 2 by alternate	1	n/a	n/a
S. D. Gujadhur-Nowbuth (from 30 June 2016)	2	n/a	n/a	n/a
K. Conhye (from 30 June 2016)	1 in person + 1 by alternate	-	1	1
J. F. Thomas (from 30 June 2016	2	n/a	1	1
L. C. Ciss (from 30 June 2016)	2	-	n/a	-
N. K. Ballah (Acting Chairman) (from 14 November 2016)	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 the pleasure of presenting the Annual Report and Audited Financial Statements of the Company and of the Group for the year ended 31 December 2016.

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 CSL Madagascar, 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 PCC holds MT's investments in other entities.
- MT Services Ltd recruits employees for the Mauritius Telecom Group.
- Telecom Vanuatu Ltd (TVL) (100% owned by MT International Ventures PCC, a wholly owned subsidiary of Mauritius Telecom) offers fixed, mobile and internet services in Vanuatu*
- CSL Madagascar (97% owned by MT International Ventures PCC, a wholly owned subsidiary of Mauritius Telecom) offers call-centre services in Madagascar.

Results for the Year

The Group's and Company's profits after tax, attributable to equity holders, for the financial year were [figures hereinafter in Rs 000's]: Rs 1,191,471 (2015: Rs 1,024,313) and Rs 44,371 (2015: Rs 965,442) respectively.

Earnings per share for the year were Rs 6.27 (2015 restated: Rs 5.39 per share).

The audited financial statements of the Group and Company for the year ended 31 December 2016 are annexed.

* MT sold 100% shares held in TVL to another operator in March 2017.

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 2016:

Mauritius Telecom

Messrs Sateeaved Seebaluck, GOSK - Ag Chairman (to 1 November 2016)
Nayen Koomar Ballah - Ag Chairman (from 14 November 2016)
Dheerendra Kumar Dabee, GOSK, SC
Dharam Dev Manraj, GOSK
Hugues Foulon**
Daniel Delestre (to 20 April 2016)
Bruno Mettling (from 21 April 2016)
Jugdish Dev Phokeer (to 30 June 2016)
Jean Paul Cottet (to 30 June 2016)

Mrs Valerie Thérond (up to 30 June 2016)
Shakuntala Devi Gujadhur-Nowbuth (from 30 June 2016)

Messrs Koosiram Conhye (from 30 June 2016)
Jean-François Thomas (from 30 June 2016)
Léon-Charles Ciss (from 30 June 2016)

Cellplus Mobile Communications Ltd

Mr Manvendra Singh – Chairman

Mrs Nathalie Clere (to 30 June 2016)

Mr Tarkaswar Cowaloosur (from 30 June 2016)

Telecom Plus Ltd

Mr Manvendra Singh – Chairman

Mrs Nathalie Clere (to 30 June 2016)

Messrs Leckraj Raja Rai Basgeet
Peter Conrad Colimalay
Kapildeo Reesaul (to 30 June 2016)
Tarkaswar Cowaloosur (from 30 June 2016)
Preetam Kumar Ramsoondur (from 30 June 2016)

Call Services Ltd

Messrs Manvendra Singh – Chairman
Tarkaswar Cowaloosur

Mrs Nathalie Clere (to 30 June 2016)

** Mr Foulon has resigned on 12 April 2017. Mr Ludovic Pech has been appointed Director on 12 April 2017.

Teleservices (Mauritius) Ltd

Messrs Manvendra Singh – Chairman
Tarkaswar Cowaloosur
Mrs Nathalie Clere (to 30 June 2016)

MT Properties Ltd

Messrs Manvendra Singh – Chairman
Tarkaswar Cowaloosur
Jerome De Lattre (to 29 June 2016)

Mauritius Telecom Foundation

Mr Manvendra Singh – Chairman
Mrs Nathalie Clere (to 30 June 2016)
Mr Tarkaswar Cowaloosur (from 30 June 2016)

MT International Ventures PCC

Messrs Manvendra Singh – Chairman
Leckraj Raja Rai Basgeet
Mrs Nathalie Clere (to 30 June 2016)
Mr Tarkaswar Cowaloosur (from 30 June 2016)

MT Services Ltd

Mr Manvendra Singh – Chairman
Mrs Nathalie Clere (to 30 June 2016)
Mr Tarkaswar Cowaloosur (from 30 June 2016)

Telecom Vanuatu Ltd

Mr Manvendra Singh – Chairman
Mrs Nathalie Clere (to 19 August 2016)
Mr Leckraj Raja Rai Basgeet
Regent Ltd (local director in Vanuatu)

CSL Madagascar

Messrs Manvendra Singh – Chairman
Leckraj Raja Rai Basgeet
Devendra Curpen (local director in Madagascar)

Directors' Remuneration

Total remuneration and benefits paid to Board Directors by the Company during the year are disclosed in note 26 (Directors' emoluments) to 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.

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 Mauritius Companies Act 2001 requires the directors to prepare financial statements consisting of the Group's and the Company's statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cashflows, 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 2016 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.
- adhered to the code of corporate governance, maintained adequate accounting records and an effective system of internal control and risk management.

Declaration of Interest

- Deployment of FTTH Network – ODN and Customer Connections
- Deployment of FTTH Network – Purchase of GPON equipment

At the 153rd Board of Directors' Meeting held on 18 February 2016, Mr Seebaluck, Acting Chairman, declared his interest and did not participate in the deliberations and decisions on the above items.

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 such risks through policies, procedures and other controls.

Governance

The Code of Corporate Governance is closely followed (see the Corporate Governance Report with reasons adequately explained for areas of non-compliance).

Dividends

No dividends were declared during the year 2016 (2015: Rs 659,300,000),

Donations

Donations of Rs 385,000 were made by the Group during the year (2015: Rs 49,000).

There were no political donations during the year.

Auditors

The fees payable to the auditors for audit services in 2016 were:

	THE GROUP		THE COMPANY	
	2016 Rs 000	2015 Rs 000	2016 Rs 000	2015 Rs 000
Audit services	5,016	5,519	1,700	2,625
Non-audit services	-	600	-	600

Non-audit fees relate to reporting on historical performance of the Group.
No other service was 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.

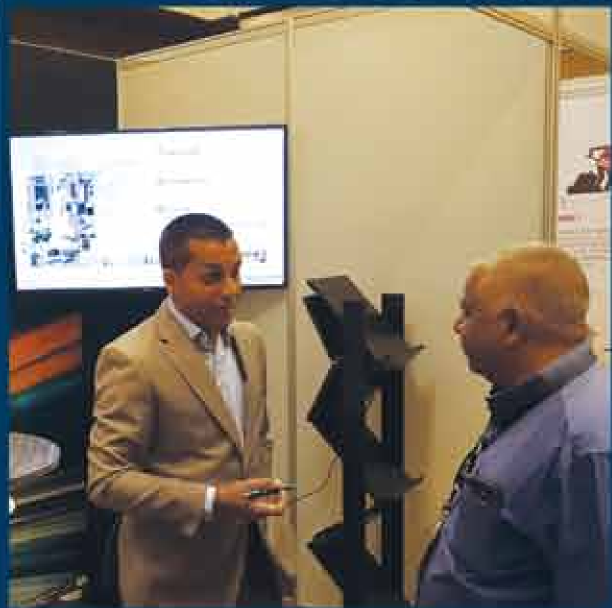
Nayen Koomar BALLAH
Director
28 April 2017

Dharam Dev MANRAJ, GOSK
Director
28 April 2017

MT: Africa Operator of the Year 2016

The accelerated deployment of the Fibre-to-the-Home Project won international acclaim, with the FTTH Council Africa conferring its Operator of the Year 2016 award on Mauritius Telecom. In 2016, Mauritius was ranked among the Top 10 most fibred countries in the world, ranking first in Africa. Mauritius Telecom has the ambition to fibre the whole island by the end of 2017.

events & highlights 2016



business review

Marketing Department

During 2016, Mauritius Telecom's Marketing Department acted as the catalyst behind a series of successful product and service introductions on the market, which have played an important role in sustaining the digital transformation of Mauritius into a smart island.

In February, a gift data package was launched, enabling the Company to substantially increase its customer base of mobile internet users while providing them with an augmented customer experience. Subscribers can use it to send a gift to their families and friends of a daily, weekly or monthly internet package.

In March, MT achieved a new milestone, pioneering the fastest-ever internet speed available so far on the residential market, opening new opportunities for HD online streaming of videos. The revolutionary 100 Mbps my.t offer was officially launched by the former Prime Minister of Mauritius, Sir Anerood Jugnauth, at Swami Vivekananda International Conference Centre, Pailles.

In June, MT moved closer to its customers in St Pierre, with the opening there of its 21st Telecom Shop.

Since July, with its Love Pack, the Company has been able to address the needs of high users of voice while on the move, by offering them unlimited calls to any Orange Mauritius phone number for 24 hours, for only Rs 39 including VAT, together with a free mobile internet daily package.

The Marketing Department supported the growth in tourist arrivals from the People's Republic of China, in September introducing a special SIM Card with 1 GB internet data allowance so that visitors from China can continue accessing and using WeChat, the most popular social media app in that country, with over 800 million active users. By sharing images and videos of sights in Mauritius, at the same time Chinese travellers enhance the visibility of Mauritius amongst their WeChat contacts.

As 2016 unfolded, MT added new TV channels to my.t appealing to different market segments, starting in March with Nina TV, the first 100% telenovela channel, followed in August by a five-channel Sports Pack, with the English Premier League as star attraction and covering a broad spectrum of disciplines including basketball, boxing, cliff diving, handball, surfing and volleyball. With its strong content, the my.t Sports Pack has increasingly been gaining in popularity and attracting new subscribers.

Moreover, in September, my.t started to broadcast a Kids Pack with three children's channels (Cartoon Network, Toonami and TiJi). The following month, the launching of a Bollywood Mega Pack was an instant hit, with its 16 channels providing the best of Bollywood movies, serials, shows, music, discovery and news.

MT's work received external recognition in October 2016, when Mauritius Telecom was awarded the title of Operator of the Year by the FTTH Council Africa.

During the year, my.t also introduced MCS Maison, MCS Bien-être, Travelxp and the Mauritius Parliament TV Channel.

Additional features added included the Dual Room service, giving members of a household the opportunity to watch a my.t film, programme or Video on Demand (VoD) on screens located in two different rooms.

These additions have enabled my.t to become the leading TV content provider in Mauritius, generating new streams of revenue for Mauritius Telecom and, by extension, consolidating its financial capacity to undertake new investment in the latest infrastructure and technologies.

Last but not least, the Marketing Department staged various events in Telecom Shops during the year and participated in the major Infotech ICT fair in December.

Cellplus Mobile Communications

During the year under review, Cellplus Mobile Communications strengthened its leadership position on Mauritius' mobile market with a 4.7% year-on-year increase in its customer base. By 31 December 2016, it had attracted and retained a total of more than 900,000 customers.

A fully-owned MT subsidiary, the company was one of Mauritius Telecom's main revenue generators, contributing Rs 3.7 billion in 2016.

Cellplus Mobile Communications reaped the benefits of increasing multi-device adoption and of MT's introduction on the market of innovative services such as its Gift and Love Packs, which have exceeded customer expectations and boosted usage rates.

In line with its strategy of providing ubiquitous mobile broadband and improving services to customers, more than fifty 3G mobile sites have been deployed in targeted residential areas throughout Mauritius. An in-building-solution (IBS) project was also implemented to provide the highest possible voice and data network coverage to business customers in Ebene Cybercity.

Moreover, the deployment of the 4G network was instrumental in transforming digital equipment usage. Telecom Shops supported this growth by marketing the latest models of smartphones, such as the iPhone 7 and Samsung S7 edge as well as tablets. Meanwhile, MT was able to tap emerging market opportunities with its WeChat SIM card targeting tourists and business people from the People's Republic of China.

business review (cont'd)

Telecom Plus

TV channels

Mauritius Telecom continued to strengthen its position in the pay-TV market with its my.t subscribers attaining 132,000 in December 2016.

There was a major breakthrough with the introduction of the English Premier League in the my.t Sports Pack, which has had five sports channels since August 2016. SFR Sport 1 exclusively covers the English Premier League, SFR Sport 2 is an all sports channel, SFR Sport 3 includes all extreme sports and SFR Sport 5 is dedicated to combat sports, while BFM Sport provides fresh sports news, covering major sporting events worldwide.

At the same time, there have been enrichment of existing packages, with Rishtey channel (TV serials, Bollywood films) and MCS Maison (interior decoration, cuisine, etc) included in the Essentiel bouquet and MCS Bien-être in the Emotion bouquet. To further diversify the TV offering, Nina TV was launched on an à-la-carte model in February 2016 to provide popular Latin-American telenovelas.

A Bollywood Mega Pack was launched in September 2016, with three Sony channels (Sony MAX, Sony MIX, Sony SAB), Travelxp (travel and lifestyle) and B4U music channels added to the well-performing Bollywood bouquet channels.

A Kids Pack consisting of Cartoon Network, Toonami and TiJi was also launched to cater for children and teenagers.

Altogether, more than 12 HD TV channels were launched in 2016 and Catch-Up TV and Multi-screen rights were acquired on more than 60 channels.

With the above launches, MT now offers more than 100 channels, positioning itself as a leading and innovative content player within the region.

Video on Demand (VoD)

The VoD catalogue was gradually reviewed in 2016 to focus more on quality contents. It was continuously enriched with new releases from Sony Pictures, Walt Disney, NBC Universal and new Bollywood releases. Western contents contributed to around 70% of revenue, Bollywood contents to 20% and local contents to 10%.

Teleservices

Starting out as a pioneer in the telephone directories publishing business in Mauritius, Teleservices has evolved into a marketing communication agency with a specific niche audience over the past few years. Since 2010, a significant year-on-year fall in revenue from print directories has been noted. This phenomenon was confirmed by a fall in EBITDA figures in 2016 by 15% as compared to 2015.

With the evolution of communication technologies, buyer behaviour is changing. Information searches are done less via printed media and more on digital platforms.

This growing trend led the company to craft a range of omni-channel product offers for its advertisers, which started with basic online presence and went on to intensive social media advertising campaigns. In 2016, Teleservices started offering competitive marketing solutions for SMEs and governmental and parastatal institutions, using a suite of relevant digital products without forgetting its unique blend of print-related media offers. Throughout the year, new publications were launched, including My Buying Guide and Guide des Formations. In addition to diversifying the product range, a stringent cost-cutting strategy was adopted to counter the fall in revenue.

Apart from the usual phonebook, yellow pages and business directory, three main initiatives were instigated in 2016 for completion in 2017 – the revamping of the online directory, a complete makeover of the mobile app along with new branding and the launch of two new print directories in 2017, L'Annuaire de la Santé and the Export Directory.

Putting innovation at the centre of its business operations, Teleservices aims to add a host of new value-added services to its offering in 2017.

business review (cont'd)

CSL

Call Services Ltd (CSL) is a wholly-owned subsidiary of Mauritius Telecom (MT). Established in 1999, CSL was the pioneer contact centre in Mauritius, taking over the task of providing telephonic assistance for MT customers looking for the number of an individual or company via the 150 hotline.

