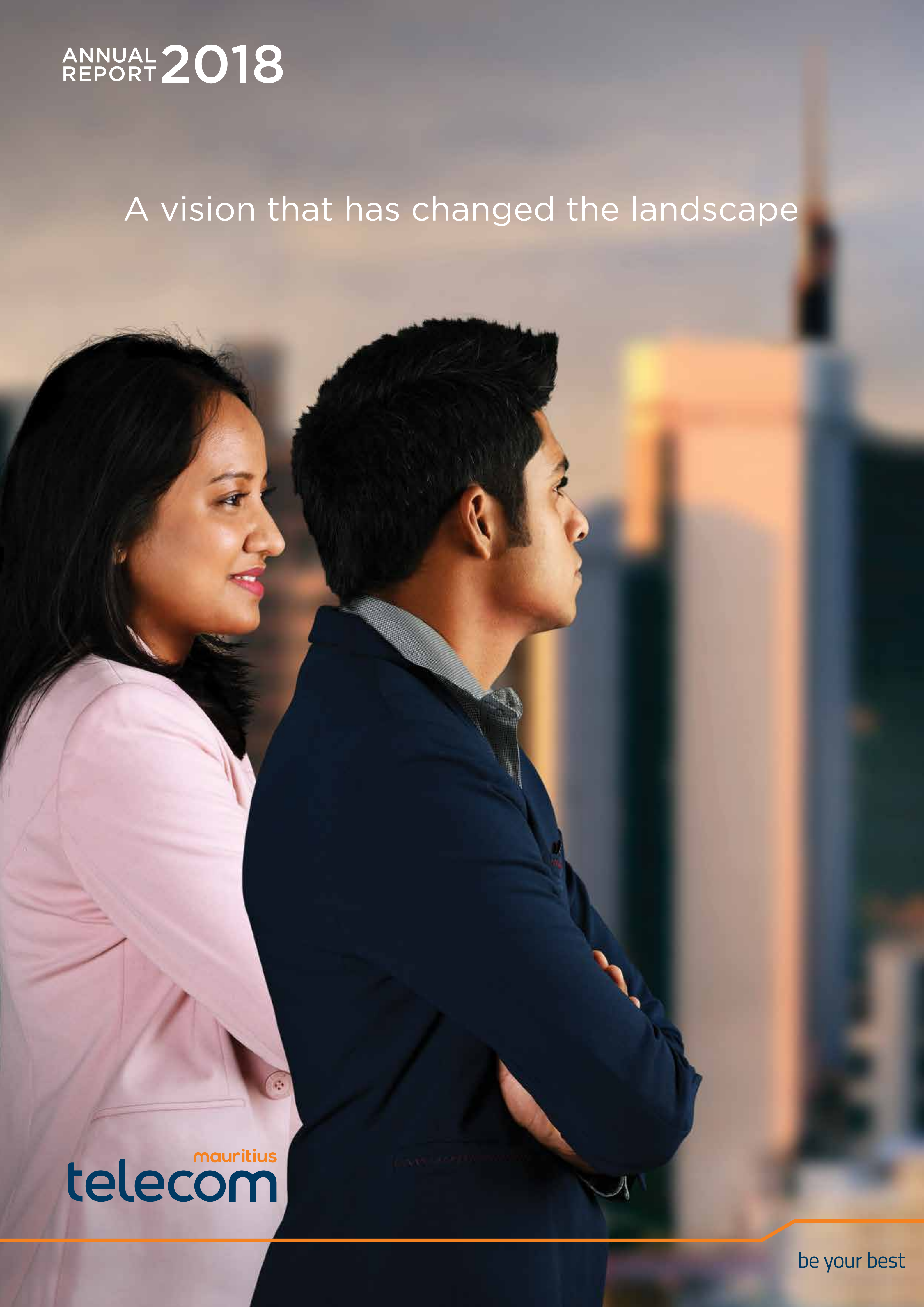
ANNUAL REPORT 2018

A vision that has changed the landscape



mauritius telecom

be your best

MISSION
Enriching Connectivity, Enriching Lives

SERVICE VISION
To always do our best for our customers

CORE VALUES
Passion

Professionalism

Creativity & Innovation

Agility & Speed

Respect & Responsibility

MOTTO
be your best

ANNUAL REPORT

CONTENTS

GROUP FINANCIAL HIGHLIGHTS

FOR YEAR ENDED 31 DECEMBER 2018

REVENUE

The Group revenue for the year under review reached Rs 10.6 bn, a growth of +7.2% compared to last year.

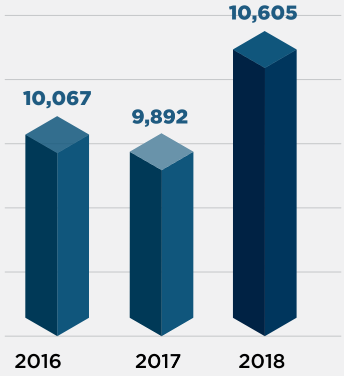
PROFIT FROM OPERATIONS

Profit from operations is at Rs 1.5 bn and experienced a growth of Rs 725 m year on year.

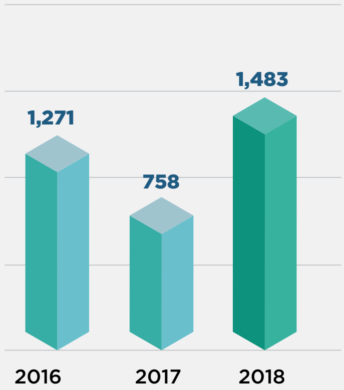
NET PROFIT

Net Profit is at Rs 1.3 bn, representing a year on year growth of +25%.

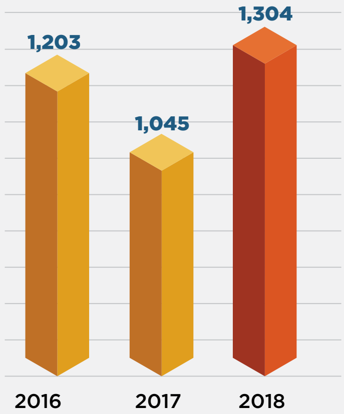
REVENUE
Rs Million



PROFIT FROM OPERATIONS
Rs Million



NET PROFIT
Rs Million



KEY FINANCIAL
FIGURES
FOR THE GROUP

KEY FINANCIAL FIGURES

	The Group	
	2018	**2017**
	Rs Million	Rs Million
INCOME STATEMENT		
Revenue	10,605	9,892
Gross Profit	7,521	7,374
Net Profit	1,304	1,045
Earnings per share (Rs)	6.86	5.50
	2018	**2017**
BALANCE SHEET	Rs Million	Rs Million
Total Assets	22,246	18,643
Total Liabilities	13,081	10,928
Total Equity	9,165	7,715
Capital Expenditure	5,784	3,934
Net Asset Value per Share (Rs)	80.55	68.09

CERTIFICATE BY COMPANY SECRETARY

CERTIFICATE BY SECRETARY REQUIRED UNDER THE COMPANIES ACT 2001

I certify to the best of my knowledge and belief that the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 as at 31 December 2018.