The company gradually broadened its activities and is now a high-tech and innovative contact centre and business process outsourcing (BPO) service provider, offering a full range of services to the local and international markets. CSL is one of the largest employers in the ICT-BPO segment in Mauritius with 727 full-time employees and operates on a 24/7 basis.

CSL's core values are integrity, a customer-orientated spirit, innovation and creativity, teamwork and social responsibility. CSL focuses on leveraging technology to train and empower its employees in order to meet customer expectations.

CSL has been ISO 9001-certified since June 2005 and COPC-certified since March 2016. COPC is an internationally used operations management system for handling customer contacts. It is an abbreviation of Customer Operations Performance Centre. CSL is one of only two contact centres in MEA (Middle East & African) region to be COPC-certified.

Financial and Operational Achievements

The company's turnover grew from Rs 11.9 million in 1999 to Rs 370.5 million in 2015, and further to Rs 398 million in 2016.

The number of telephone users has considerably increased in recent years, with CSL handling an increasing number of calls. The total number of incoming calls in 2016 was 14.8 million against 14.7 million in 2015.

Business Process Outsourcing (BPO) and Other Services

CSL handles the helpdesk of the MT Group's fixed line, mobile and broadband services and provides MT with other solutions such as telephone surveys, appointment setting, debt chasing and recovery, and data capture and maintenance.

Whilst MT remains one of CSL's major customers, the company has grown organically with customers such as telecom operators, telephone-betting operators, utility companies, financial institutions, market research companies and government bodies.

CSL's call centre segment handles both inbound and outbound calls while its non-voice department caters amongst others for industry-specific back office, corporate service and data management tasks:

- **Inbound services**
  - Customer care
  - Order lines with up-selling and/or cross-selling
  - Bookings and product helplines
  - Complaint and technical desk
  - Virtual secretary
- **Outbound services**
  - Market research / customer satisfaction surveys
  - Telesales and telemarketing
  - Appointment taking
  - Debtor chasing
  - Leads generation
  - SMS campaigns
- **Back office data management services**
  - Database management: data collection and cleansing
  - Mailing
  - Data analytics
- **Contact centre training courses**
- **Business continuity solutions**
- **Contact centre set-up consultancy**

With continued growth of operations, leveraging on its know-how and labour arbitrage, CSL has started to branch out, opening an office in Madagascar in 2015 and more recently an office in Rodrigues.

Projects and Achievements

COPC certification

COPC certification required dedication and constant effort from the team for a period of three years. Aligning with COPC standards, all departments have worked in synergy to implement a structured approach providing an all-round view of quality and result monitoring. This approach has enabled CSL to improve its operational efficiency through better planning, reporting and scheduling whilst continuously measuring its client satisfaction.

CSL's ultimate goal is Total Quality Management (TQM) certification, which involves improving the customer experience and being efficient at all levels.

business review (cont'd)

CSL Rodrigues

In line with its growth strategy, CSL identified emerging opportunities in Rodrigues and, with the support of the Rodrigues Regional Assembly, CSL has set up a 100-seater contact centre at Camp du Roi. This will also contribute to the economic development of Rodrigues by creating jobs and enhancing the skills & knowledge of Rodriguans wishing to pursue a career in the BPO sector.

Engaging with employees

CSL is committed to people engagement and employee wellness and organised several welfare activities for staff such as meditation and yoga courses. The dynamism of staff was reflected in their participation in the badminton, beach soccer, pool, indoor games and athletics competitions organised in collaboration with the MT Group.

Training and development

Continuous training aims at enhancing job performance and employee competencies. Customer service agents attend courses on the Basics of Telemarketing, Effective Customer Care Practices and Techniques, Back Office Operations and Sales Techniques before embarking on campaigns.

Building on its experience of customer service, CSL also provides training to a number of other organisations in Mauritius.

Outlook

With the advent of the Internet of Things (IoT), the rise of cloud technology and the omnipresent eye of social media, customer experience and customer service have become top priorities of a number of companies in order to differentiate themselves from competitors.

Using its own experience in customer experience and service, and tapping into the depth and breadth of its customer database, CSL is well positioned to advise other businesses in terms of customer and new product trends, and assist them with their business strategies.

CSL has embarked on a journey to transform itself from being a traditional low-end contact centre to becoming a knowledge and relationship management hub for its business partners. CSL will focus on three key enablers:

- **Engaged people**

  Aside from excellent communication skills, customer service agents need to become customer service consultants with a wider range of skills to help resolve customers' problems immediately. This involves a fundamental shift in terms of career progression, recruitment, recognition and training to help employee engagement and foster superior customer experience and customer service.

- **Customer experience/service**

  With the move towards a knowledge/relationship hub and with an increase in personalised service, CSL will evolve towards predicting customer trends in order to pro-actively anticipate queries and ensure first-line resolution.

- **Simplification of business and automation**

  Lean processes and user-friendly tools are at the heart of people and customer engagement. Reviewing processes, together with the use of data mining and mobile applications, should help customer service consultants personalise their approach towards customer experience and service.

Honing its people skills and with the advantage of this extensive customer data, CSL will be moving towards becoming an Innovative Service Delivery Centre to the benefit of both its employees and customers.

business review (cont'd)

Network Achievement

The main focus in 2016 was on the acceleration of the Fibre-To-The-Home (FTTH) Project. This project has changed the telecommunications landscape in Mauritius and by the end of December more than 145,000 connections had been made to the fibre network, which represents 78% of MT's current broadband customers. This has pushed Mauritius among the Top 10 most fibred country in the world and to number one position in Africa. In recognition of Mauritius Telecom's efforts, the FTTH Council Africa presented MT with the 2016 Operator of the Year award for the African region.

MT's network development plan is aligned with the global telecommunication trend of migrating to an all IP Network. With this in mind, an IP Multimedia Subsystem (IMS) was commissioned in 2016. The IMS platform allows transmission and management of voice and internet traffic through the one single medium of fibre, allowing Mauritius Telecom to reap the full benefits of the FTTH project. The IMS has been adopted globally as the standard architecture for next-generation voice and multimedia services. More than 11,000 customers were migrated to this new platform during the year.

For several years, Mauritius Telecom has been negotiating to include the English Premier League in its my.t channels. This led to Mauritius Telecom partnering with the Société Française du Radiotéléphone (SFR) and launching the League in a new bouquet, the Sports Pack. It consists of five HD channels, SFR Sport 1, SFR Sport 2, SFR Sport 3, BFM Sport and SFR Sport 5. These channels are streamed from Paris through submarine cables to Mauritius to be injected into the IPTV platform.

In line with its strategy of providing ubiquitous mobile broadband and improving customer experience, the MT Networks team deployed more than fifty 3G mobile sites in targeted residential areas throughout Mauritius. An In-Building-Solution (IBS) project was also implemented to provide the highest possible voice and data network coverage to business customers in Ebene Cybercity.

To allow Mauritians to enjoy sustained mobile data connection, mobile network equipment was deployed to enhance the 3G network along the motorway.

In line with the vision of the government to provide free Wi-Fi services to the public, MT deployed state-of-the-art Wi-Fi access points across Mauritius in 350 public locations such as Post Offices, Municipal Councils, District Council Offices and Day-Care, Women and Community Centres.

Mauritius Telecom also embarked on an ambitious project of setting up a state-of-the-art Tier IV Data Centre in Rose Belle. This Data Centre has been certified by Design by Uptime Institute Professional Services, the leading data centre certifying body. The facility will house some 500 racks and will offer IaaS, PaaS, SaaS, disaster recovery and business continuity services to local and international customers.

Diversification & Overseas Acquisition

Telecommunications companies now face new forms of competition from what are known as over-the-top companies (OTTs). Streamlining MT's existing business is no longer sufficient to guarantee survival in this new business world. For sustained growth, Mauritius Telecom ambitions to transform itself into a regional player.

This has led Mauritius Telecom's International Business Development Division to actively follow potential international opportunities, including inorganic growth and the acquisition of talents and infrastructure.

The Division is currently scrutinising market opportunities in Central and East Africa, with a view to evaluating the most appropriate investment options. It is also considering potential investment in ICT players other than traditional telcos.

Innovation Division

The Innovation team works in collaboration with other business units to move progressively from a concept to a concrete outcome. One of its achievements in 2016 was the creation and production of its Traffic Watch App that won the award for The Best App for Africa at the 2016 AfricaCom event.

The MT Euro 2016 prediction game was another mobile app that was designed and produced by the team. The app was made available to the general public free of charge, with a star prize of an air ticket to Rodrigues for the top football score predictor. Thousands of Mauritians downloaded and used the mobile app. The team further came up with the innovative concept of eCitizen, which aims at encouraging public participation in civic efforts to make Mauritius cleaner, greener and safer. Through this mobile app, citizens can collaborate with their local authorities to address issues impacting their community and environment. Using the app, they can capture a picture of a problem, add relevant useful information and post it to the authority concerned. eCitizen was officially launched in June 2016 in St Pierre during the opening of a new Telecom Shop. By the end of 2016, more than 500 public posts had been sent to public authorities. MT has already embarked on a roadmap to connect all local authorities to the platform.

The Orange Money Service is in constant evolution as more services are added to the existing portfolio of mobile payment services. As well as existing bill payment, merchant payment, e-voucher for retailers, e-ticketing and online payment services, two new ones, mobile top-up and data pack, were added. These allow customers to buy airtime and mobile data for themselves and others from their mobile phones.

Customer Experience

Mauritius Telecom continued with its endeavour to improve its customers' experience of service delivery, usage and value-creation in line with its ambition of providing an Unmatched Customer Experience.

The basics for 2016 remained:

1. Listening and understanding the Voice of the Customer better, through both qualitative and quantitative surveys, so as to adapt to the customer journey and usage experience, including after sale.
2. Continually simplifying processes for the customer and automating when possible.
3. Using business intelligence to take and track improvement actions.
4. Continuous improvements in service delivery through its Quality Management System.
5. Providing better service through the further training of frontline staff.

Due to the large demand for broadband services on fibre in 2016, the focus was on improving the customer journey in the provision of fixed line and broadband services for both consumer and business markets.

Focus was also laid on improving the hotline services for mobile users and retailers, as well as providing broadband solution services online for consumer and business markets.

Customer surveys indicate that these measures have had a positive impact.

Since standards remain the basis of operational excellence, MT successfully completed a surveillance audit, carried out by SGS in November 2016. Meanwhile, the Company is seeking its fourth ISO certification. Mauritius Telecom also successfully completed its Customer Operations Performance Centre (COPC) certification.

Improvement in customer service is a never-ending process and remains the main aim of Mauritius Telecom for 2017.

Carbon Reduction Commitment and Green Channels

In its Strategic Plan 2012-2016, Mauritius Telecom set itself the following objectives:

1. To achieve a 5% reduction in its power consumption.
2. To reduce its carbon footprint by 10%.

To meet these strategic objectives, MT has implemented the following measures:

1. The replacement of incandescent lights by energy-saving ones on 50 sites.
2. The procurement & utilisation of sleep-mode rectifier modules on 35 mobile sites, which save energy during low traffic load.
3. 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.
4. The use of heat resistant paint on MT sites, which provides insulation from the sun and reduces the ambient temperature inside technical equipment rooms, leading to reduced cooling requirements and energy consumption.
5. The redesign of a number of technical rooms in order to optimise the use of cooling equipment, which directly reduces energy consumption.
6. The use of hyperconverged platforms allowing several services to run on a common platform, thereby reducing the number of hardware items.

As a result of the action plan, power savings achieved have been as follows:

Electricity (KWh)	- 289,000 KWh
Cost savings in Rs	- 3.2 million
Fuel (Agalega)	- 5,000 litres per year

business review (cont'd)

Risk Management

Like all businesses, Mauritius Telecom is affected by a number of risks and uncertainties, coming from both internal and external sources. The main risks relate to finance, business, assets, image and reputation.

Identifying and managing risks with the potential to affect its objectives is an essential part of MT's governance framework. Its risk management approach facilitates appropriate identification, assessment and control of risks to its operations and corporate strategy. However, it is important to note that there may be some risks which are unknown today or some which were considered of little significance but which may become important later. Its approach provides the framework for various activities to enhance MT's ability to achieve its financial, customer and people goals, and meet its legal and compliance responsibilities so as to protect and enhance value for its shareholders.

Throughout the year, MT continues to refine its risk management approach. Risks are regularly reviewed and monitored, new risks, especially those internal and external risks that could have a material impact on its objectives, are identified and assessed with respect to likelihood and severity of impact.

The Board is responsible for not only determining the risks that the Group is willing and able to take to achieve its strategic objectives, but also ensuring that all the risks are properly identified, evaluated and managed. It is the responsibility of Management to establish and maintain appropriate systems that function effectively to manage risks and reduce them to an acceptable level.

Material business risks

The Group is exposed, by the nature of its business, to a variety of risks that individually or together could have an adverse effect on achieving its objectives.

The following section summarises those material business risks that could adversely affect the Group's financial performance and growth potential in future years, including any material exposure to economic, environmental or social risks, and how MT seeks to mitigate or manage them.

Financial risks

These are outlined in note 32 of the Financial Statements.

Growth in a competitive market

MT's markets are characterised *inter alia* by constant and rapid change, strong and new competition, falling prices and (in some markets) falling revenues, technology changes, market and product convergence and customers moving between providers. MT is mitigating the risks by sticking to its strategy of broadening and deepening customer relationships, delivering superior customer service, transforming its costs, and investing for growth. In this regard, MT has been investing massively in areas like fibre, TV and contents.

Business disruption

A high dependency on technology and increased integration of customer services means outages can significantly impact the continuity of business operations and delivery of services to customers. Human error, asset breakdown and natural calamities can disrupt operations. MT has a response capability to address business disruption events, with incident management and emergency management capability. It continually reviews and improves this capability through assessments of its businesses' core activities.

Information security

The Group places high importance on protecting the security and privacy of customer and company data. In order to counter cyber security risks and improve the protection of its networks and information from external threats, MT has provided for numerous security controls for its networks, based on its understanding of known threats and best industry practice and knowledge.

Innovation and agility

Effective innovation is fundamental in securing revenue streams and withstanding challenges from a changing competitor and industry landscape. The Group's capacity and ability to respond to the innovation challenge and disruptive business model are related to the agility of its internal processes and the capability and flexibility of its people. To manage this risk, MT is focused on enhancing people skills and committed to identifying innovative products and services that could deliver long-term earnings growth. It is also simplifying its processes and IT and network infrastructure, as well as reviewing operating costs as it aims to deliver services at a more affordable cost, with a quick response to disruptive innovations.

Regulatory environment

The Group operates in a highly regulated environment. The Government and its regulatory agencies (ICTA and CCM) have broad powers to impose obligations on certain parts of MT's business.

It works actively with government, regulators and the community to minimise and mitigate the risk of inefficient or inappropriate regulation for a small market like Mauritius.

business review (cont'd)

People

The skills and experience of its people have an influence on MT's ability to deliver its growth strategy. A risk factor is the Group's need for a certain number of technical, sales and leadership capability skills within key growth areas. Key mitigation strategies intended to enhance people capability and competitive advantage include succession planning, recruitment and retention processes, talent management and perpetual upgrading of the competencies of its people in growth areas.