P.C. Colimalay
COMPANY SECRETARY

6 May 2019

CORPORATE PROFILE

ABOUT US

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. We provide a wide range of telecommunication and digital services that seek to meet the evolving needs of our residential and business customers.

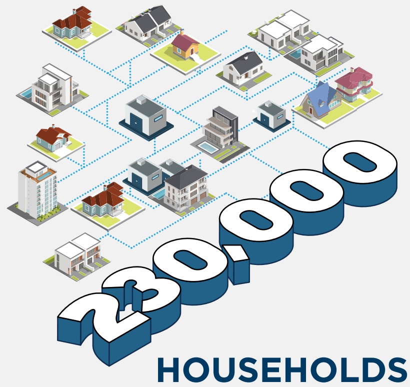
The Company was initially incorporated in 1988 as Mauritius Telecommunication Services and in 1992, after merging with Overseas Telecommunications Services (previously Cable & Wireless), it was renamed Mauritius Telecom. In 2000, Mauritius Telecom entered into a strategic partnership with France Telecom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

Mauritius Telecom has been at the forefront of the socio-economic transformation of Mauritius by creating and nurturing an environment conducive to the growth of the ICT industry, which has become a major pillar of the country's economy.

LEADING FIXED, MOBILE, TV & BROADBAND NETWORK IN MAURITIUS

FIXED LINE CUSTOMERS

FIBRE-READY HOMES



HOUSEHOLDS & BUSINESSES CONNECTED TO HIGH SPEED BROADBAND

IPTV CUSTOMERS

99 %
DEPLOYMENT OF 4G TECHNOLOGY ISLAND-WIDE

NO. OF 4G SITES: 494
NO.OF 3G SITES: 514

MOBILE CUSTOMERS

9 SUBSIDIARIES

- Cellplus Mobile Communications Ltd
- Telecom Plus Ltd
- Teleforce Ltd
- Call Services Ltd
- MT Properties Ltd
- Mauritius Telecom Foundation
- MT International Ventures PCC
- MT Services Ltd
- CSL Madagascar*

** CSL Madagascar was wound up and removed from the Register of Commerce of Antananarivo on 29 October 2018*

21 COMMERCIAL POINTS OF PRESENCE IN STRATEGIC LOCATIONS

OUR SHAREHOLDERS

- Rimcom Ltd*
- Government of Mauritius
- SBM Holdings Ltd
- National Pensions Fund
- Employees of Mauritius Telecom

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

-0.96% of Mauritius Telecom shares were sold to eligible employees and pensioners in 2007 at a discounted rate under an employee share-participation scheme

HOLDING STRUCTURE (%)

OUR NETWORK

Mauritius Telecom continually invests in its network infrastructure to enhance coverage, increase reliability and resiliency, and improve broadband speeds.

100% ISLAND-WIDE FIBRE COVERAGE

- Minimum home broadband speed of 10 Mbps
- Availability of ultra-fast home broadband (100 Mbps)

WIDESPREAD MOBILE COVERAGE

- Constant modernisation and upgrade of our mobile core network to provide island-wide 4G LTE coverage.

TIER IV BY DESIGN DATA CENTRE

- Certified by Uptime Institute
- 3-Megawatt facility with 2,000 m^2 whitespace
- Housing of 350+ server racks in six state-of-the-art data centre halls
- Gigabit connectivity to MT backbone
- Services including IaaS and Remote Hands

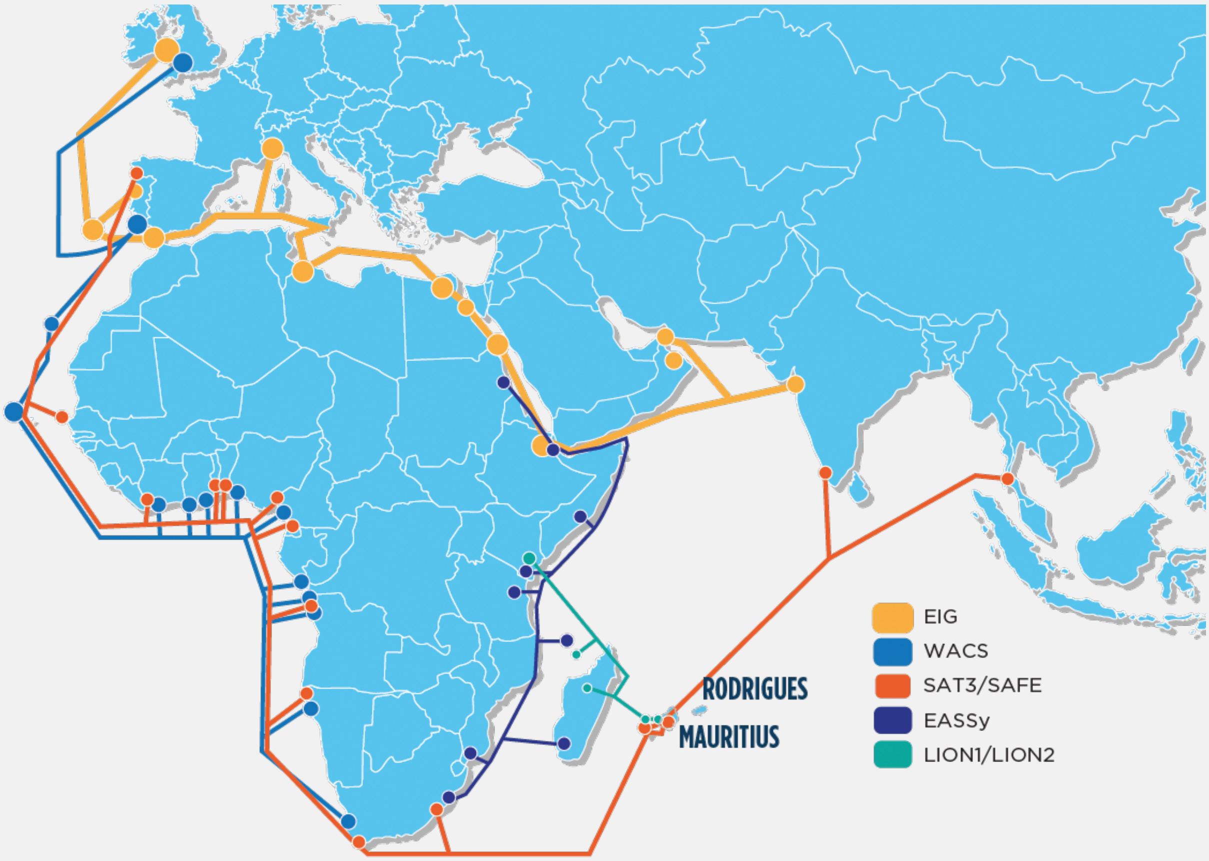
CONTENT PROVIDERS SUCH AS GOOGLE, FACEBOOK, NETFLIX, AKAMAI AND CLOUDFLARE HOST THEIR CACHING SERVERS ON MT'S CONTENT DELIVERY NETWORKS

INTERNATIONAL CONNECTIVITY

Mauritius Telecom's international network operates mainly by optical submarine cable. For international connectivity, Mauritius Telecom has three independent routes which serve for redundancy in case of cable breakdown:

- West route – SAFE/SAT3 and WACS through South Africa to Europe
- North route – LION/LION2- EASSy - EIG to Europe
- East route – SAFE to India and Malaysia

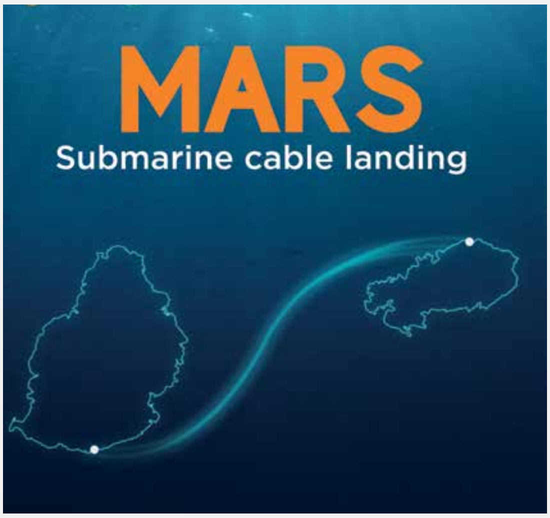
CABLE SYSTEMS & INTERNATIONAL CAPACITY



Since early 2019, Mauritius Telecom has completed the Mauritius and Rodrigues Submarine Cable Project (MARS), thus connecting Rodrigues to mainland Mauritius and consequently to the rest of the world.

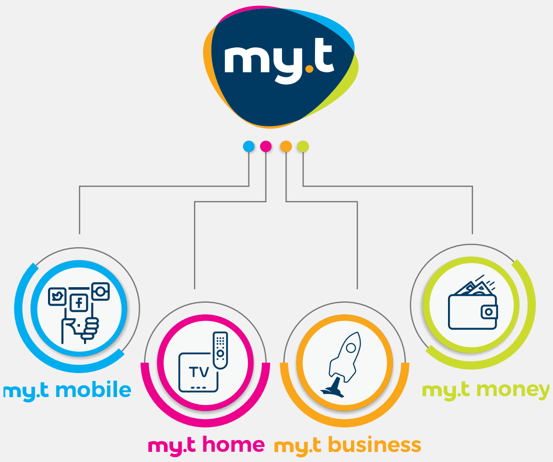
Mauritius Telecom has also signed an agreement to be the anchor tenant of the IOX Submarine Cable System – the third Mauritian submarine cable, which will connect Mauritius, Reunion Island and Rodrigues to South Africa and India.

Due to the growing demand for international bandwidth, we constantly carry out major upgrades on our international undersea fibre-optic cables. We have also invested in other submarine cable projects, such as the Europe-India Gateway and the West Africa Cable System, to enhance the resilience of international connectivity.



OUR BRAND

Mauritius Telecom provides fixed-line, mobile, internet, TV and mobile money services. Following an important brand evolution in 2017, all Mauritius Telecom's products & services were regrouped under a single commercial brand, my.t.



A year later, surveys have shown that the new my.t brand has been well accepted and occupies the leading position in the mobile and broadband sectors.

CREATING VALUE TO CUSTOMERS

Mauritius Telecom has taken bold initiatives over the past four years to transform Mauritius and the lives of Mauritians. As the leader in the fixed, broadband, TV & mobile segments on the local market, every Mauritian has access to ultra-high speed internet, be it on a fibre network or on a mobile network (4G).

76%
OF OUR MOBILE INTERNET SUBSCRIBERS USE THE 4G NETWORK

Fibre Connectivity: 75% of households that are fibre ready are now connected to fibre and enjoy speeds of 10 Mbps and above.

Migrations from copper to 10 Mbps fibre broadband was carried out free-of-charge and prices remained unchanged.

The 10 Mbps fibre broadband offer at Rs 499 per month provides Mauritians with an affordable entry price point.

ENRICHED AND VARIED CONTENT FOR IPTV CUSTOMERS

Mauritius Telecom enjoys close strategic partnerships with key content providers enabling us to provide our customers with a vast range of programmes - more than 100 TV channels including HD & premium English football channels.

We also partnered with popular content providers (such as Google, Facebook and Netflix) who have installed their cache servers locally in our content delivery network infrastructure. For instance, this means that most popular YouTube videos can be accessed instantaneously as the content is on our local servers.

GIVING AN EDGE TO OUR ICT/BPO CUSTOMERS

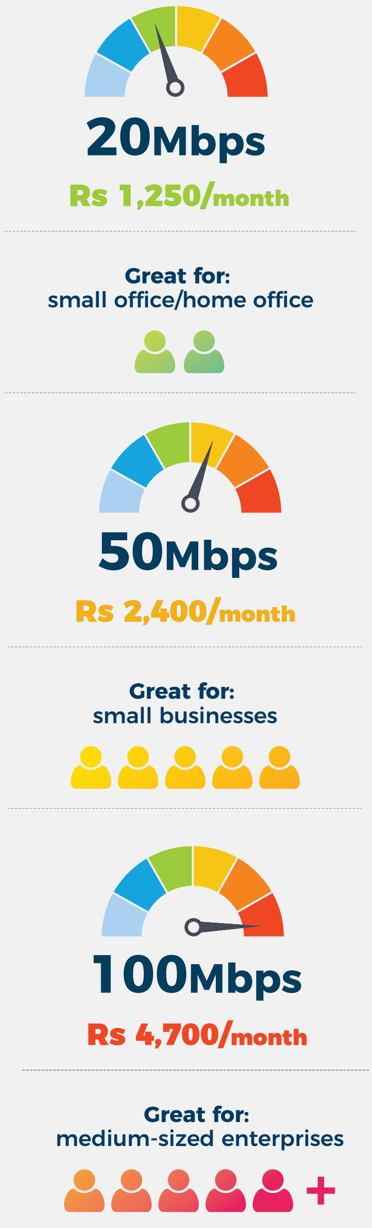
Having listened to the needs of local ICT/BPO operators and carried out a comparative analysis of international tariffs, Mauritius Telecom took the unique initiative of drastically decreasing the price of international bandwidth.

Since 2015, our tariffs for ICT/BPO operators have significantly decreased by an average of 60%. This has made ICT/BPO operators more competitive worldwide and led to an AT Kearney BPO report raising Mauritius' ranking as a BPO destination.

BUSINESS BOOST OFFERS FOR STARTUPS & SMALL AND MEDIUM BUSINESSES

To help local businesses grow and prosper, to support the local economy, Mauritius Telecom launched affordable fibre offers specifically for this market.

New Business Boost offers 20, 50 and 100 Mbps fibre packages to encourage small businesses to go digital, help them flourish and become more competitive, with an entry level high speed broadband package at only Rs1,250 per month.