Pensions

The Group has an exclusive funding obligation to its main defined benefit pension schemes. These pension schemes face similar risks to other defined benefit schemes. Low investment returns, high inflation, longer life expectancy, increases in salary and pensions, and regulatory changes may all mean these schemes become more of a financial burden. This may lead to higher pension deficits and thus an increase in deficit payments into the schemes. MT is mitigating this risk by regularly reviewing investment performance with the pension administrator. Moreover, the Group's financial strength and cash generation provide a level of protection against the impact of changes in the pension schemes' funding position.

Reputational risk

Reputation is key to Mauritius Telecom's business and it is continuously working on promoting its corporate and brand images, which might easily be tarnished in an era of digitalisation and widespread use of social media.

Regulatory and Policy Developments

Review of broadband & superfast broadband offers

Mauritius Telecom reviewed the price of its broadband & superfast broadband offers, making them more affordable. This will foster a wave of modern entrepreneurs and will assist the country to move towards a fully-fledged digital society.

IP Television Service Licence

The Independent Broadcasting Authority (IBA) issued an Internet Protocol (IP) Television Service Licence to MT for the provision of television content over the public network.

Forthcoming developments

The Government announced the following policies in the 2016/2017 budget speech:

- The merger of the ICTA and the IBA
- The setting up of a National Payment Switch by the Bank of Mauritius to promote e-commerce
- An increase in the number of free Wi-Fi hotspots from 350 to 600
- Investment in a fibre-optic undersea cable by a consortium of regional telecom operators

Human Resources

2016 was a year of organisational restructuring within the Mauritius Telecom (MT) Group, during which several major HR initiatives were put in place. These initiatives aimed at consolidating MT's position as a caring organisation.

People acquisition and analytics

A People Acquisition and Analytics section is responsible for recruitment, onboarding and performance management. It also looks at people analytics and dashboards to determine trends and establish people priorities for the organisation.

- The MT Group embarked on a restructuring exercise in 2015 and by December 2016, 95% of the restructuring had been completed.
- In 2016, over 6,000 candidates were interviewed as part of promotion and recruitment exercises. With an average of 20 minutes per interview, this exercise was equivalent to approximately 360 days of interviews.
- During the year, more than 500 employees were promoted, thus providing more opportunities to employees to climb up the career ladder.
- In 2016, the MT Group counted 103 Human Resource Outsourcing (HRO), employees, who had been on contract with Call Services but who had been recruited to be posted in various MT departments. In December 2016, these employees were offered a permanent and pensionable contract of employment with MT Services, effective from 1 January 2017.

eCitizen – the link between citizens and local authorities

This eCitizen app, launched on a pilot basis in St. Pierre, aims at facilitating social dialogue between authorities and citizens. Using the eCitizen application, people can send pictures and information to notify the authorities of any environmental or other issues.

Same services will be extended to other regions by 2017.

21st Telecom Shop in St. Pierre

Mauritius Telecom opened its 21st shop in St Pierre, so that inhabitants of St Pierre, Moka and Quartier Militaire have less to travel to benefit from MT facilities and services.

The shop was inaugurated by The Hon Pravind Kumar Jugnauth in the presence of MPs from nearby regions.

events & highlights 2016

business review (cont'd)

Human Resources (cont'd)

Capacity building

- In 2016, approximately 1,100 employees of the MT Group were trained in various fields by both in-house and external trainers. Focus was given to training in new and emerging technologies such as Fibre-To-The-Home (FTTH), IP and cloud services.
- Other areas in terms of upskilling and reskilling of human capital included the following:
  - (i) Orange Campus courses
  - (ii) Welcoming and grooming courses for all front-office employees
  - (iii) Sales techniques
  - (iv) Presentation skills
- The MT Group partnered in 2016 with Ducere (an Australian University) and the University of Mauritius to provide partial scholarships to selected MT employees for an MBA in Innovation and Leadership.
- An HSC Professional Programme (HSC Pro) was run in collaboration with the Mauritius Examination Syndicate. The Mauritius Telecom Group also provided workplace placement to 19 HSC students who were based in different departments to gain exposure and experience in the world of work.
- The Group further provided employment opportunities to 12 Pre-Registration Trainee Engineers so that they could benefit from the experience required for registration as engineers with the CRPE.
- Construction works were also initiated for the launching of the Telecom Campus.

Employee feedback

- A staff event was organised in collaboration with the Marketing and Consumer Sales Department in March 2016.
- Surveys were carried out in order to assess the engagement of employees in CSL, TVL and IS departments.
- Several workshops were organised throughout the Group to obtain feedback and provide information to employees. HRBP support was also provided through a dedicated HR resource person to assist all business units with HR-related matters.

Wellness

- Partnership identification initiatives were made with spas, gyms and leisure parks as part of a bigger wellness programme to be offered by the MT Group.
- MT also participated actively in the FMSC games, coming third in the tournament.
- Gym and yoga sessions were continued.

Health and safety

- As part of health and safety initiatives, 78 employees received first-aid training.
- An automated external defibrillator (AED) was installed and training given in its use.
- Continuous risk assessments of all MT sites were carried out to ensure a safe working environment for employees.

Operational matters

- A voluntary retirement scheme (VRS) had been put in place at the end of 2015 and it was implemented in 2016. 225 employees from various departments availed themselves of this opportunity.
- In 2016, Mauritius Telecom invited requests from employees under an early retirement scheme (ERS) and 27 ERS requests were processed.
- Anomalies resulting from the 2008 salary review for 131 employees were addressed in 2016.
- Overtime and savings self-service modules were digitalised to facilitate overtime entries and access to savings information for Group employees.

Employee relations

- The Company was able to maintain good industrial relations with the Unions.
- A salary review exercise for the period 2016-2020 was started.

the Mauritius Telecom Foundation

committed to creating a better life in the Republic of Mauritius

Through the Mauritius Telecom Foundation (MTF), around 133,000 people in Mauritius and Rodrigues were able to benefit from the Rs 39 million injected into 30 projects initiated in 2016 by the Foundation, working with 16 NGOs and institutions.

In Rodrigues, in collaboration with the office of the Island Chief Executive, the MTF financed nine NGO projects for a total amount of Rs 3 million.

Making digital technology accessible

The Foundation also financed the installation of 350 Wi-Fi hotspots (Wi-Fi Mauritius) under the aegis of the Ministry of Technology, Communication and Innovation, to provide free internet connection to citizens of Mauritius.

The population, especially those from the vulnerable groups, are able to connect to Wi-Fi hotspots located in several regions: 26 in the West, 50 in Port Louis, 27 zones in the Pamplemousses area, 40 in the Rivière du Rempart area, 23 in Moka, 45 in Flacq, 36 in Grand Port, 38 in the Savanne district and 65 zones in Plaines Wilhems. The objective is to provide free internet access across the island and Wi-Fi Mauritius is an important tool for this widening of access to the internet. Fully conscious that digital technology is a formidable driver for education, training and professional integration, the MT Foundation is proud to be part of this revolutionary project with the Government to make Mauritius among the first countries in the world to provide free Wi-Fi access on such a large scale.

Education

As education is a major tool in empowering people, leading to economic, social and personal well-being, the MTF distributed 2,000 school bags and 100,000 copybooks to children from vulnerable groups.

Furthermore, the Foundation donated Rs 300,000 to L'Atelier Mo'Zar for the running of its music school for disadvantaged children.

Facilitating the everyday integration of people with disabilities

The Foundation donated 208 commode wheelchairs to people with severe physical disabilities. Commode wheelchairs enable patients who have limited mobility due to an accident or any physical disabilities to use the toilet with ease. Afterwards, it is easily converted back into a normal wheelchair.

A better environment for a better tomorrow

Firmly committed to respecting the environment and contributing to the battle to limit climate change, the MTF aims to optimise waste management and find responsible solutions to environmental issues in both Mauritius and Rodrigues.

Through its ongoing scheme, *Je recycle les mobiles et les piles*, five tons of used batteries and 5,000 used mobile telephones were collected for recycling.

In line with the government policy to eliminate plastic bags, 30,000 long-lasting/re-usable bags were distributed to the general public.

Health, fitness and wellness

To promote community health by increasing physical activity using exercise equipment and team sports in public centres, the Foundation initiated its Outdoor Gym Project.

The Project is particularly aimed at combatting the steady and dramatic rise in adult obesity and at promoting regular physical activity. Outdoor Gym makes physical activity affordable, more enjoyable and ultimately more beneficial to society. Twenty games areas are being installed across Mauritius.

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independent auditor's report to the shareholders of Mauritius Telecom Ltd

Report on audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Mauritius Telecom Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 128, which comprise the statements of financial position as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the IESBA Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

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

- we have no relationship with, or interest in, the Company and 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 Corporate Governance Report is consistent with the requirements of the Code.

Other information

The directors are responsible for the other information. The other information comprises the Corporate Governance Report, Annual Report and the Certificate by the Company's Secretary, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 they are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Deloitte

DELOITTE
Chartered Accountants

Twaleb BUTONKEE, FCA
Licensed by FRC

28 April 2017

contents

statements of financial position

at 31 december 2016

	Notes	THE GROUP 2016 Rs 000s	THE GROUP 2015 Rs 000s	THE COMPANY 2016 Rs 000s	THE COMPANY 2015 Rs 000s
ASSETS					
Non-current assets					
Property, plant and equipment	5	11,582,988	10,289,942	9,553,462	7,574,854
Intangible assets	6	263,577	353,147	245,465	304,866
Investments in subsidiaries	7	-	-	842,408	842,408
Investments in associates	8	342,426	422,590	112,245	112,245
Available-for-sale investments	9	10,699	9,332	10,699	9,332
Loan to a subsidiary	10	-	-	206,718	225,203
Deferred tax asset	18	357,772	135,159	402,862	237,366
Total non-current assets		12,557,462	11,210,170	11,373,859	9,306,274
Current assets					
Inventories	11	571,856	415,889	410,630	318,272
Trade receivables	12	1,446,621	1,528,696	1,002,242	953,994
Other receivables	13	977,907	578,188	953,606	650,638
Held to maturity investments	14	858,293	1,245,171	858,293	1,245,171
Loan to a subsidiary	10	-	-	18,484	16,899
Cash and cash equivalents		1,137,989	1,137,054	1,034,816	942,866
Assets classified as held-for-sale	40	988,408	-	-	-
Total current assets		5,981,074	4,904,998	4,278,071	4,127,840
Total assets		18,538,536	16,115,168	15,651,930	13,434,114
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	15	190,000	190,000	190,000	190,000
Fair value reserve	16	4,224	2,857	4,224	2,857
Translation reserve		9,757	48,634	-	-
Retained earnings		7,035,984	6,228,295	4,550,968	4,816,130
Total equity		7,239,965	6,469,786	4,745,192	5,008,987
Non-current liabilities					
Loans	17	-	142,173	-	-
Retirement benefit obligations	19	4,392,569	3,586,709	4,168,952	3,471,840
Other payables	21	229,718	223,179	229,718	223,179
Total non-current liabilities		4,622,287	3,952,061	4,398,670	3,695,019
Current liabilities					
Loans	17	-	47,864	-	-
Trade payables	20	3,132,502	2,452,029	2,024,431	1,537,354
Other payables and accrued expenses	21	2,220,931	1,501,327	3,975,218	1,945,236
Deferred revenue	22	328,361	307,436	191,267	194,794
Dividends	23	-	659,300	-	659,300
Current tax liabilities		285,298	362,641	62,334	104,040
Provisions	24	291,733	362,724	254,818	289,384
Liabilities directly associated with assets classified as held-for-sale	40	417,459	-	-	-
Total current liabilities		6,676,284	5,693,321	6,508,068	4,730,108
Total liabilities		11,298,571	9,645,382	10,906,738	8,425,127
Total equity and liabilities		18,538,536	16,115,168	15,651,930	13,434,114

Approved by the Board of Directors and authorised for issue on 28 April 2017.

) Name of Directors signing) Name of Directors signing

) **DIRECTORS**) **DIRECTORS**

N. K. Ballah) **D. D. Manraj**, GOSK)

The notes on pages 65 to 128 form an integral part of these financial statements.

statements of profit or loss and other comprehensive income

for the year ended 31 december 2016

	Notes	THE GROUP 2016 Continuing operations Rs 000s	2016 Discontinued operations* Rs 000s	2016 Total Rs 000s	2015 Continuing operations Rs 000s	2015 Discontinued operations Rs 000s	2015 Total Rs 000s	THE COMPANY 2016 Rs 000s	2015 Rs 000s
Revenue	25	9,357,170	726,961	10,084,131	9,160,072	680,672	9,840,744	6,200,455	6,075,207
Cost of sales		(2,067,175)	(215,148)	(2,282,323)	(1,931,626)	(182,601)	(2,114,227)	(1,288,795)	(1,168,794)
Gross profit		7,289,995	511,813	7,801,808	7,228,446	498,071	7,726,517	4,911,660	4,906,413
Operating expenses		(6,121,814)	(402,892)	(6,524,706)	(5,913,808)	(507,679)	(6,421,487)	(5,295,935)	(4,989,786)
Profit/(loss) from operations	26	1,168,181	108,921	1,277,102	1,314,638	(9,608)	1,305,030	(384,275)	(83,373)
Other income	27	104,860	247,264	352,124	90,157	66,818	156,975	549,716	534,396
Other gains	28	21,366	6,623	27,989	34,283	17,247	51,530	97,771	72,694
Investment income	29	44,894	208	45,102	45,951	231	46,182	86,720	730,173
Finance costs	30	(2,523)	(14,056)	(16,579)	(2,253)	(18,188)	(20,441)	(18,866)	(72,309)
Share of (loss)/profits from associates	8	(38,883)	-	(38,883)	28,812	-	28,812	-	-
Profit before tax		1,297,895	348,960	1,646,855	1,511,588	56,500	1,568,088	231,066	1,181,581
Income tax expense	18	(455,384)	-	(455,384)	(543,775)	-	(543,775)	(186,695)	(216,139)
PROFIT FOR THE YEAR		842,511	348,960	1,191,471	967,813	56,500	1,024,313	44,371	965,442
Other comprehensive income, net of income tax									
Items that will not be reclassified subsequently to profit or loss:									
Remeasurement of retirement benefit obligation		(383,782)	-	(383,782)	(191,359)	-	(191,359)	(309,533)	(191,471)
Exchange difference on translating foreign operations		(38,877)	-	(38,877)	50,906	-	50,906	-	-
		(422,659)	-	(422,659)	(140,453)	-	(140,453)	(309,533)	(191,471)
Items that may be reclassified subsequently to profit or loss:									
Fair value gain/(loss) on available-for-sale-investments		1,367	-	1,367	(9)	-	(9)	1,367	(9)
Other comprehensive (loss) for the year, net of tax		(421,292)	-	(421,292)	(140,462)	-	(140,462)	(308,166)	(191,480)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		421,219	348,960	770,179	827,351	56,500	883,851	(263,795)	773,962
Profit for the year attributable to:									
Owners of the Company		842,511	348,960	1,191,471	967,813	56,110	1,023,923	44,371	965,442
Non-controlling interest		-	-	-	-	390	390	-	-
		842,511	348,960	1,191,471	967,813	56,500	1,024,313	44,371	965,442
Total comprehensive income/(loss) for the year attributable to:									
Owners of the company		421,219	348,960	770,179	827,351	56,110	883,461	(263,795)	773,962
Non-controlling interest		-	-	-	-	390	390	-	-
		421,219	348,960	770,179	827,351	56,500	883,851	(263,795)	773,962
Earnings per share (Rs)	31			6.27			5.39		

*The sale of Telecom Vanuatu Ltd has been completed on 21 March 2017 following Board approval on 18 February 2016 to dispose of the indirectly owned subsidiary.