CORPORATE PROFILE

(CONT'D)

OUR INTERNATIONAL RECOGNITIONS AND AWARDS

8TH MOST FIBERED COUNTRY IN THE WORLD (IDATE REPORT FEBRUARY 2018 – FTTH COUNCIL EUROPE)

2016

- Africa Operator of the Year 2016 Award by FTTH Council Africa
- Avaya Africa Partner of the Year 2016 award at Avaya Engage held in Dubai
- Best App for Africa 2016 title conferred by AfricaCom for the Traffic Watch App

2017

- Africa Operator of the Year 2017 Award by FTTX Council
- Industry Personality of the Year 2017 Award to Mr Sherry Singh, CEO of Mauritius Telecom
- Best Network Improvement in Africa 2017 award from Africacom

2018

- Ai ICT/Telecoms Deal of the Year 2018 Award from Africa Investor
- 2018 Company Award from the FTTX Council Africa
- Leadership Award 2018 from the FTTX Council Africa to Mr Sherry Singh, CEO of Mauritius Telecom
- Cisco Partner Plus 2018 Champion's Club Winner for Africa
- Avaya Cloud Partner of the Year – MEA & Turkey

OUR PEOPLE

In today's dynamic and evolving business environment, employee engagement is fundamental to business performance and customer satisfaction. At Mauritius Telecom, we consider our people to be the Company's most valuable asset and we have instilled a sense of togetherness to create what we call the MT Family.

We promote a culture anchored on 5 core values: Passion, Professionalism, Creativity & Innovation, Agility & Speed and Respect & Responsibility.

We aim to be an equal opportunity employer and a company to which our people feel proud to belong. We foster staff welfare, health & safety and personal and career development in a collaborative workplace.

TRAINING

The Telecom Campus at Ebene caters principally to our internal training needs, focusing on designing and delivering courses in work-related technical and commercial fields. We also partner with external institutions for tailor-made training programmes.

- **108** training courses delivered
- **1,296** employees have been on at least one training course
- **3.5** days' training per employee per year (average)

STAFF WELFARE

- **2** fully equipped and modern gyms with professional coaches at Telecom Tower in Port Louis and my.t Tower in Ebene
- **2,100** staff registered for our wellness programs
- **50** wellness partners
- MT Brand Online Shop
- **1,775** staff benefited from our medical check-ups
- **Free** medical check-ups daily in various locations

CSR

Mauritius Telecom is fully committed to upholding its corporate social responsibility (CSR). Through the Mauritius Telecom Foundation (MTF) which is responsible for managing the Group's CSR programme, we work with several NGOs in Mauritius and Rodrigues to support community projects in the fields of ICT, social housing, education, health, disabilities, sport and the environment.

Rs160 million
INJECTED INTO CSR PROJECTS BETWEEN 2015-2018 IN THE REPUBLIC OF MAURITIUS

Since 2017, the MTF has been supporting national projects which reach out to the community and are sustainable in the long run and enhance people's lives.

2017

- **350 free WI-FI hotspots in public locations** such as community, social welfare, women's and youth centres, village halls and post offices
- Our aim is to democratise internet access and reduce the digital divide.

2018

- **Setting up of MUGA Phoenix**
- MUGA (Multi-use Games Area) is a community based fun and fitness movement which promotes healthy living through physical activity for all segments of the population

Opportunities don't happen, you create them.

BOARD OF DIRECTORS

NAYEN KOOMAR **BALLAH**, GOSK

Chairman

Nayen Koomar Ballah was appointed Secretary for Home Affairs in January 2015 and Secretary to Cabinet and Head of the Civil Service in September 2016.

He holds a Diploma in Public Administration and Management, a Bachelor of Arts in Political Science and Economics, and a Bachelor of Arts (Honours) in English.

He has 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, and is currently the Chairperson of the State Bank of Mauritius Ltd, Mauritius Telecom Ltd, the Mauritius Revenue Authority and Multi-Carrier (Mauritius) Ltd, and Director on the Board of Air Mauritius and Mauritius Duty Free Paradise.

He was conferred the award of Grand Officer of the Star and Key of the Indian Ocean (GOSK) by the President of the Republic of Mauritius on 12 March 2018 for distinguished service in the public sector.

KOOSIRAM **CONHYE**

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 Export Processing Zones Development Authority (EPZDA) and Director (Corporate Affairs) at the Board of Investment.

He was assigned the duties of Permanent Secretary at the Ministry of Technology, Communication and Innovation in March 2016 and subsequently, appointed in a substantive capacity in January 2017. He was also assigned the duties of Secretary to the Public Service Commission and Disciplined Forces Service Commission from September 2016 to April 2018.

He is presently the Permanent Secretary at the Ministry of Social Security, National Solidarity and Environment & Sustainable Development, Social Security and National Solidarity Division.

His areas of interest are public-sector management, governance and public-sector finance and he has been 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) Ltd, MHC, SICOM and EWF.

DHEERENDA KUMAR **DABEE**, GOSK , SC

D K Dabee 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, Inn of Court.

He joined the Crown Law Office in Mauritius in 1982 and occupied all higher positions in 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 of a number of public bodies. He has represented the State in criminal and civil as well as constitutional and administrative law cases before lower courts as well as the Supreme Court.

Besides his over 37 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 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 is also a former member of the Arbitral Tribunal of the Commonwealth Secretariat.

He is the Chairperson of the Mauritius Cane Industry Authority Control and Arbitration Committee and of the Medical Tribunal. He also represents the Attorney General's Office on the boards of the Gambling Regulatory Authority and the Independent Broadcasting Authority.

He was Vice-Chairman of the Financial Services Commission from February 2016 to May 2017 and is currently Chairman of the Financial Intelligence Unit following his appointment in November 2016.

CHRISTIAN DE **FARIA**

Christian de Faria is a Chartered Accountant and holds a Bachelor's Degree in Finance and Administration from the University of Toulouse in France. He has over 30 years of industry experience across multiple geographies, diverse sectors and organisations, such as MTN, Telekom Malaysia, Disc Vision, Deutsche Telecom and Grundig. Before becoming Chairman of Bharti Airtel International (Netherlands) BV in January 2017, Christian was the Executive Chairman, Airtel Africa, from April to December 2016. In this role, he was responsible for all matters relating to Legal, Regulatory, Government Relations, Corporate Communications, CSR and Shareholders, as well as M&A. In his new role, while giving up the day-to-day P&L responsibility, Christian still continues to support the vision of Airtel Africa.

He originally joined Airtel Africa in September 2013 as the MD & CEO - Africa Operations. His key focus was on increasing the revenue market share, enhancing network and IT capabilities, ramping up 3G data and Airtel Money as future growth engines, strengthening customer experience by institutionalising best-in-class processes to build execution excellence, and strengthening the Airtel brand in Africa.

Before joining Airtel, Christian was associated for the previous seven years with MTN where he held senior leadership positions including Executive Vice-President, responsible for operations in the West and Central Africa Region, and later as the Senior Vice-President - Commercial and Innovation, responsible for transformation of the Group Supply Chain function. In his final position at MTN, he was the Group Commercial Officer for two years until January 2013.

BOARD OF DIRECTORS

(CONT'D)

OLIVIER **FROISSART**

Olivier Froissart is a graduate of HEC School of Management in Paris and started his career with Orange in 1982. After holding various responsibilities in the International Department and in the Financing and Controlling Departments of Orange, which notably included participating in several IPOs (France Telecom, Wanadoo and Orange) as manager of Orange's ECM Operations Department, Olivier Froissart joined the M&A Department of Orange, where he led negotiations for the Orange group in the context of many M&A projects.