The notes on pages 65 to 128 form an integral part of these financial statements.

statement of changes in equity

for the year ended 31 december 2016

	Notes	Stated capital Rs 000s	Fair value reserve Rs 000s	Translation reserve Rs 000s	Retained earnings Rs 000s	Attributable to owners of the Company Rs 000s	Non-controlling interest Rs 000s	Total Rs 000s
GROUP								
At 1 January 2015		190,000	2,866	(2,272)	6,063,771	6,254,365	(4,233)	6,250,132
Profit for the year		-	-	-	1,023,923	1,023,923	390	1,024,313
Other comprehensive (loss)/ income for the year, net of income tax		-	(9)	50,906	(191,359)	(140,462)	-	(140,462)
Total comprehensive (loss)/ income for the year		-	(9)	50,906	832,564	883,461	390	883,851
Acquisition of non-controlling interest		-	-	-	(8,740)	(8,740)	3,843	(4,897)
Dividends	23	-	-	-	(659,300)	(659,300)	-	(659,300)
At 31 December 2015		190,000	2,857	48,634	6,228,295	6,469,786	-	6,469,786
Profit for the year		-	-	-	1,191,471	1,191,471	-	1,191,471
Other comprehensive income/ (loss) for the year, net of income tax		-	1,367	(38,877)	(383,782)	(421,292)	-	(421,292)
Total comprehensive income/ (loss) for the year		-	1,367	(38,877)	807,689	770,179	-	770,179
At 31 December 2016		190,000	4,224	9,757	7,035,984	7,239,965	-	7,239,965

	Notes	Stated capital Rs 000s	Fair value reserve Rs 000s	Retained earnings Rs 000s	Total Rs 000s
COMPANY					
At 1 January 2015		190,000	2,866	4,701,459	4,894,325
Profit for the year		-	-	965,442	965,442
Other comprehensive (loss) for the year, net of income tax		-	(9)	(191,471)	(191,480)
Total comprehensive income for the year		-	(9)	773,971	773,962
Dividends	23	-	-	(659,300)	(659,300)
At 31 December 2015		190,000	2,857	4,816,130	5,008,987
Profit for the year		-	-	44,371	44,371
Other comprehensive (loss) for the year, net of income tax		-	1,367	(309,533)	(308,166)
Total comprehensive (loss) for the year		-	1,367	(265,162)	(263,795)
Dividends	23	-	-	-	-
At 31 December 2016		190,000	4,224	4,550,968	4,745,192

The notes on pages 65 to 128 an integral part of these financial statements.

Traffic Watch – Best App for Africa 2016

In collaboration with the Mauritius Police Force, Mauritius Telecom launched Traffic Watch, a mobile app which provides live video feeds on traffic conditions along major roads. It was developed on the occasion of the Maha Shivaratree Festival to keep devotees heading towards Grand Bassin informed about traffic conditions. The service was later extended to strategic points on the motorway, with cameras placed at Caudan North, Caudan South, Phoenix motorway and St. Jean roundabout. This app, developed by the Innovation Division, won the AfricaCom Best App for Africa award in Cape Town in November 2016.

Empowering musical souls of Atelier Mo'Zar

To help promote music amongst youngsters from vulnerable groups in the Roche Bois region, the CEO of MT and Chairman of Mauritius Telecom Foundation remitted a cheque of Rs 300,000 to Mo'Zar Espace Artistic during a cheque remittance ceremony held at Telecom Tower.

events & highlights 2016

statements of cash flows

for the year ended 31 december 2016

	Note	THE GROUP 2016 Rs 000s	THE GROUP 2015 Rs 000s	THE COMPANY 2016 Rs 000s	THE COMPANY 2015 Rs 000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		1,646,855	1,568,088	231,066	1,181,581
Adjustments for:-					
Profit on disposal of property, plant and equipment		(3,871)	(16,260)	(1,922)	(11,574)
Interest expense		14,249	19,148	118,484	72,157
Interest income		(37,756)	(39,764)	(79,374)	(86,568)
Dividend income		(7,346)	(6,418)	(7,346)	(643,605)
Retirement benefit obligations		283,132	333,030	257,651	310,572
Termination benefits		6,539	223,179	6,539	223,179
Share of loss/(profits) of associates		38,883	(28,812)	-	-
Depreciation and amortisation		1,972,450	1,899,124	1,422,181	1,346,270
Impairment loss/write off property, plant and equipment		180,170	81,957	178,261	8,366
Profit on disposal of an associate		(10,369)	-	(15,000)	-
Provision for obsolete stock		15,838	(30,311)	7,409	(41,818)
Provision for bad debts		92,597	(29,645)	108,930	8,774
Unrealised finance cost		2,250	1,293	382	152
Unrealised exchange gain		(1,579)	(32,141)	(75,595)	(62,990)
Operating profit before working capital changes		4,192,042	3,942,468	2,151,666	2,304,496
Increase in trade receivables		(121,277)	(285,489)	(164,628)	(60,842)
(Increase)/decrease in other receivables		(513,696)	(8,966)	(347,837)	636,129
(Increase)/decrease in inventories		(212,669)	186,971	(99,767)	104,232
Increase in trade payables		751,823	489,642	494,634	274,818
(Decrease)/increase in other payables and accrued expenses		(129,251)	105,392	1,129,409	408,279
Increase/(decrease) in deferred revenue		20,925	(24,092)	(3,527)	(9,970)
(Decrease)/increase in provisions		(33,102)	1,558	(34,948)	(6,629)
Cash generated from operations		3,954,795	4,407,484	3,125,002	3,650,513
Interest paid		(14,249)	(19,148)	-	-
Taxation paid		(495,849)	(716,130)	(150,234)	(434,467)
Net cash flows generated from operating activities		3,444,697	3,672,206	2,974,768	3,216,046
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in an associate		-	(49,917)	-	(49,917)
Purchase of property, plant and equipment		(2,866,100)	(2,178,357)	(2,603,328)	(1,889,911)
Purchase of intangible assets		(122,536)	(34,792)	(134,233)	(16,055)
Proceeds from sale of property, plant and equipment		4,495	18,091	1,922	12,233
Proceeds from disposal of an associate		5,000	-	5,000	-
Non-controlling interest in a subsidiary		-	(4,897)	-	-
Interest received		37,756	39,764	37,408	38,769
Dividends received		7,346	13,605	7,346	13,605
Net cash used in investing activities		(2,934,039)	(2,196,503)	(2,685,885)	(1,891,276)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bank loan by a subsidiary		(50,669)	(34,999)	-	-
Dividends paid		(659,300)	(782,800)	(659,300)	(782,800)
Net cash used in financing activities		(709,969)	(817,799)	(659,300)	(782,800)
Net (decrease)/increase in cash and cash equivalents		(199,311)	657,904	(370,417)	541,970
Cash and cash equivalents at beginning of the year		2,382,225	1,664,904	2,188,037	1,586,274
Effect of exchange rate changes on the balance of cash held in foreign currencies		75,535	59,417	75,489	59,793
Cash and cash equivalents at end of the year	37	2,258,449	2,382,225	1,893,109	2,188,037

The notes on pages 65 to 128 form an integral part of these financial statements.

notes to the financial statements

for the year ended 31 december 2016

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 7.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Company has applied all of the new and revised IFRSs 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 2016.

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

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

- IAS 1 Presentation of Financial Statements – Amendments resulting from the disclosure initiative
- IAS 16 Property Plant & Equipment – Amendments regarding the clarification of acceptable methods of depreciation and amortisation
- IAS 16 Property Plant & Equipment – Amendments bringing bearer plants into the scope of IAS 16
- IAS 19 Employee Benefits – Amendments resulting from September 2014 Annual Improvements to IFRSs
- IAS 27 Separate Financial Statements – Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements
- IAS 28 Investment in Associates and Joint Ventures – Amendments regarding the application of the consolidation exception
- IAS 38 Intangible Assets – Amendments regarding the clarification of acceptable methods of depreciation and amortisation
- IFRS 7 Financial Instruments: Disclosures – Amendments resulting from September 2014 Annual Improvements to IFRSs
- IFRS 10 Consolidated Financial Statements – Amendments regarding the application of the consolidation exception
- IFRS 12 Disclosure of Interest in Other Entities – Amendments regarding the application of the consolidation exception

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

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

- IAS 7 Statements of Cash Flows – Amendments as result of the Disclosure initiative (effective 1 January 2017)
- IAS 12 Income Taxes – Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
- IAS 28 Investment in Associates and Joint Ventures – Amendments deferring the effective date of the September 2014 amendments (effective 1 January 2018)
- IAS 28 Investment in Associates and Joint Ventures – Amendments resulting from Annual Improvements 2014-2016 Cycle (clarifying certain fair value measurement) (effective 1 January 2018)

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

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

IAS 39 Financial Instruments – 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 a portfolio 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 1 January 2018)

IAS 40 Investment Property – Amendments to clarify transfers or property to, or from, investment property (effective 1 January 2018)

IFRS 7 Financial Instruments: Disclosures – Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2018)

IFRS 7 Financial Instruments – Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2018)

IFRS 9 Financial Instruments – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition (effective 1 January 2018)

IFRS 9 Financial Instruments – Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective 1 January 2018)

IFRS 10 Consolidated Financial Statements – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely)

IFRS 12 Disclosure of Interest in Other Entities – Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying scope) (effective 1 January 2017)

IFRS 15 Revenue from Contracts with Customers – Amendments to defer the effective date to 1 January 2018 (effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers – Clarifications to IFRS 15 (effective 1 January 2018)

IFRS 16 Leases – Original Issue (effective 1 January 2019)

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

The directors anticipate that these amendments will be applied on their effective dates in future periods. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of preparation (cont'd)

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, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Basis of consolidation (cont'd)

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 and 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held-for-sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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 the equity method is discontinued.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Business combinations (cont'd)

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.

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 re-measured 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 re-measured 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 re-measured 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) Non-current assets held for sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held-for-sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held-for-sale.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Non-current assets held for sale (cont'd)

Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell.

(h) Revenue recognition

Revenue relates to telephone services, data communication services, sale of equipment, prepaid phone cards 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.

Revenue represents income from services provided through advertisement in phone books, fax and email directories and is shown net of discounts, allowances, returns and Value Added Tax.

<u>Commission</u>

Commission income represents revenue recognised for activities performed by the Group as an agent in relation to media-planning transactions.

<u>Deferred revenue</u>

Sale of prepaid phone cards is not recognised as revenue outright since subscribers do not consume all the credit at once. In order to provide a more accurate matching of revenues with direct costs, revenue is recognised on a 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.

<u>Rental income</u>

Rental income is recognised on an accruals basis.

MT: Data Centre

An agreement and an MoU were signed between Mauritius Telecom and the Mauritius Commercial Bank, under which the bank will use the facilities at the Mauritius Telecom Data Centre to locate its servers. Meanwhile, MCB migrated its services to the Rose Hill Data Centre as an intermediary site until the Rose Belle Data Centre is ready for operations in 2017. MT's Rose Belle Data Centre will be a state-of-the-art Tier 4 Data Centre certified (by design) by Uptime Institute and unique of its kind in the region.

Avaya Africa Partner of the Year Award

Mauritius Telecom won the Africa Partner of the Year award at the Avaya Engage event held in Dubai in December 2016 for being the fastest growing mid-market partner in all of Africa, excluding South Africa, based on its sales performance and certified status. For 2016, MT registered a revenue increase of $1.1 million as compared to $800,000 in 2015 in the SME/mid-market segment.

Infotech 2016

Mauritius Telecom showcased its latest services and products at the 23rd edition of Infotech. The major annual ICT fair, organised by the National Computer Board, was held from 1 to 4 December 2016 at the SVICC, Pailles.

events & highlights 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) 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 derecognised 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.

(j) Intangible assets

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.

(k) Impairment of tangible and intangible assets

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

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

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

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

notes to the
financial statements (cont'd)
for the year ended 31 december 2016

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of tangible and intangible assets (cont'd)

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

(l) 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.

(m) 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 on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 on 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)

(m) 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.

(n) 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 before tax' as reported in the statement of profit or loss and other 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 temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 end of the reporting period, to recover or settle the carrying amount of their 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 their current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Taxation (cont'd)

(iii) Current and deferred taxes for the year

Current and deferred taxes are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively.

(o) 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.

(p) 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 the State Insurance Company of Mauritius Ltd and the 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. Re-measurement, 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. Re-measurement 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.
- Re-measurement.

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.

(q) Financial instruments

Financial assets and financial liabilities are recognised when an 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Financial instruments (cont'd)

Investments are recognised and derecognised on the 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

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

(i) Effective interest method

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

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

(ii) 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 fair value 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 other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(iii) 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.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Financial instruments (cont'd)

(v) Impairment of financial assets

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

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

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

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

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 profit or loss.

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 profit or loss 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 in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Financial instruments (cont'd)

(vi) Derecognition of financial assets

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

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.

(r) 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.

A financial liability is classified as held-for -trading if:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(v) Other financial liabilities

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

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

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

(vi) Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability and the consideration paid and payable is recognised in profit or loss.

(s) 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 have raised a valid expectation in those affected that they 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.

(t) Leases

The Group and 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 Group and 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.

(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, where necessary to conform to the current year's presentation.

Opening up to the Chinese market

In collaboration with the MTPA, Mauritius Telecom launched WeChat services for Chinese tourists and locals who deal with China. This was done in association with Tencent Holdings, the founder of WeChat, China's No 1 social media mobile app. The service was launched during a ceremony held at the SSR International Airport, during which free WeChat SIM cards with 1 GB internet data were distributed to a group of Chinese tourists.

Euro 2016

Given the enthusiasm of Mauritians for football, especially for Euro 2016, Mauritius Telecom developed its MT Euro 2016 Prediction game app, which the general public was able to download free of charge. MT staff were also encouraged to participate in the game. During a prize-giving ceremony held at Telecom Tower in Port Louis, the top football score predictor amongst MT staff won the star prize of an air ticket to Rodrigues, while the top football score predictors from the public won prizes of an LG G5 phone + Cam Plus.

events & highlights 2016





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 believes that they are not expected to be significantly different from actual results.

(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.

(v) *Allowance for slow-moving inventories*

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues.

(vi) *Allowance for doubtful debts on trade receivables*

Allowance for doubtful debts is determined using a combination of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customers' financial strength and collateral requirements from customers in certain circumstances. Management makes allowance for doubtful debts based on its best estimates at the reporting date.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land Rs 000s	Plant and equipment Rs 000s	Plant and equipment in progress Rs 000s	Buildings on leasehold land Rs 000s	Furniture, fittings and equipment Rs 000s	Motor vehicles Rs 000s	Total Rs 000s
COST							
At 1 January 2015	102,780	28,148,596	946,832	1,127,598	1,476,771	102,825	31,905,402
Additions	-	1,725,606	529,656	26,693	35,637	23,640	2,341,232
Disposals	-	(164,120)	-	(105)	-	(10,497)	(174,722)
Transfer	-	98,739	(98,739)	-	-	-	-
Reclassification from/(to) intangible assets	-	1,076	-	-	(9,499)	-	(8,423)
Adjustments	-	(488)	-	-	(250)	-	(738)
Write off	-	(201,371)	-	-	-	-	(201,371)
Effect of foreign currency exchange differences	-	243,614	-	-	(559)	-	243,055
At 31 December 2015	102,780	29,851,652	1,377,749	1,154,186	1,502,100	115,968	34,104,435
Additions	-	3,007,705	703,006	44,725	13,523	55,360	3,824,319
Disposals	-	(81,408)	-	-	(51)	(2,240)	(83,699)
Transfer	-	169,594	(232,709)	63,467	(352)	-	-
Transfer to intangible assets	-	(593)	-	-	-	-	(593)
Reclassified as assets held for sale	-	(3,613,672)	-	-	-	-	(3,613,672)
Effect of foreign currency exchange differences	-	(67,012)	-	-	(102)	-	(67,114)
At 31 December 2016	102,780	29,266,266	1,848,046	1,262,378	1,515,118	169,088	34,163,676
DEPRECIATION AND IMPAIRMENT LOSS							
At 1 January 2015	-	20,846,214	-	579,036	670,187	56,057	22,151,494
Charge for the year	-	1,650,102	-	65,651	26,494	14,226	1,756,473
Disposals	-	(163,156)	-	(105)	-	(10,484)	(173,745)
Adjustments	-	789	-	-	(3,799)	-	(3,010)
Impairment loss	-	29,205	-	-	-	-	29,205
Write off	-	(148,619)	-	-	-	-	(148,619)
Effect of foreign currency exchange differences	-	202,761	-	-	(66)	-	202,695
At 31 December 2015	-	22,417,296	-	644,582	692,816	59,799	23,814,493
Charge for the year	-	1,709,441	-	73,007	22,282	16,447	1,821,177
Disposals	-	(80,785)	-	-	(51)	(2,240)	(83,076)
Transfer to intangible assets	-	(31)	-	-	-	-	(31)
Impairment loss	-	119,424	-	-	-	-	119,424
Reclassified as assets held for sale	-	(3,036,487)	-	-	-	-	(3,036,487)
Effect of foreign currency exchange differences	-	(54,790)	-	-	(22)	-	(54,812)
At 31 December 2016	-	21,074,068	-	717,589	715,025	74,006	22,580,688
NET BOOK VALUE							
At 31 December 2016	102,780	8,192,198	1,848,046	544,789	800,093	95,082	11,582,988
At 31 December 2015	102,780	7,434,356	1,377,749	509,604	809,284	56,169	10,289,942

During the year, the Group performed an impairment review of the assets which required the recognition of an impairment loss of Rs '000 119,424 (2015: Rs Rs '000 29,205). The impairment is recognised within operating expenses as per note 26. The Directors are of the opinion that no further impairment is required. 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 000s	Plant and equipment Rs 000s	Plant and equipment in progress Rs 000s	Buildings on leasehold land Rs 000s	Furniture, fittings and equipment Rs 000s	Motor vehicles Rs 000s	Total Rs 000s
COST							
At 1 January 2015	23,749	19,477,759	946,832	659,597	1,282,177	97,262	22,487,376
Additions	-	1,442,275	529,656	1,148	13,195	23,640	2,009,914
Disposals	-	(158,484)	-	(105)	-	(10,497)	(169,086)
Transfer	-	98,739	(98,739)	-	-	-	-
Transfer from intangible assets	-	1,076	-	-	-	-	1,076
At 31 December 2015	23,749	20,861,365	1,377,749	660,640	1,295,372	110,405	24,329,280
Additions	-	2,606,026	703,007	36,660	5,222	55,360	3,406,275
Disposals	-	(23,020)	-	-	(51)	(2,240)	(25,311)
Transfer	-	169,242	(232,709)	63,467	-	-	-
Transfer to intangible assets	-	(593)	-	-	-	-	(593)
At 31 December 2016	23,749	23,613,020	1,848,047	760,767	1,300,543	163,525	27,709,651
DEPRECIATION AND IMPAIRMENT LOSS							
At 1 January 2015	-	14,568,126	-	493,135	560,352	50,494	15,672,107
Charge for the year	-	1,185,954	-	33,989	7,422	14,226	1,241,591
Disposals	-	(157,838)	-	(105)	-	(10,484)	(168,427)
Transfer from intangible assets	-	789	-	-	-	-	789
Impairment	-	8,366	-	-	-	-	8,366
At 31 December 2015	-	15,605,397	-	527,019	567,774	54,236	16,754,426
Charge for the year	-	1,251,260	-	39,735	2,148	16,447	1,309,590
Disposals	-	(23,020)	-	-	(51)	(2,240)	(25,311)
Transfer to intangible assets	-	(31)	-	-	-	-	(31)
Impairment	-	117,515	-	-	-	-	117,515
At 31 December 2016	-	16,951,121	-	566,754	569,871	68,443	18,156,189
NET BOOK VALUE							
At 31 December 2016	23,749	6,661,899	1,848,047	194,013	730,672	95,082	9,553,462
At 31 December 2015	23,749	5,255,968	1,377,749	133,621	727,598	56,169	7,574,854

During the year, the Company performed an impairment review of the assets which required the recognition of an impairment loss of Rs '000 117,515 (2015: Rs '000 8,366). The Directors are of the opinion that no further impairment is required. The impairment was recognised within operating expenses as per note 26.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

6. INTANGIBLE ASSETS

	THE GROUP			THE COMPANY		
	Computer software in progress Rs 000s	Computer software Rs 000s	Total Rs 000s	Computer software in progress Rs000s	Computer software Rs 000s	Total Rs 000s
COST						
At 1 January 2015	-	1,671,326	1,671,326	-	1,116,789	1,116,789
Transfer from/(to) property plant and equipment	-	8,423	8,423	-	(1,076)	(1,076)
Additions	-	46,437	46,437	-	25,766	25,766
Disposal	-	(1,897)	(1,897)	-	-	-
Exchange difference	-	(165)	(165)	-	-	-
At 31 December 2015	-	1,724,124	1,724,124	-	1,141,479	1,141,479
Transfer from property, plant and equipment	-	593	593	-	593	593
Additions	89,370	32,542	121,912	89,370	24,004	113,374
Disposal	-	(400)	(400)	-	-	-
Exchange difference	-	(30)	(30)	-	-	-
At 31 December 2016	89,370	1,756,829	1,846,199	89,370	1,166,076	1,255,446
AMORTISATION						
At 1 January 2015	-	1,226,371	1,226,371	-	732,723	732,723
Transfer to property, plant and equipment	-	(789)	(789)	-	(789)	(789)
Charge for the year	-	146,448	146,448	-	104,679	104,679
Disposal	-	(1,043)	(1,043)	-	-	-
Exchange difference	-	(10)	(10)	-	-	-
At 31 December 2015	-	1,370,977	1,370,977	-	836,613	836,613
Transfer from property, plant and equipment	-	31	31	-	31	31
Charge for the year	-	151,273	151,273	-	112,591	112,591
Impairment loss	-	60,746	60,746	-	60,746	60,746
Disposal	-	(400)	(400)	-	-	-
Exchange difference	-	(5)	(5)	-	-	-
At 31 December 2016	-	1,582,622	1,582,622	-	1,009,981	1,009,981
NET BOOK VALUE						
At 31 December 2016	89,370	174,207	263,577	89,370	156,095	245,465
At 31 December 2015	-	353,147	353,147	-	304,866	304,866

Intangible assets pertain to computer software used in the Group's and the Company's operations and financial information systems.

During the year, the Company performed an impairment review of IT projects and this has required the recognition of an impairment loss of Rs '000 60,746 (2015: Rs '000 Nil) which has been recognised in operating expenses as per note 26.

7. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2016 Rs 000s	THE COMPANY 2015 Rs 000s
At cost, unquoted		
At beginning of year	842,408	422,408
Amount due from subsidiary converted into equity	-	48,722
Loan converted into equity	-	371,278
At end of year	842,408	842,408

The directors have assessed at 31 December 2016 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.

The subsidiaries of Mauritius Telecom Ltd are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2016	Proportion of ownership interest 2015		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 PCC	Mauritius	Ordinary	100%	100%	Direct	Investment vehicle
MT Services Ltd	Mauritius	Ordinary	100%	100%	Direct	Human resource services
Telecom Vanuatu Ltd	Republic of Vanuatu	Ordinary	100%	100%	Indirect	Fixed & mobile phone operator
CSL Madagascar	Madagascar	Ordinary	100%	100%	Indirect	Call centre services

Following a Board resolution dated 14 December 2015, it was resolved to wind up Telecom Plus Ltd. The assets, liabilities and operations of Telecom Plus Ltd will be transferred to Mauritius Telecom Ltd.

On 18 February 2016, the directors approved the plan to dispose of Telecom Vanuatu Ltd. Refer to note 39.

notes to the financial statements (cont'd)
for the year ended 31 december 2016

8. INVESTMENTS IN ASSOCIATES

THE GROUP

	2016 Rs 000s	2015 Rs 000s
Cost of investment in associate net of impairment	112,245	112,245
Share of post-acquisition profits, net of dividend received	310,345	288,719
Share of (loss)/profit during the year	(38,883)	28,812
Dividend received	-	(7,186)
Translation adjustments	(36,650)	-
Disposal during the year	(4,631)	-
	230,181	310,345
	342,426	422,590

THE COMPANY

	2016 Rs 000s	2015 Rs 000s
At cost		
At beginning of the year	156,656	85,346
Addition	-	71,310
Disposal	(39,000)	-
At end of the year	117,656	156,656
Impairment loss		
At beginning of the year	44,411	44,411
Written off on disposal	(39,000)	-
At end of the year	5,411	44,411
Net book value	112,245	112,245

During the year, the Group disposed of its 50% equity interest in Continuity Mauritius Co Ltd, accounted for as investment in associate prior to the disposal. The disposal has resulted in the recognition of a gain included in profit or loss calculated as follows:

	2016 Rs 000s
Proceeds from disposal	15,000
Less carrying amount of investment	(4,631)
Gain recognised	10,369

8. INVESTMENTS IN ASSOCIATES (cont'd)

The directors have assessed at 31 December 2016 whether there has been any indication that investment in associates should be impaired. Following the results of this assessment, the directors have noted that there are no indications of impairment. The material associate of the Group is as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2016	2015		Principal activity
Telsea Investment Ltd	Mauritius	Ordinary	24.50%	24.50%	Direct	Investment holding

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

THE GROUP

	2016 Rs 000s	2015 Rs 000s
Current assets	1,039,177	865,067
Non-current assets	2,336,889	2,424,985
Current liabilities	(1,239,207)	(1,178,129)
Non-current liabilities	(897,058)	(991,298)
Net assets	1,239,801	1,120,625
Group's share of associate's net assets	303,751	335,138
Revenue	2,896,448	2,979,269
Profit for the year	52,264	104,535
Other comprehensive income for the year	-	-
Total comprehensive income for the year	52,264	104,535
Dividend received	-	7,186
Group's share of profit of associate for the year	-	25,611

The non-material associates of the Group are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2016	2015		Principal activity
HDM Interactive Ltd	Mauritius	Ordinary	30.00%	30.00%	Direct	Internet kiosks
Continuity Mauritius Co Ltd	Mauritius	Ordinary	-	50.00%	Direct	Business continuity services
Eon Reality (Mauritius) Ltd	Mauritius	Ordinary	25.00%	25.00%	Direct	Interactive digital centre hub

8. INVESTMENTS IN ASSOCIATES (cont'd)

Aggregate information of associates that are not individually material:

	2016 Rs 000s	2015 Rs 000s
Total assets	286,868	335,963
Total liabilities	(132,169)	(26,254)
Net assets	154,699	309,709
Group's share of associates' net assets	38,675	87,452
Revenue	673	25,062
(Loss)/profit for the year	(155,534)	6,402
Group's share of profit of associates for the year	(38,883)	3,201
Total share of (loss)/profits from associates	(38,883)	28,812

9. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP AND THE COMPANY 2016 Rs 000s	2015 Rs 000s
(a) At cost		
At beginning and end of year	60,270	60,270
Impairment		
At beginning and end of year	55,795	55,795
Carrying amount		
At beginning and end of year	4,475	4,475

The directors believe that the market value of these investments approximate their carrying amount.

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

	THE GROUP AND THE COMPANY 2016 Rs 000s	2015 Rs 000s
(b) At fair value		
At beginning of year	4,857	4,866
Change in fair value	1,367	(9)
At end of year	6,224	4,857
Total	10,699	9,332

The available-for-sale investments carried at fair value relate to investment in SBM Universal Fund. Fair value is determined by reference to publicly available NAV prices at the close of business at the end of each reporting date.

Networking cocktail with media partners

For the first time, Mauritius Telecom engaged in an interactive session with members of the media to secure feedback on the Company's performance in 2016. A networking cocktail was organised at L'Aventure du Sucre, providing an opportunity for Mauritius Telecom's top management team and senior staff to better understand the expectations of the public.

events & highlights 2016





10. LOAN TO A SUBSIDIARY

	THE COMPANY	
	2016 Rs 000s	2015 Rs 000s
At beginning of year	242,102	384,944
Addition	-	250,000
Repayment	(16,900)	(21,564)
Conversion into equity	-	(371,278)
At end of year	225,202	242,102
Analysed as:		
Current	18,484	16,899
Non-current	206,718	225,203
	225,202	242,102

The loan is unsecured, repayable on a monthly basis and bears interest at 9% per annum (2015: 9%).

11. INVENTORIES

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Trading inventories at cost	238,064	157,906	51,559	43,528
Provision for obsolete stock	(45,877)	(30,039)	(18,251)	(10,842)
	192,187	127,867	33,308	32,686
Non-trading inventories at cost	299,812	288,022	297,465	285,586
Inventory on loan	79,857	-	79,857	-
	379,669	288,022	377,322	285,586
	571,856	415,889	410,630	318,272

Non-trading inventories pertain to items held for use in the maintenance of network infrastructure. Inventory items with carrying value of Rs '000 79,857 were held by contractors at year end for implementation of FTTH project. As per agreement with the contractors, these inventory items will be returned to the Company.

The cost of inventories recognised as an expense during the year was Rs '000 591,818 (2015: Rs '000 766,551). The cost of inventories recognised as an expense includes Rs '000 15,838 (2015: Rs '000 30,311) in respect of write downs of inventory to net realisable value.

12. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Trade receivables	2,371,433	2,392,165	1,760,319	1,603,141
Provision for doubtful debts	(924,812)	(863,469)	(758,077)	(649,147)
	1,446,621	1,528,696	1,002,242	953,994

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 Rs '000 270,087 (2015: Rs '000 362,082) and Rs '000 227,845 (2015: Rs '000 280,411) 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 34.

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

Movement in provision for doubtful debts

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
At beginning of year	863,469	893,114	649,147	640,373
Impairment losses recognised on trade receivables	108,930	48,319	108,930	48,319
Amounts written off	(53,722)	(64,214)	-	(39,545)
Increase/(decrease) in allowance recognised during the year	37,389	(13,750)	-	-
Transfer to asset classified as held-for-sale	(31,254)	-	-	-
At end of year	924,812	863,469	758,077	649,147

In determining the recoverability of trade receivables, the Group and the Company consider any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited, except for trade receivables from subsidiaries, due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for doubtful debts.

Included in the provision for doubtful debts are individually impaired trade receivables amounting to Rs 27m (2015: Rs 16m) 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.

12. TRADE RECEIVABLES (cont'd)

Ageing of impaired trade receivables

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Under 180 days	132,242	96,265	114,675	78,605
181 to 360 days	78,807	66,990	61,868	49,671
> 360 days	713,763	700,214	581,534	520,871
Total	924,812	863,469	758,077	649,147

Trade receivables past due but not impaired

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
31 to 180 days	163,154	179,877	126,490	134,086
181 to 360 days	91,168	125,386	85,590	89,506
> 360 days	15,765	56,819	15,765	56,819
Total	270,087	362,082	227,845	280,411

13. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Outside parties	971,212	573,895	759,901	365,461
Subsidiaries	-	-	187,197	280,884
Associates	329	671	329	671
Related parties	6,366	3,622	6,179	3,622
	977,907	578,188	953,606	650,638

The amounts due from subsidiaries are unsecured, bear interest which varied between 7.25% and 7.70% per annum (2015: between 7.70% and 8.15% per annum) and do not have any fixed repayment terms. The Company does not hold collaterals over these balances.

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

The other receivables from outside parties are unsecured, interest-free and do not have fixed terms of repayment.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

14. HELD TO MATURITY INVESTMENTS

	THE GROUP AND THE COMPANY	
	2016 Rs 000s	2015 Rs 000s
At beginning of year	1,245,171	-
Additions	3,439,167	1,895,440
Interest income	18,494	2,606
Proceeds on maturity	(3,844,539)	(652,875)
At end of year	858,293	1,245,171

The held-to-maturity investments relate to Treasury Bills with maturity date ranging from one to three months and bearing interest at an average rate of 2.25%.

15. STATED CAPITAL

	THE GROUP AND THE COMPANY	
	2016 Rs 000s	2015 Rs 000s
Issued and fully paid up		
190,000,001 Ordinary shares of Rs1 each	190,000	190,000

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

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

16. FAIR VALUE RESERVE

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

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

	THE GROUP AND THE COMPANY	
	2016 Rs 000s	2015 Rs 000s
At beginning of year	2,857	2,866
Movement for the year	1,367	(9)
At end of year	4,224	2,857

17. LOANS

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

	THE GROUP	
	2016 Rs 000s	2015 Rs 000s
Bank loan	139,368	190,037
Transfer to liabilities directly associated with assets classified as held-for-sale	(139,368)	-
	-	190,037
Analysed as:		
Current	-	47,864
Non-current	-	142,173
	-	190,037

(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 and was repaid during the year.

(c) The shareholder loan carries interest at Euribor 6 month rate + 4.63% per annum and was repaid during the year.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

18. INCOME TAXES

Income tax

The Group and the Company are subject to income tax at the statutory rate of 17% (2015: 17%) which include Corporate Social Responsibility (CSR) of 2% on the profit for the year as adjusted for tax purposes. Income is not subject to tax in the Republic of Vanuatu.

18.1 Income tax recognised in profit or loss

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Current tax	260,999	290,832	60,794	67,695
Additional tax assessment	-	146,926	-	146,926
Deferred tax income	(112,247)	(23,924)	(51,316)	(12,910)
CSR expense	37,806	38,507	8,106	9,026
Under provision of CSR in previous years	37,862	8,952	23,570	7,343
Additional CSR on assessment	-	17,472	-	17,472
Under provision of deferred tax asset in previous years	(7,822)	(49,505)	(7,822)	(49,505)
Under provision of deferred tax asset arising on payments to retirement benefit plan	-	(140,064)	-	(140,064)
Under/(over) provision of tax in previous years	42,890	(34,813)	42,890	-
	259,488	254,383	76,222	45,983
Solidarity levy	226,706	289,392	125,451	170,156
MRA refund on solidarity levy	(30,810)	-	(14,978)	-
Tax expense	455,384	543,775	186,695	216,139

18. INCOME TAXES (cont'd)

18.2 Tax reconciliation

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Profit before tax	1,646,855	1,568,088	231,066	1,181,581
Tax at the rate of 17%	279,965	266,575	39,281	200,869
Tax effect of:				
- Non-allowable expenses	10,308	22,840	478	4,715
- Expenses eligible for 200% deduction	(5,524)	(4,773)	(5,524)	(5,410)
- Exempt income	(16,864)	(25,387)	(16,651)	(136,363)
- Under provision of deferred tax	(7,822)	(49,505)	(7,822)	(49,505)
- Under provision of deferred tax asset arising on payment to retirement benefit plan	-	(140,064)	-	(140,064)
- Under/(over) provision of tax in previous year	42,890	(34,813)	42,890	-
- Under provision of tax in previous years – CSR	37,862	8,952	23,570	7,343
- Additional CSR on RBO	-	17,472	-	17,472
- Additional tax assessment	-	146,926	-	146,926
- Tax loss of a subsidiary	997	54,267	-	-
- Deferred tax asset not recognised in previous years	(29,592)	-	-	-
- Tax loss of a subsidiary utilised	(8,963)	-	-	-
- Profit of subsidiary not eligible to tax	(54,301)	-	-	-
- Other differences	10,532	(8,107)	-	-
	(20,477)	(12,192)	36,941	(154,886)
	259,488	254,383	76,222	45,983

18.3 Income tax recognised in other comprehensive income

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Deferred tax				
Arising on income and expenses recognised in other comprehensive income				
Re-measurement of defined benefit obligation	85,186	31,435	74,708	33,789
	85,186	31,435	74,708	33,789

notes to the financial statements (cont'd)

for the year ended 31 december 2016

18. INCOME TAXES (cont'd)

18.4 Deferred tax assets

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
At beginning of year	(135,159)	100,817	(237,366)	(8,441)
Under provision of deferred tax asset in previous years	(7,822)	(49,505)	(7,822)	(49,505)
Effect of CSR on other comprehensive income	(55,220)	-	(55,220)	-
Under provision of CSR	37,862	8,952	23,570	7,343
Deferred tax income	(112,247)	(23,924)	(51,316)	(12,910)
Under provision of deferred tax asset arising on payment to retirement benefit plan	-	(140,064)	-	(140,064)
Reversed to other comprehensive income	(85,186)	(31,435)	(74,708)	(33,789)
At end of year	(357,772)	(135,159)	(402,862)	(237,366)

Deferred tax assets arise from the following:

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Temporary differences				
Property, plant and equipment	780,351	705,139	622,171	559,754
Other temporary differences	(239,641)	(158,568)	(164,566)	(120,593)
Retirement benefit obligation	(898,482)	(681,730)	(860,467)	(676,527)
	(357,772)	(135,159)	(402,862)	(237,366)

19. RETIREMENT BENEFIT OBLIGATIONS

The amounts included in the statements of financial position arising from the Group's and the Company's obligations in respect of retirement benefit plans are as follows:

		THE GROUP		THE COMPANY	
	Note	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Defined benefit plans	19(a)	4,375,422	3,579,041	4,168,952	3,471,840
Retirement benefits in respect of Employment Rights Act 2008 gratuities					
Present value of unfunded obligation	19(b)	17,147	7,668	-	-
		4,392,569	3,586,709	4,168,952	3,471,840

MT active on the training front

Mauritius Telecom collaborated with the Mauritius Police Force in the training of 32 police officers in customer service. Designed and delivered by Call Services, an MT subsidiary, the course aimed at developing a more friendly approach to citizens when responding to hotlines. Certificates were remitted to members of the police force by the Commissioner of Police, Mr Mario Nobin, and the CEO of Mauritius Telecom, Mr Sherry Singh.

Mauritius Telecom spares no efforts in upgrading the skills and qualifications of its staff. In this context, MT partnered with the Ducere Business School (Australia) and the University of Mauritius to provide partial scholarships to selected MT employees for an MBA in Innovation and Leadership. The first batch graduated this year. Overall in 2016, some 1,100 employees of MT were trained in various fields.

Mauritius Telecom hosted the 11th Annual Conference of the Southern Africa Telecommunications Association (SATA) held from 13 to 15 July 2016. Themed ICTs for Human Capital Development, the integration of new technologies in the human resource department of the telecommunications sector was discussed. MT as a member of SATA welcomed professionals of the TCI sector.

events & highlights 2016

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(a) 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 '000 4,392,569 and Rs '000 4,168,952 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 2016.

The plan exposes the Company to normal risks associated with defined benefit plans such as investment, interest, longevity and salary risks.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields: if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability: however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

There has been no plan amendment, curtailment or settlement during the year.

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Present value of funded obligations	8,368,375	7,759,076	8,086,539	7,583,149
Fair value of plan assets	(3,992,953)	(4,180,035)	(3,917,587)	(4,111,309)
	4,375,422	3,579,041	4,168,952	3,471,840

Reconciliation of net defined benefit liability

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Opening Balance	3,579,041	3,031,314	3,471,840	2,936,007
Amount recognised in profit or loss	516,603	577,696	493,680	557,664
Amount recognised in other comprehensive income	520,206	222,359	439,461	225,261
Less employer contributions	(240,428)	(252,328)	(236,029)	(247,092)
Closing balance	4,375,422	3,579,041	4,168,952	3,471,840

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(a) Defined benefit plans (cont'd)

Reconciliation of fair value of plan assets

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Opening balance	4,180,035	4,010,014	4,111,309	3,947,811
Interest income	282,465	304,224	277,509	299,377
Employer contributions	240,428	252,328	236,029	247,092
Employee contributions	5,488	8,219	5,488	8,219
Benefits paid	(540,536)	(166,231)	(540,371)	(165,929)
Return on plan assets excluding interest income	(174,927)	(228,519)	(172,377)	(225,261)
Closing balance	3,992,953	4,180,035	3,917,587	4,111,309

Reconciliation of present value of defined benefit obligation

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Opening balance	7,759,076	7,041,328	7,583,149	6,883,818
Current service cost	204,133	213,961	191,207	201,707
Employee contributions	5,488	8,219	5,488	8,219
Interest expense	527,770	522,037	515,460	510,177
Other benefits paid	(540,536)	(166,231)	(540,371)	(165,929)
Liability gain due to change in financial assumptions	852,240	483	770,164	-
Liability experience loss	(506,961)	(6,643)	(503,080)	-
Past service cost	67,165	145,922	64,522	145,157
Closing balance	8,368,375	7,759,076	8,086,539	7,583,149

Components of amount recognised in profit or loss

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Current service cost	204,133	213,961	191,207	201,707
Past service cost	67,165	145,922	64,522	145,157
Service cost	271,298	359,883	255,729	346,864
Net interest on net defined benefit liability	245,305	217,813	237,951	210,800
Components of defined benefit costs recognised in profit or loss	516,603	577,696	493,680	557,664

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(a) Defined Benefit Plans (cont'd)

Components of amount recognised in Other Comprehensive Income:

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Return on plan assets (above)/below interest income	174,927	228,519	172,377	225,261
Liability experience loss	(506,961)	(6,643)	(503,080)	-
Liability loss due to change in financial assumptions	852,240	483	770,164	-
Components of defined benefit costs recognised in other comprehensive income	520,206	222,359	439,461	225,261

The current service costs and the net interest expense for the year are included in operating expense. The re-measurement of the net defined benefit liability is included in other comprehensive income.

Allocation of plan assets at end of year

	2016 %	2015 %
Equity – local quoted	14	17
Equity – local unquoted	1	1
Debt – local quoted	0	1
Debt – local unquoted	47	41
Property local	1	1
Investment funds	22	17
Cash and other	15	22
Total	100	100

Principal assumptions used at end of period

	2016 %	2015 %
Discount rate	6.5	7.0
Rate of salary increases	8.0	7.0
Rate of pension increases	4.0	4.5
Average retirement age	63 Yrs	63 Yrs
Average life expectancy for :		
Male at ARA	17.3 Yrs	17.3 Yrs
Female at ARA	21.7 Yrs	21.7 Yrs

Sensitivity analysis on defined benefit obligation at end of period

	2016 Rs 000s	2015 Rs 000s
Increase due to 1% decrease in discount rate	1,536,907	1,471,729
Decrease due to 1% increase in discount rate	1,206,356	1,151,196

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.

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(a) Defined Benefit Plans (cont'd)

Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

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 '000 252,551 to its pension plan in 2017 and the weighted average duration of the defined benefit obligation is 17 years.

Retirement benefit obligations have been based on the report submitted by AON Hewitt Ltd dated 16 December 2016.

(b) Retirement gratuities obligation

Reconciliation of present value of unfunded obligations

	THE GROUP	
	2016 Rs 000s	2015 Rs 000s
Opening balance	7,668	6,799
Amount recognised in profit or loss	6,957	869
Amount recognised in OCI	2,522	-
Closing balance	17,147	7,668

Reconciliation of present value of unfunded obligations

	THE GROUP	
	2016 Rs 000s	2015 Rs 000s
Opening balance	7,668	6,799
Current service cost	5,008	393
Interest expense	537	476
Past service cost	1,412	-
Liability experience (gain)/loss	906	-
Liability (gain)/loss due to change in financial assumptions	1,616	-
Closing balance	17,147	7,668

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

(b) Retirement gratuities obligation (cont'd)

Components of amount recognised in profit or loss

	THE GROUP	
	2016 Rs 000s	2015 Rs 000s
Current service cost	5,008	393
Past service cost	1,412	-
Settlement (gain)/loss	-	-
Service cost	6,420	393
Net interest on present value of unfunded obligation	537	476
Components of present value of unfunded obligation recognised in profit or loss	6,957	869

Principal assumptions used at end of period

	2016 %	2015 %
Discount rate	6.5	7.0
Rate of salary increase	5.5	5.5
Average retirement age	63 Yrs	63 Yrs

Sensitivity analysis on present value of unfunded obligation

	2016 Rs 000s	2015 Rs 000s
Increase due to 1% decrease in discount rate	1,624,683	2,143
Decrease due to 1% increase in discount rate	1,271,448	1,606

20. TRADE PAYABLES

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Outside parties	3,072,732	2,447,299	1,964,661	1,532,624
Shareholders	49,805	306	49,805	306
Associate	2	183	2	183
Related parties	9,963	4,241	9,963	4,241
	3,132,502	2,452,029	2,024,431	1,537,354

The average credit period from suppliers on purchases of goods and services is between 30 - 60 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.

notes to the financial statements (cont'd)
for the year ended 31 december 2016

20. TRADE PAYABLES (cont'd)

Included in outside parties are refundable security deposits of Rs '000 424,250 (2015: Rs '000 414,151) for the Group and the Company. The Group and the Company do not expect the security deposits to be refundable within one year.