He is currently Senior VP in charge of International Operations in the Group Finance Department. He holds or held positions on the boards of several companies involved in the telecom sector, such as Orange Maroc, Orange Tunisia, Iraq Telecommunications, Telkom Kenya, Eutelsat and various venture capital subsidiaries of the Orange Group.

ALBAN **LO GATTO**

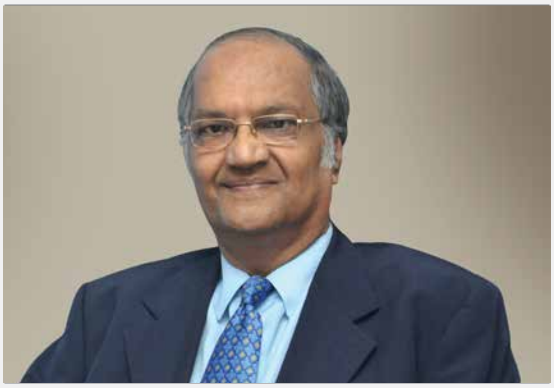
Alternate to Bruno Mettling

Alban Lo Gatto holds a Master's Degree in Private Law and a Master's Degree in International Business Law.

He served as legal adviser in several companies in the IT and retail industries before joining France Telecom/Orange in 2007 as Deputy Legal Adviser, Mergers and Acquisitions.

He has been the Legal Director and Company Secretary of Orange Middle East and Africa SA since June 2015.

DHARAM DEV **MANRAJ**, GOSK



Dev Manraj is currently the Financial Secretary at the Ministry of Finance and Economic Development of the Government of the Republic of Mauritius. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a Diploma in International Management Development from IMD Lausanne in Switzerland.

During his career, predominantly within the public and semi-governmental spheres in Mauritius, he has contributed on a large scale to the socio-economic development of the country.

He has participated in the negotiations leading to the signature of double taxation avoidance agreements with several countries. He has also attended numerous discussions and consultative meetings with the World Bank and the International Monetary Fund, as well as other key international institutions.

As Financial Secretary, he has also concluded government-to-government agreements with various African countries such as Ghana, Senegal and Ivory Coast on behalf of the Mauritius Africa Fund.

He has, additionally, successfully negotiated, on behalf of the Republic of Mauritius, for the procurement of concessional financing and grants from India and China to implement major national infrastructure projects.

He has likewise participated actively in the implementation of major projects in Mauritius such as the Ebene Cybercity project and the setting up of numerous public sector organisations including the State Investment Corporation (SIC), State Informatics Ltd (SIL), the former Mauritius Offshore Business Activities Authority, the National Computer Board, the Board of Investment and Business Parks of Mauritius Ltd. He has also been a Visitor of the University of Mauritius.

BRUNO **METTLING**

Chairman of Orange Middle East and Africa

Bruno Mettling is a graduate of the Institut d'Études Politiques and of the Aix-en-Provence law school.

His career in France began at the Budget Department of the Ministry of Finance. In 1988, he was in charge of finance at the Ministry of Labour. From 1988 to 1990, he was Deputy Director of the Minister's office for Infrastructure, Housing, Transport and the Sea. In 1991, he became Inspector of Finance and joined the Ministry of Economy and Finance.

Bruno Mettling was then appointed Deputy Chief Financial Officer for La Poste. In October 1999, he joined Caisses d'Epargne where he launched a reform of the Human Resources function, before being in charge of commercial development and then of strategic planning. In 2004, he joined the Banque Populaire Group, of which he became Deputy CEO.

In April 2010, he was asked to join France Telecom as Executive Director in charge of Group Human Resources and Internal Communication. He was also appointed Deputy CEO in November 2011 and is the author of a 2015 report on digital technology impacts on work for the French Ministry of Labour.

In March 2016, he was appointed CEO of Orange Middle East Africa (OMEA) Holding which includes all Orange operations in this geographical area. On May 2018, he became Chairman of Orange Middle East and Africa.

He is a Knight of the French Legion of Honour, an Officer of the French Order of Merit and an Officer of the Ivory Coast Legion of Honour. He is also a member of the Board of Directors of Air France, Vice-President of AMREF (Flying Doctors), President of the Board for CEOs of France-West Africa of International Medef and Member of the CIAN Board of Directors.

BOARD OF DIRECTORS

(CONT'D)

LUDOVIC **PECH**

Ludovic Pech holds a degree in Finance and Business Administration (DESCAF) from the French business school, ESCEM, and complemented his education with a senior executive programme in Finance and Management from ESCP Europe. He has certified status as a non-executive director from IFA and Sciences Po Paris.

He has acquired over 20 years' international experience in the areas of business development, finance and general management in the telecommunications and multimedia sector, acting since 2000 as corporate, divisional or regional Chief Financial Officer (CFO) in multiple operations in Europe, Middle East and Africa for the Orange Group. He currently serves as CFO of Orange Middle East Africa and as a non-executive director of multiple corporations.

NAVINDRANATH **POONYE**

Navindranath Poonye joined the Public Service in October 1980 as a Clerical Officer and, by 1996, had risen to the rank of Personnel Officer. He then joined the Administrative Cadre in November 1997 as Assistant Secretary and was subsequently promoted as Deputy Permanent Secretary in 2012, by which time he had completed 38 years' service in the public sector in various grades.

He has also served the Rodrigues Regional Assembly after being assigned the duties of Departmental Head in 2010 and had the opportunity to serve various Commissions there, including the Chief Commissioner's Office and the Commission for Water Resources, until 2012.

He has been a facilitator for the implementation of the Performance Management System by coaching public officers of various ministries and departments. Furthermore, as a part-time lecturer at the University of Technology in 2009/10, he taught modules related to Management.

Note:

Messrs Ballah, Manraj, Dabee, Conhye, and Poonye are citizens of Mauritius.

Messrs de Faria, Pech, Froissart, Mettling and Lo Gatto are citizens of France.

COMPANY SECRETARY

CONRAD **COLIMALAY**

Company Secretary

Conrad Colimalay is qualified as a Barrister-at-Law. He holds a Master's 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 within the MT Group.

CHAIRMAN'S STATEMENT

ONCE AGAIN, IT GIVES ME GREAT PLEASURE TO PRESENT MAURITIUS TELECOM'S LATEST ANNUAL REPORT. IT IS MORE THAN ENCOURAGING THAT, DESPITE THE EVERMORE CHALLENGING AND COMPETITIVE TELECOMMUNICATIONS ENVIRONMENT, OUR COMPANY HAS AGAIN MANAGED TO RECORD A SOUND FINANCIAL PERFORMANCE DURING THE 2018 FINANCIAL YEAR.

JUST AS IMPORTANTLY, MAURITIUS TELECOM CONTINUED TO MAKE MAJOR STRATEGIC INVESTMENTS IN ORDER TO SECURE ITS FUTURE. WE HAVE A CLEAR VISION AND, UNDER OUR CEO'S LEADERSHIP, THE COMPANY HAS BEEN ABLE TO MAINTAIN ITS LEADERSHIP POSITION IN THE LOCAL MARKET.