21. OTHER PAYABLES AND ACCRUED EXPENSES

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Operating taxes accrued	15,337	64,917	9,251	30,777
Subsidiaries	-	-	2,158,750	965,192
Related parties	15,501	51,555	-	9,077
Other payables and accrued expenses	1,135,916	1,110,461	756,077	674,474
Termination benefits	325,774	295,536	325,774	295,536
Work in progress	958,121	202,037	955,084	193,359
	2,450,649	1,724,506	4,204,936	2,168,415
Analysed as:				
Current	2,220,931	1,501,327	3,975,218	1,945,236
Non-current	229,718	223,179	229,718	223,179
	2,450,649	1,724,506	4,204,936	2,168,415

The amounts due to subsidiaries are unsecured, bear interest which varied between 7.25% and 7.70% per annum (2015: between 7.70% and 8.15% per annum) and have no fixed terms of repayment.

The amount due to related parties are unsecured, interest-free and do not have any terms of repayment.

An Early Retirement Scheme (ERS) plan was introduced during the year and this has resulted at year end in an accrual of Rs '000 36,644 in addition to the accrual of Rs '000 289,130 relating to Voluntary Retirement Scheme (VRS) introduced in 2015.

These schemes have also resulted in a past service cost of Rs '000 67,165 included in the profit and loss charge for the pension plan for the year.

22. DEFERRED REVENUE

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
At beginning of year	307,436	331,529	194,794	204,764
Movement for the year for prepaid cards and deferred rental	12,055	(29,489)	(12,397)	(15,366)
Amount received on ICT equipment	12,051	18,387	12,051	18,387
Revenue recognised on ICT equipment	(3,181)	(12,991)	(3,181)	(12,991)
At end of year	328,361	307,436	191,267	194,794

notes to the financial statements (cont'd)

for the year ended 31 december 2016

23. DIVIDENDS

	THE GROUP AND THE COMPANY	
	2016 Rs 000s	2015 Rs 000s
Interim dividend of Rs 3.47 per share for 2015	-	659,300

24. PROVISIONS

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Employee benefits	248,554	328,095	248,554	283,503
Dismantling costs	43,179	34,629	6,264	5,881
	291,733	362,724	254,818	289,384

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

	THE GROUP		THE COMPANY	
	Employee benefits Rs 000s	Dismantling costs Rs 000s	Employee benefits Rs 000s	Dismantling costs Rs 000s
At 1 January 2015	328,500	31,373	290,132	5,729
Additional provisions recognised	86,014	1,962	73,955	-
Finance cost	-	1,294	-	152
Utilised in current year	(86,419)	-	(80,584)	-
At 31 December 2015	328,095	34,629	283,503	5,881
Additional provisions recognised	85,574	6,300	85,574	-
Finance cost	-	2,250	-	383
Utilised in current year	(124,976)	-	(120,523)	-
Transfer to liabilities directly associated with asset held for sale	(40,139)	-	-	-
At 31 December 2016	248,554	43,179	248,554	6,264

(i) The provision for employee benefits represents untaken leaves and amounts accrued under the 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.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

25. REVENUE

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Sale of goods	788,603	756,828	160,762	156,789
Rendering of services	9,295,528	9,083,916	6,039,693	5,918,418
	10,084,131	9,840,744	6,200,455	6,075,207

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 the Universal Service Fund established under Section 21 of the Information and Communication Technologies Act 2001. The amount contributed during the year was Rs '000 22,394 (2015: Rs '000 26,664) and has been included in cost of sales.

The volume of incoming international minutes terminated by Mauritius Telecom in 2016 was 21.1 million minutes (2015: 22.5 million minutes).

26. PROFIT/(LOSS) FROM OPERATIONS

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

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
- Depreciation of property, plant and equipment	1,821,177	1,756,473	1,309,590	1,241,591
- Impairment loss on property, plant and equipment	119,424	29,205	117,515	8,366
- Staff costs (a)	2,625,448	2,844,548	2,240,551	2,438,824
- Costs of inventories recognised as expense	591,818	766,551	118,568	119,452
- Amortisation and impairment of intangible assets	212,019	146,448	173,337	104,679
- Provision/(reversal) for slow-moving stock	7,409	(41,818)	7,409	(41,818)
- Impairment loss net of reversal recognised on trade receivables	146,319	34,569	108,930	48,319
- Directors' emoluments	5,393	5,004	5,393	5,004
- ***Auditors' remuneration:***				
Audit fees				
- Statutory auditors	3,181	4,026	1,700	2,625
- Other auditors	1,835	1,493	-	-
Non-audit fees				
- Statutory auditors	-	600	-	600
- Donation	385	49	385	49

Non-audit fees relate to reporting on historical performance of the Group.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

26. PROFIT/(LOSS) FROM OPERATIONS (cont'd)

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

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Post employment benefits				
- Defined benefit plan	523,104	579,623	493,680	557,664
- Termination benefits	123,973	276,248	123,973	276,018
	647,077	855,871	617,653	833,682

27. OTHER INCOME

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Rental income	67,197	71,931	70,640	70,640
Management fees	1,234	-	442,646	441,047
Other income	283,693	85,044	36,430	22,709
	352,124	156,975	549,716	534,396

28. OTHER GAINS

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Net exchange gains	13,749	35,270	80,849	61,120
Profit on disposal of property, plant and equipment	3,871	16,260	1,922	11,574
Profit on disposal of associate	10,369	-	15,000	-
	27,989	51,530	97,771	72,694

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.

29. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Dividend income	7,346	6,418	7,346	643,605
Interest income				
- Bank deposits	14,443	31,688	14,065	30,725
- Held-to-maturity investments	20,807	5,006	20,807	5,006
- Current accounts with subsidiaries	-	-	20,863	23,422
- Loan to subsidiaries	-	-	21,103	24,377
- Others	2,506	3,070	2,536	3,038
	45,102	46,182	86,720	730,173

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

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Non-financial investments	7,346	6,418	49,312	691,404
Loans and receivables (including cash and bank balances)	16,949	34,758	16,601	33,763
Held-to-maturity investments	20,807	5,006	20,807	5,006
	45,102	46,182	86,720	730,173

30. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Interest expense				
- Bank borrowings	14,249	19,148	-	-
- Current accounts with subsidiaries	-	-	118,484	72,157
- Others	2,330	1,293	382	152
	16,579	20,441	118,866	72,309

31. 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 '000 1,191,471 (2015: Rs '000 1,023,923) and on 190,000,001 shares in issue for the two years ended 31 December 2016.

Alleviating the plight of the people

The Mauritius Telecom Foundation donated 208 commode wheelchairs throughout 2016 to help people with reduced mobility. Ceremonies were held in various places around the island, including St. Pierre, La Laura, Montagne Blanche, Highlands, Port Louis, Curepipe, Quatre Bornes, Gros Cailloux, Rose Belle, Riche Marre and Mahebourg.

CSR Initiatives

Through its dedicated CSR vehicle, the Mauritius Telecom Foundation (MTF), Mauritius Telecom is committed to social engagement by implementing CSR initiatives to enhance the socio-economic conditions of disadvantaged groups within the population. For 2016, the MTF was entrusted with a fund of Rs 39 million to finance 30 projects in favour of community empowerment and socio-economic development through support to vulnerable groups, alongside promoting education, health and the welfare of children, and fostering environmentally-friendly practices.

Amongst the CSR activities carried out were the financing of the construction of a shelter and playground for children at Plaines des Papayes Government School, the donation of a sound system and copy books to children of Ramsoomer Balgobin Government School at Dagotiere, the part-financing of the construction of social housing in Ste. Catherine, the financing of Electronic Mauritian Sign Language for the Society for the Welfare of the Deaf, the financing of nine NGOs in Rodrigues, and the remittance of a cheque of Rs 3,429,350 to the NCB.

events & highlights 2016

32. FINANCIAL INSTRUMENTS

32.1 Capital risk management

The Group and the Company manage their capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group and the Company strategy remain unchanged from 2015.

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in note 17 net of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves.

The capital structure is being reviewed regularly taking into consideration the cost of capital and risks associated with each class of capital. The objective is to reach a capital structure in line with those of its peers within the same industry and this would be achieved through payments of dividends, issue of new debt or/and redemption of existing debt.

32.2 Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in note 3 to the financial statements.

32.3 Categories of financial instruments

Financial assets

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Loans and receivables (including cash and cash equivalents)	3,231,627	2,928,605	2,647,407	2,605,633
Available for sale financial assets	10,699	9,332	10,699	9,332
Held-to-maturity financial assets	858,293	1,245,171	858,293	1,245,171
	4,100,619	4,183,108	3,516,399	3,860,136

Financial liabilities

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Amortised cost	5,140,282	5,043,780	5,519,849	4,447,287

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

32.4 Financial risk management

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

32. FINANCIAL INSTRUMENTS (cont'd)

32.5 Market risk

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

32.6 Currency risk management

The Group and the Company undertake certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Currency risks arise at transactional level (transactional risks) and when financial assets and liabilities are translated at exchange rate at the end of year.

The Group and the Company are risk averse with respect to 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 the Company do not maintain hedge accounting for transactions in foreign currency and there is no formal hedging contracts or arrangements.

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

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

THE GROUP

Currency profile

	2016		2015	
Currency	Financial assets Rs 000s	Financial liabilities Rs 000s	Financial assets Rs 000s	Financial liabilities Rs 000s
EUR	324,672	883,244	453,778	443,502
MUR	3,288,017	3,711,821	3,436,312	3,881,694
USD	252,099	327,301	119,336	673,914
Others	235,831	217,916	173,682	44,670
	4,100,619	5,140,282	4,183,108	5,043,780

32. FINANCIAL INSTRUMENTS (cont'd)

32.6 Currency risk management (cont'd)

THE COMPANY

Currency profile

	2016		2015	
Currency	Financial Assets Rs 000s	Financial liabilities Rs 000s	Financial assets Rs 000s	Financial liabilities Rs 000s
EUR	188,929	34,796	77,248	31,083
MUR	3,131,472	5,226,987	3,392,260	4,203,834
USD	189,535	256,472	382,580	208,639
Others	6,463	1,594	8,048	3,731
	3,516,399	5,519,849	3,860,136	4,447,287

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		USD Impact	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Profit or loss on equity	55,857	1,028	7,520	55,458

THE COMPANY

	Euro Impact		USD Impact	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Profit or loss on equity	15,413	4,617	6,694	17,394

32. FINANCIAL INSTRUMENTS (cont'd)

32.7 Interest rate risk management

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

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

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

	THE GROUP AND THE COMPANY	
Currency	2016 % interest rate p.a.	2015 % interest rate p.a.
MUR	1.25-3.00	1.55-3.80
USD	0.10-0.20	0.05-0.20
EUR	0.01-0.01	0.01-0.15

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 Rs 0.11M (2015: Rs 0.11M).

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 Rs '000 697 (2015: Rs '000 950).

32.8 Credit risk management

The Group and Company are exposed to credit risk, being risk that a customer or counterparty 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 6% (2015: 6.4%) and 17% (2015: 25%) 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.

32. FINANCIAL INSTRUMENTS (cont'd)

32.8 Credit risk management (cont'd)

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

Total trade receivables (net of allowances) held by the Group and the Company at 31 December 2016 amounted to Rs '000 1,446,621 (2015: Rs '000 1,528,696) and Rs '000 1,002,242 (2015: Rs '000 953,994) respectively. An ageing of the trade receivables at end of 2016 and movement in provision for bad debts during 2016 is disclosed in note 12.

Any variation in future recovery ratio of trade receivables by 0.5% will affect profit of the Group and the Company by Rs 4.7m (2015: Rs 5.2m) and Rs 4.0m (2015: Rs 3.9m) respectively.

32.9 Liquidity risk management

The Group and Company's liquidity management are overseen by the Treasury, the latter ensuring that necessary funds are available at all times to meet payment commitments when due without having recourse to additional external financing.

Any excess funds are invested on a short-term which averages a 3-to-6-month period.

The following table details the Group's and Company'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.

Maturities of financial assets and financial liabilities (non-derivatives)

THE GROUP

	ITEM	Weighted average effective interest rate %	Less than 1 month Rs 000s	1-3 months Rs 000s	3 months to 1 year Rs 000s	1-5 years Rs 000s	Total Rs 000s
2016							
FINANCIAL ASSETS	Fixed interest rate instruments	0.01-2.25	1,421,464	-	-	-	1,421,464
	Fixed interest rate instruments	4-10	791	537,918	391,715	99,381	1,029,805
	Non interest bearing	-	622,946	794,430	221,275	10,699	1,649,350
			2,045,201	1,332,348	612,990	110,080	4,100,619
FINANCIAL LIABILITIES	Non interest bearing	-	3,345	3,790,696	602,410	1,517	4,397,968
	Fixed interest rate	3-9	-	-	237,108	78,632	315,740
	Variable interest Rate instruments	2.13-7.5	-	-	196,856	229,718	426,574
			3,345	3,790,696	1,036,374	309,867	5,140,282

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32. FINANCIAL INSTRUMENTS (cont'd)

32.9 Liquidity risk management (cont'd)

Maturities of financial assets and financial liabilities (non-derivatives) (cont'd)

***THE GROUP** (cont'd)*

	ITEM	Weighted average effective interest rate %	Less than 1 month Rs 000s	1-3 months Rs 000s	3 months to 1 year Rs 000s	1-5 years Rs 000s	Total Rs 000s
2015							
FINANCIAL ASSETS	Fixed interest rate instruments	0.08-2.67	1,615,608	-	231,712	-	1,847,320
	Fixed interest rate instruments	2-10	1,807	482,309	110,408	-	594,524
	Non interest bearing	-	376,710	773,456	233,895	9,332	1,393,393
	Variable interest rate instruments	2.13	308,909	-	38,962	-	347,871
			2,303,034	1,255,765	614,977	9,332	4,183,108
FINANCIAL LIABILITIES	Non interest bearing	-	659,300	3,021,427	603,768	-	4,284,495
	Fixed interest rate	3-9	-	-	197,497	142,173	339,670
	Variable interest rate instruments	2.13-7.93	-	-	196,436	223,179	419,615
			659,300	3,021,427	997,701	365,352	5,043,780

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

32. FINANCIAL INSTRUMENTS (cont'd)

32.9 Liquidity risk management (cont'd)

Maturities of financial assets and financial liabilities (non derivatives) (cont'd)