NAYEN KOOMAR **BALLAH**, GOSK
Chairman

FINANCIAL PERFORMANCE

The Mauritius Telecom Group achieved remarkable results in 2018 despite a mature and limited market, and intense competition from what are known as Over-The-Top (OTT) players. Group revenue grew by 7.2% compared to 2017 to reach Rs 10.6 billion, while profit after tax reached Rs 1.3 billion, representing a double digit year-on-year increase of 25%.

CORPORATE GOVERNANCE

The Company is firmly committed to the principles and codes of corporate governance and aims to be as fully compliant as possible. We also aspire to uphold best practices in respect of integrity and ethics. Indeed, we feel it is in our own best interests as, by diligently discharging our responsibility towards our shareholders, customers and employees, we are able to gain their trust, which protects our assets and ultimately creates long-term value.

AN ACTIVE SOCIAL PARTNER

Mauritius Telecom is one of Mauritius' leading companies and, not least because we are also a public entity, we have a particular responsibility to use our position to help the country progress and advance all sectors of society.

CHAIRMAN'S STATEMENT

(CONT'D)

We are fully committed towards fulfilling our social commitments. Our corporate social responsibility (CSR) funds are channelled through the Mauritius Telecom Foundation, which supports community initiatives promoting socio-economic integration and development.

The company injected no less than Rs 15 million in 2018 to finance projects in support of health and well-being, poverty alleviation, education, environmentally-friendly practices, people with disabilities and the elderly.

Since 2017, Mauritius Telecom has been actively promoting major national projects which reach out to the community. We started with the deployment of 350 Wi-Fi hotspots across the country with the aim of democratising internet access and bridging the digital divide. This project has been hugely successful, with an average of 11,000 connections daily using the hotspots.

Mauritius Telecom further contributed significantly to a key project in 2018, namely the construction of a community Multi-Use Games Area (MUGA) in Phoenix, targeted at people of all age groups living in the neighbourhood. This project reaches out, in the same way as the Wi-Fi hotspots project, to the community at large. So far, 60,000 people have visited MUGA Phoenix since its opening in August 2018. As well as promoting a healthier lifestyle, it has become a place where local people come to exercise and have fun together. Moreover, MUGA is the first community initiative backed up by a fully informative and responsive website, and a supporting mobile app for use on the move.

EMPLOYEE ENGAGEMENT

We aspire to be a Company for which our employees are proud to work. We aim to be an equal opportunity employer and provide a conducive and collaborative workplace so that each employee feels engaged towards the Company and seeks to perform to his or her maximum potential.

Our employees have played a vital role in our transformation strategy and investing in them is crucial to our success. A salary review was completed to the satisfaction in April 2018 and staff under the MTS scheme benefitted from increases in salary and benefits.

We also take an interest in staff well-being, providing annual health check-ups. In 2018, we set up a fully equipped gym in Ebene and introduced fitness and coaching programmes, as well as negotiating further discounts for staff with our wellness partners and exclusive offers in well-known retail outlets.

To show our appreciation of senior employees, we launched long service awards for employees with more than 40 years' service in the Company to thank them for their contributions and dedication.

As our contractors are seen as our representatives when undertaking tasks on our behalf, and some problems had been reported, we took steps to provide a training programme for 300 contractors, spread across various teams, on how to carry out installations and fault resolutions to the highest standards of corporate professionalism.

SECTOR OUTLOOK AND STRATEGY

Mauritius Telecom is now a very different telecommunications company from what it was four years ago. We have made good progress and we are in a stronger position to face industry challenges. Our aim is to create long-term sustainable growth so that we continue to deliver greater returns to our shareholders and outstanding value to our customers.

CONCLUSION

I greatly appreciate the commitment and support I receive from my fellow Board members in assisting me in my function as Chairman. I also wish to thank all staff and the management team for giving their best at work, undeterred by the transformational changes that the Company is undertaking.

On behalf of the Board, I also thank Shakuntala Devi Gujadhur-Nowbuth who stepped down as director on 28 June 2018 and take this opportunity to welcome Navindranath Poonye to the Board.

On a concluding note, I cannot sign off without congratulating our CEO, Sherry Singh, for the Leadership Award 2018 conferred on him by the FTTX Council Africa. His strong leadership over the last four years means the Company is now well positioned to further progress and cope with future challenges.

NAYEN KOOMAR
BALLAH, GOSK

Chairman

June 2019

CHIEF EXECUTIVE OFFICER'S REVIEW

IT GIVES ME GREAT PLEASURE TO PRESENT THE 2018 ANNUAL REPORT. IT HAS BEEN ANOTHER AMAZING YEAR FOR MAURITIUS TELECOM WITH IMPRESSIVE FINANCIAL RESULTS ACHIEVED THROUGH THE SUCCESSFUL EXECUTION OF OUR AMBITIOUS STRATEGY SET OUT IN 2015.

OVER THE PAST FOUR YEARS, THE COMPANY HAS PERFORMED STRONGLY, WITH A 16% INCREASE IN REVENUE AND A 32% GROWTH IN NET PROFIT OVER THE SAME PERIOD. THE YEAR UNDER REVIEW HAS BEEN VERY SPECIAL. DESPITE SIGNIFICANT INVESTMENT TO SUPPORT OUR BUSINESS TRANSFORMATION, WE HAVE ACHIEVED A RECORD TURNOVER OF RS 10.6 BILLION WITH A NET PROFIT OF RS 1.3 BILLION WHICH REPRESENTS A LEAP OF 25% COMPARED TO PROFITS MADE IN 2017.

MANVENDRA (SHERRY) **SINGH**
Chief Executive Officer

This Annual Report is testimony to the effectiveness of strategies we set out to turn around the Company and reverse the trend of declining profit since 2014. Today, when I look at the financial performance and the mindset that prevails within the Company, I am more than ever convinced that we are on the right track to make Mauritius Telecom shine both on the local and international scenes.

The strategic priorities set out for Mauritius Telecom in 2015 have instilled a new dynamism within our workforce to take the company to greater heights.

ENRICHED CONNECTIVITY

By enhancing connectivity, we have enriched people's lives as Mauritius transforms itself into a smart island.

Mauritius Telecom completed the Fibre-to-The-Home (FTTH) Rollout Project over the whole island in record time, an achievement acclaimed by the FTTX Council Africa and the international community, making Mauritius the most connected country in Africa and ranked

8th in the world just after Japan and China (iDate February 2018 report). 230,000 households and businesses are now connected to fibre broadband out of 366,000 that are fibre ready.

With the deployment of 4G mobile technology, our customers are able to enjoy high-speed mobile internet all over the island. By the end of December 2018, 76% of our mobile internet subscribers were using the 4G network.

By continuously upgrading our network infrastructure for both fixed-line and mobile users and bringing innovative solutions to the population, Mauritius Telecom is nurturing an environment conducive to Mauritius reaching the next milestone in its socio-economic development.

In November 2017, Mauritius Telecom was awarded the contract to link Rodrigues to Mauritius with a submarine cable. Just as we understood the necessity for accelerated fibre deployment in Mauritius, we understood how vital the Mauritius and Rodrigues Submarine (MARS) cable is for development in Rodrigues. Together with our partners PCCW Global and Huawei Marine Networks, Mauritius Telecom fast tracked the project and brought the 677-kilometre cable span to land in Rodrigues in November 2018, exactly one year after the signing of the contract.

HIGH-SPEED BROADBAND IN RODRIGUES WILL FACILITATE GREAT LEAPS IN INNOVATION, RESULTING IN A FUNDAMENTAL RESTRUCTURING OF THE ECONOMY AND HAVE A POSITIVE IMPACT ON PRODUCTIVITY, TRADE, EXPORTS AND ECONOMIC GROWTH.

WORLD-CLASS SERVICE

Over the past four years, we have brought in many innovative changes and the enhancement of our services has led to a 76% decrease in complaints between 2015 and December 2018.

In order to provide a world-class service and exceed customer expectations, we embarked in 2018 on a major company-wide initiative to transform the service culture within Mauritius Telecom with our Speed Project. This involved a new approach, from problem identification to problem resolution, which has improved both service delivery and customer experience.

CREATING VALUE FOR OUR SOCIETY

As one of the country's leading companies, Mauritius Telecom is committed to meeting its corporate social responsibility towards society.

From 2015 till 2018, the Mauritius Telecom Foundation injected a total of Rs160 million to support projects in the fields of education, ICT, disabilities, art and music, empowerment, and entrepreneurship development so as to bridge the social and digital divide. We reviewed our CSR priorities in 2017 by focusing on key areas which will have sustainable and life-changing impacts community-wide.

MUGA (Multi Use Games Area), a community-based Fun and Fitness movement, was developed by Mauritius Telecom leveraging on the use of technology and with the active collaboration of the government and the local authorities and community. The mission of MUGA is to promote healthy living through physical activity and education for all segments of the population.

We set up the first MUGA in Phoenix in August 2018. This project will be extended in 2019 to other parts of the country, namely Tyack, Triolet, Goodlands and Curepipe.

FOSTERING AN ENGAGED WORKFORCE

At Mauritius Telecom, we consider our people to be the Company's most valuable asset and we have instilled a sense of togetherness to create what we call the MT Family.

We promote a culture anchored on five core values: Passion, Professionalism, Creativity & Innovation, Agility & Speed and Respect & Responsibility.

We aim to be an equal opportunity employer and a company to which our people feel proud to belong. We foster staff welfare, health & safety and personal and career development in a collaborative workplace.

Mauritius Telecom's transformation over the past years has also meant inculcating a culture of innovation, togetherness and sense of belonging within our teams.

THE FUTURE IS BRIGHT

Mauritius Telecom has seen major changes over the past four years, receiving major recognition on the international scene. We have been helping to revolutionise the ICT sector and have several more projects in the pipeline for 2019:

- The launch of a revolutionary TV experience with the new 4K my.t Smart Box in partnership with Google and Huawei.
- Launch of a new mobile payment ecosystem.
- Expansion of our Tier IV Uptime Institute certified Data Centre in Rose Belle.

The Company will pursue its Africa agenda and seek growth opportunities to meet its ambitions of becoming a regional player.

CONCLUSION

Our results this year and over the past four years show that we can respond to industry challenges and deliver strong performance. Mauritius Telecom is a very different company today from what it was in 2014.

We are firmly committed to maintaining our leadership position and to continuing to leverage on our strong and growing core business to enrich people's lives. I am confident that a strong foundation is now in place and that we can capture new opportunities as we move forward.

I am very grateful for the invaluable contributions made by my colleagues throughout the Group, to our partners and shareholders for their belief in our strategies, and not least to our Chairman and Board members for all their support.

SHERRY **SINGH**

Chief Executive Officer

June 2019

With Rodrigues connected to the rest of the world through MARS, the island embarks on its digital transformation.

GROUP EXECUTIVE COMMITTEE

MANVENDRA (SHERRY) **SINGH**

Chief Executive Officer

Sherry Singh has been the Chief Executive Officer of Mauritius Telecom since February 2015. He is an ICT and Marketing professional with more than 20 years' experience in the Telecommunications and Marketing industry.

He started his career in 1999 and quickly rose to become the Marketing and Customer Service Manager in a well-established Mauritian telecom company, where he had the opportunity to undergo specific training in world-renowned international telecommunications companies based in the UK, Sweden and Sri Lanka. In 2003, he started his own business, specialised in marketing and telecommunications services.

He held the position of Senior Adviser to the Vice-Prime Minister and Minister of Finance and Economic Development from July 2010 to July 2011. During the same period, he was a board director of the State Investment Corporation, the Mauritius Duty Free Paradise and the State Land Development Company.

Sherry Singh has been the Special Adviser to the Prime Minister of Mauritius since February 2017. He was declared the Industry Personality of the Year 2017 by the FTTX Council Africa and then, in 2018, the same Council further honoured him with its Leadership Award. For the year 2019-2020, he has been appointed as Chairman of the Southern Africa Telecommunications Association (SATA).

CLAIRE **PAPONNEAU**

Deputy Chief Executive/Chief Operating Officer

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 Relationships, followed by International Network Operations responsibilities for the Orange Group. From 2002 to 2009, she 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, she then held the post of Senior Vice-President International Operations for the Orange Group in West and Central Africa, covering seven countries.

Mrs Paponneau has been decorated Knight of the French National Order of Merit and is also an Adviser for French International Trade. She is a board member, as well as chairperson, of various NGOs. She was appointed as MT's Deputy Chief Executive and Chief Operating Officer in August 2016.

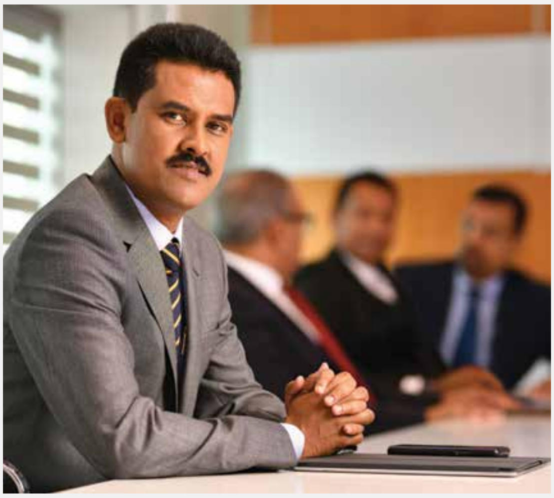
TARKASWAR (RAJ) **COWALOOSUR**

Chief Strategy Implementation Officer

Raj Cowaloosur holds a Diploma in Mechanical and Electrical Engineering, as well as a Diploma in Management Studies. He joined Cable and Wireless Ltd in 1977 as an engineering technician and acceded to his first managerial responsibility in 1986. Since then, he has served in numerous positions in the Human Resources, Support Services and Commercial fields.

Raj was the Chief Human Resources Officer of the Mauritius Telecom Group until November 2018, when he was appointed Chief Strategy Implementation Officer. He also serves as a director of several Mauritius Telecom subsidiaries.

LECKRAJ RAJA RAI **BASGEET**



Chief Technical Officer

Leckraj Raja Rai Basgeet 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. He then led the Business Development Division.

Rai 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.