COMPANY

	ITEM	Weighted average effective interest rate %	Less than 1 month Rs 000s	1-3 months Rs 000s	3 months to 1 year Rs 000s	1-5 years Rs 000s	5+years Rs 000s	Total Rs 000s
2016								
FINANCIAL ASSETS	Fixed interest rate instruments	0.01-2.25	1,363,955	-	-	-	-	1,363,955
	Fixed interest rate instruments	4.00-10.00	-	501,770	-	210,849	113,735	826,354
	Non interest bearing	-	548,759	401,204	185,875	10,699	-	1,146,537
	Variable interest rate instruments	7.25-7.70	179,553	-	-	-	-	179,553
			2,092,267	902,974	185,875	221,548	113,735	3,516,399
FINANCIAL LIABILITIES	Non interest bearing	-	-	2,351,818	582,707	-	-	2,934,525
	Variable interest rate instruments	2.13	-	-	100,800	-	-	100,800
	Variable interest rate instruments	7.50	2,149,191	9,559	96,056	229,718	-	2,484,524
			2,149,191	2,361,377	779,563	229,718	-	5,519,849

notes to the financial statements (cont'd)
for the year ended 31 december 2016

32. FINANCIAL INSTRUMENTS (cont'd)

32.9 Liquidity risk management (cont'd)

Maturities of financial assets and financial liabilities (cont'd)

THE COMPANY (cont'd)

	ITEM	Weighted average effective interest rate %	Less than 1 month Rs 000s	1-3 months Rs 000s	3 months to 1 year Rs 000s	1-5 years Rs 000s	5+years Rs 000s	Total Rs 000s
2015								
FINANCIAL ASSETS	Fixed interest rate instruments	0.08-2.67	1,613,008	-	-	-	-	1,613,008
	Fixed interest rate instruments	7.5-10	-	455,720	108,006	60,819	164,384	788,929
	Non interest bearing	-	303,738	395,365	236,737	9,332	-	945,172
	Variable interest rate instruments	7.92	232,374	-	-	-	-	232,374
	Variable interest rate instruments	2.13	280,653	-	-	-	-	280,653
			2,429,773	851,085	344,743	70,151	164,384	3,860,136
FINANCIAL LIABILITIES	Non interest bearing	-	659,300	1,819,148	584,032	-	-	3,062,480
	Variable interest rate instruments	2.13-7.93	954,900	10,292	196,436	223,179	-	1,384,807
			1,614,200	1,829,440	780,468	223,179	-	4,447,287

33. 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 000s	Level 2 Rs 000s	Level 3 Rs 000s	Total Rs 000s
2016				
Available-for-sale investments	-	6,224	4,475	10,699
2015				
Available-for-sale investments	-	4,857	4,475	9,332

The reconciliation of Level 3 fair value measurement is provided in note 9(b) to the financial statements.

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

	2016		2015	
	Carrying amount Rs 000s	Fair value Rs 000s	Carrying amount Rs 000s	Fair value Rs 000s
Financial liabilities				
Financial liabilities held at amortised cost				
Bank loans	139,368	132,945	190,037	178,298

THE COMPANY

	Carrying amount Rs 000s	Fair value Rs 000s	Carrying amount Rs 000s	Fair value Rs 000s
Financial liabilities				
Loans and receivables				
Loan to a subsidiary	225,202	208,134	242,102	223,507

notes to the
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for the year ended 31 december 2016

34. RELATED PARTY TRANSACTIONS

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

During the year ended 31 December 2016, the Group and the Company entered into the following transactions with related parties.

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
(i) Sales of services				
- Subsidiaries	-	-	1,037,810	1,514,310
- Shareholders	543,907	417,961	509,490	383,230
- Associate and related parties	96,104	2,648	32,809	2,440
- Entities under common shareholding	4,380	5,325	4,380	5,325
(ii) Purchases of services				
- Subsidiaries	-	-	781,830	743,268
- Associate	2,148	3,023	2,148	3,023
- Shareholders	198,909	259,479	198,909	156,395
- Entities under common shareholding	324,029	95,788	204,256	95,788
(iii) Dividend income				
- Subsidiaries	-	-	-	630,000
- Associates and related parties	7,346	6,418	7,346	13,605
(Iv) Other income and management fees				
- Subsidiaries	-	-	517,998	513,670
- Associate	2,391	2,391	2,391	2,391
- Related parties	2,674	2,674	2,674	2,674
(v) Interest expense				
- Subsidiaries	-	-	118,409	72,157
(vi) Interest income				
- Subsidiaries	-	-	20,863	23,422
- On loan to subsidiary	-	-	21,103	24,377
(vii) Emoluments of key management personnel				
- Short-term benefits	63,843	79,007	59,875	76,124
(viii) Outstanding balances receivable included in current account				
- Subsidiaries	-	-	187,198	280,884
- Associates	329	671	329	671
- Related parties	25,515	3,622	6,187	3,622
Trade receivables				
- Subsidiary	-	-	-	15,384
- Shareholders	26,278	37,826	26,278	37,826
(ix) Outstanding balances payable to				
- Subsidiaries	-	-	2,158,750	965,192
- Shareholders	9,929	35,338	9,929	7,701
- Related parties	30,020	16,217	14,520	1,682
(x) Loan to subsidiaries	-	-	225,202	242,102

35. COMMITMENTS FOR EXPENDITURE

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Commitments for the acquisition of property, plant and equipment	1,534,285	2,720,682	1,514,258	2,632,855

36. OPERATING LEASE ARRANGEMENTS

The Group and the Company as lessees

Leasing arrangements

Operating leases relate to leases of land and of motor vehicles for a term of five years and space segment for terms exceeding five years. All operating lease contracts contain market rental reviews. The Group and the Company do not have an option to purchase the leased assets at the expiry of the lease periods.

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Within one year	92,700	100,752	82,105	77,759
Between two and five years	281,429	324,730	192,328	206,603
After five years	357,756	542,436	394,098	369,844
	731,885	967,918	668,531	654,206

Payments recognised as an expense

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Minimum lease payments	89,741	153,425	72,156	109,668

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		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Within one year	90,026	55,105	151,610	60,543
Between two and five years	189,358	110,626	445,957	110,626
After five years	71,569	82,032	71,569	82,031
	350,953	247,763	669,136	253,200

37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and 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.

	THE GROUP		THE COMPANY	
	2016 Rs 000s	2015 Rs 000s	2016 Rs 000s	2015 Rs 000s
Cash and cash equivalents	1,137,989	1,137,054	1,034,816	942,866
Held-to-maturity investments	858,293	1,245,171	858,293	1,245,171
	1,996,282	2,382,225	1,893,109	2,188,037
Cash and bank balances included in assets classified as held-for-sale	262,167	-	-	-
	2,258,449	2,382,225	1,893,109	2,188,037

38. CONTINGENT LIABILITIES

There are contingent liabilities not provided for in the financial statements in respect of guarantees amounting to Rs '000 57,423 (2015: Rs '000 102,115) for the Group and Rs '000 46,268 (2015: Rs '000 73,000) for the Company respectively. The directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

39. DISCONTINUED OPERATIONS

On 18 February 2016 the directors approved the plan to dispose of the Group's investment in the fully owned subsidiary, Telecom Vanuatu Ltd. During the year, the Group has received expression of interest from bidders and at end of the year, a buyer has been identified and the sale has been completed on 21 March 2017. The Group has not recognised any impairment losses in respect of the investment and loans made to the indirectly owned subsidiary and when assets and liabilities of the subsidiary were reclassified as held-for-sale nor at end of the year.

The indirectly owned subsidiary's business has been classified and accounted for at year end as a disposal group held for sale.

40. ASSETS CLASSIFIED AS HELD-FOR-SALE

	THE GROUP
	2016 Rs 000s
Assets classified as held-for-sale	988,408
Liabilities directly associated with assets classified as held-for-sale	417,459

As described in note 39, the Group is in the process of disposing of its investment in Telecom Vanuatu Ltd and expects the fair value less costs to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities.

notes to the financial statements (cont'd)

for the year ended 31 december 2016

40. ASSETS CLASSIFIED AS HELD-FOR-SALE (cont'd)

The major classes of assets and liabilities at the year end are as follows:

	THE GROUP 2016 Rs 000s
Property, plant and equipment	577,185
Stocks	40,863
Trade receivables	103,307
Cash and bank balances	262,167
Other receivables	4,886
	988,408

Liabilities directly associated with assets classified as held-for-sale	THE GROUP 2016 Rs 000s
Loans	139,368
Trade payables	127,756
Other payables	110,196
Provisions	40,139
	417,459

The related cash flows are as follows:

	THE GROUP 2016 Rs 000s
Net cash inflows from operating activities	499,225
Net cash outflows from investing activities	(283,901)
Net cash outflows from financing activities	(59,904)
Net cash inflows	155,420

41. OTHER INFORMATION

In 2000, a telecommunication operator lodged a statement of claim against The Information & Communication Technologies Authority, Mauritius Telecom Ltd, Cellplus Mobile Communication Ltd and The Ministry of Telecommunications jointly and in solido in the Supreme Court of Mauritius. The case came under trial during the months of May and June 2016 and a ruling is awaited. Management considers that a good defence has been raised in respect of the claims made but nevertheless given the complexities of the case, the outcome remains uncertain until judgement is rendered and therefore it is not practicable to make the disclosures under International Accounting Standards 37 'Provisions, Contingent Liabilities and Contingent Assets'.

42. SUBSEQUENT EVENTS

The sale of Telecom Vanuatu Ltd has been completed on 21 March 2017 following Board approval on 18 February 2016 to dispose of the indirectly owned subsidiary.

glossary of terms

3G
A mobile system, which includes capabilities and features such as enhanced multimedia, broad bandwidth, high speed, e-mail, web browsing and video conferencing

4G
4G is the fourth generation of mobile telecommunications technology, succeeding 3G. It features greater bandwidth and faster speeds than previous networks

BPO
Business Process Outsourcing

CCM
Competition Commission of Mauritius

CCTV
CCTV is a TV system in which signals are not publicly distributed but are monitored, primarily for surveillance and security purposes. CCTV relies on strategic placement of cameras, and observation of the cameras' input on monitors somewhere

COPC
Customer Operations Performance Centre

CRPE
Council of Registered Professional Engineers

EBITDA
Earnings Before Interest, Tax, Depreciation and Amortization

FMSC
Fédération Mauricienne des Sports Corporatifs

FTTH (Fibre-To-The-Home)
Includes fibre-optic access solutions designed for residential deployments

HD
High Definition, sometimes abbreviated HD, commonly refers to an increase in display or visual resolution over a previously used standard

HRBP
The HR Business Partner (HRBP) position is responsible for aligning business objectives with employees and management in designated business units. The position serves as a consultant to management on human resource-related issues. The successful HRBP acts as an employee champion and change agent

IaaS
Infrastructure as a Service (IaaS) is a form of cloud computing that provides virtualised computing resources over the Internet. IaaS is one of three main categories of cloud computing services, alongside Software as a Service (SaaS) and Platform as a Service (PaaS) for homes and small businesses over ordinary copper telephone

IBA
Independent Broadcasting Authority

IBS
In-Building Solution

ICT
Information and Communication Technology (ICT) is an extended term for Information Technology (IT) which stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary enterprise software, middleware, storage, and audio-visual systems, which enable users to access, store, transmit, and manipulate information

ICTA
Information and Communication Technologies Authority

IESBA Code of Ethics
International Ethics Standards Board for Accountants (IESBA) is one of the standard setting boards of the International Federation of Accountants. IESBA issues ethical standards for use by professional accountants and its member bodies

IMS
IP Multimedia Subsystem (IMS) is an architectural framework for delivering IP multimedia services

IoT
The Internet of Things (IoT) is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

IP
The Internet Protocol (IP) is the method or protocol by which data is sent from one computer to another on the Internet. Each computer (known as a host) on the Internet has at least one IP address that uniquely identifies it from all other computers on the Internet.

IPTV
Internet Protocol Television (IPTV) is the process of transmitting and broadcasting television programs through the Internet using Internet Protocol (IP)

IS
Information Security

glossary of terms (cont'd)

ISO
Popular name for International Organisation For Standardisation (IOS), a voluntary, non-treaty federation of standards-setting bodies of some 130 countries. Founded in 1946-47 in Geneva as a UN agency, it promotes development of standardisation and related activities to facilitate international trade in goods and services, and cooperation on economic, intellectual, scientific, and technological aspects. ISO covers standardisation in all fields including computers and data communications, but excluding electrical and electronic engineering (governed by the International Electrotechnical Commission or IEC) and telecommunications (governed by International Telecommunications Union's Telecommunications Standards Sector or ITU-TSS)

Mbps
Short for megabits per second, it is a measure of data transfer speed (a megabit is equal to one million bits). Network transmissions, for example, are generally measured in Mbps

OTT
OTT stands for "over-the-top," the term used for the delivery of film and TV content via the internet, without requiring users to subscribe to a traditional cable or satellite pay-TV service

PaaS
Platform as a Service (PaaS) or application Platform as a Service (aPaaS) is a category of cloud computing services that provides a platform allowing customers to develop, run, and manage applications without the complexity of building and maintaining the infrastructure typically associated with developing and launching an app

SaaS
Software as a Service (SaaS) is a software distribution model in which a third-party provider hosts applications and makes them available to customers over the Internet. SaaS is one of three main categories of cloud computing, alongside infrastructure as a Service (IaaS) and Platform as a Service (PaaS)

SME
Small and Medium-sized Enterprises

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

MOBILE SERVICES

4G, Mobile Internet, Mobile Voice & SMS, Prepay Abundance, Love Pack, Postpay Abundance, Orange Bonis, Orange Money, Roaming Services, Deezer Unlimited Music, Orange Funtones, SMS Info, Smartphones & Tablets

HOME SERVICES

Fibre-To-The-Home (FTTH), my.t Internet, my.t 100 Mbps, my.t TV Channels (over 100 TV channels including Sports Pack with live English Premier League matches, Bollywood Mega Pack, Kids Pack, OCS Pack among others), my.t Smart Box, my.t Video on Demand (VoD), my.t Catch-Up TV, my.t Multi-screen, my.t Voice, Flybox, Fixed Telephones, WiFi Extenders

WIFI MAURITIUS

350 free public Wi-Fi Hotspots across Mauritius

SMALL AND MEDIUM ENTERPRISES

Business Boost Very High Speed Fibre Broadband (20M/50M/100M), Mobile Postpay Abundance

ITES/BPO

Superfast Business Broadband, Global IP, Global IP Premium

ENTERPRISE SOLUTIONS

Connectivity Solution Local & International Connectivity: Fibre based broadband with medium diversity backup solutions, Dedicated bandwidth for inter-networking of sites

Mobile Solution: 4G, Smart Packages with Fleet Management, Mobile Internet, Smartphones & Tablets, Machine-to-Machine

Cloud and Datacentre Solutions: Tier 4 Datacentre with Premium Hosting, Cloud Solutions Provider (SAAS, PAAS, IAAS), Microsoft Office 365

Security Solutions: Firewall and Security Solutions, Traffic Watch & Video Surveillance

Unified Collaboration: IP Telephony, Messaging Solution with Presence, Video Conferencing and Mobile Solutions

Managed Services: 24X7 Remote Monitoring & Management, Managed Security (DDoS)