GROUP EXECUTIVE COMMITTEE

(CONT'D)

JEROME **DE LATTRE**

Chief Financial Officer

Jerome De Lattre studied in France and graduated from a French Business School in 1994. He started his career in 1996 with Ernst & Young in Paris where he worked for four 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, he was appointed CFO of w-HA, a payment solution provider wholly owned by the Orange Group and, in 2006, he was appointed Deputy CFO of Orange Jordan.

Prior to joining Mauritius Telecom, he was a member of the Executive Committee of Meditelecom (Morocco's second operator and a subsidiary of the Orange Group) in charge of Group Controlling. He has been the Chief Financial Officer of Mauritius Telecom since August 2015*.

** Mr Jerome de Lattre is no longer at Mauritus Telecom since 1st June 2019*

PREETAM KUMAR (BOBBY) **RAMSOONDUR**

Chief Marketing and Consumer Sales Officer

Further to his Master's degree in Electrical and Electronics Engineering at the Ecole d'Ingénieur Polytech Clermont-Ferrand in France, Bobby Ramsoondur undertook an MBA at the Institut d'Administration des Entreprises, Poitiers as well as an Executive MBA jointly awarded by the Ecole de Management of Lyon in France and the UK's Cranfield School of Management.

He joined the Group in 1997 as a Systems Engineer and has since then occupied several positions in the company. He was appointed Chief Marketing and Consumer Sales Officer of Mauritius Telecom in September 2015.

VELAMAH **CATHAPERMAL-NAIR**

Chief Legal & Regulatory Affairs Officer

Velamah Cathapermal-Nair is a member of the Canadian and Mauritian Bars, and an accredited mediator and arbitrator. She started her career as a State Law Counsel for the Government of Quebec in Montreal and afterwards practiced with a private legal firm in Montreal mainly in ICT, Media, Competition and Corporate Law.

At Mauritius Telecom, she deals with both contentious and transactional issues and advises on strategic and legal issues in managing the products and services portfolio.

Velamah also regularly appears before the Information and Communication Technologies Authority, the Independent Broadcasting Authority, the Data Protection Commission and the Competition Commission of Mauritius on behalf of MT.

VIRENDRA K. **BISSOONAUTH**

Chief Information Officer

Virendra Kumar Bissoonauth holds a Bachelor's degree in Computer Science from Acadia University, Canada, and holds a Master's in Management International (MMI) from the University of Phoenix, USA. He has held various senior positions in the private sector, locally and internationally, and acted as consultant for various projects worldwide.

He was formerly the Head of the IT Division at Mauritius Telecom until October 2006, after which he joined the private sector and worked in France, Djibouti and Algeria. He has 28 years' experience in the ICT sector, his work including pioneering and managing complex IT solution designs and cloud-based applications. He re-joined Mauritius Telecom in July 2015 as the Chief Information Officer.

GROUP EXECUTIVE COMMITTEE

(CONT'D)

KHOYMIL **GOBURDHUN**

Chief Internal Audit and Risk Management Officer

Khoymil Goburdhun is a Fellow of the Association of Chartered and Certified Accountants, a Certified Internal Auditor and also holds a Master in Business Administration, specialising in Marketing.

With more than 25 years' experience in the telecommunication sector, Khoymil has served in various management positions within the Group and was the Finance and Administration Manager of Telecom Plus from 1996 to 2001.

He is a member of the Mauritius Institute of Directors, the Mauritius Institute of Professional Accountants and a founder member of the Institute of Internal Auditors Mauritius.

NEERAJ **MOUNIEN**

Chief Enterprise Solutions Officer

Neeraj Mounien 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' experience as a professional in the ICT sector.

He joined Mauritius Telecom in November 2015 as the Chief Enterprise Solutions Officer. Prior to that, he had worked for eight years at Microsoft Indian Ocean Islands and French Pacific, variously as Business Development Manager, Public Sector Lead, Channel Manager and Senior Account Manager.

NIRMALA **RAMJHURIA**

Chief Human Resources Officer

Nirmala Ramjhuria holds a Degree in Management and has been the recipient of a Commonwealth Professional Fellowship. She is a trained facilitator for people development, as well as having Cubiks International certification as a psychometric test assessor.

Nirmala has more than 20 years' experience in Human Resources and, during her career, she has been responsible for driving resourcing, rewards and recognition and performance management systems. Her previous posts include Executive Resourcing and Organisation Development, Executive Training and Development, Manager People Acquisition and Analytics and Head of HR.

DHARMAYASHDEV (DHARMA) RAI **BASGEET**

General Manager - Call Services Limited

Dharma Basgeet 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 19 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, Dharma joined Ceridian Mauritius as Director of Implementation and Product Development. He became General Manager of Call Services Ltd in January 2017*.

** Mr Dharmayashdev Basgeet is no longer at Mauritius Telecom since 30th April 2019*

GROUP EXECUTIVE COMMITTEE

(CONT'D)

NISHI SAPNA **MUNBODH MOHUN**

Head of Customer Journey and Quality Improvement

Nishi Munbodh Mohun is a graduate in Electronics and Telecommunications Engineering from the University of Melbourne (Australia). She also holds an MBA with specialisation in Marketing from the University of Leicester (UK) and is certified lead implementer, auditor and registered coordinator for a number of international quality and security management standards.

She has had over 20 years' experience in the telecommunications business within Mauritius Telecom in sectors including network operations, customer services, quality management and process re-engineering.

She served as Manager Quality and Processes from 2010 to 2015, when she was appointed Head of Customer Journey and Quality Improvement. Since 2016, she has been leading the Customer Experience Department where her role now includes delivering an unmatched customer experience through organisation-wide actions, calibrated processes and customer journeys, best practices and innovative approaches.

CORPORATE GOVERNANCE REPORT

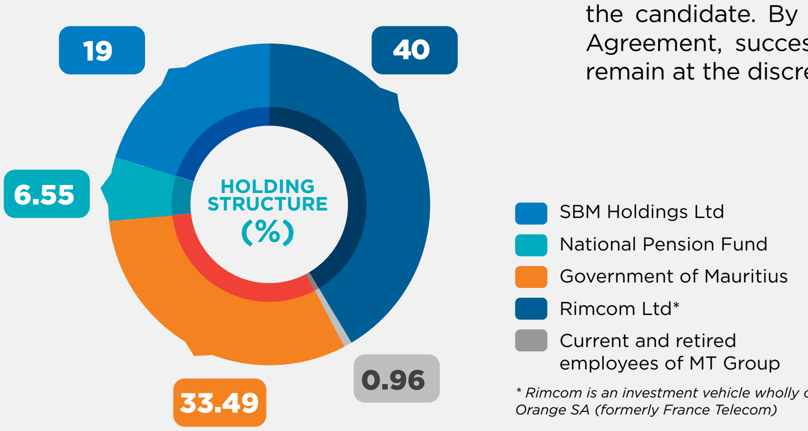
MAURITIUS TELECOM LTD ("THE COMPANY") IS A PUBLIC LIMITED COMPANY AND QUALIFIES AS A PUBLIC INTEREST ENTITY UNDER THE NEW GUIDELINES OF THE FINANCIAL REPORTING ACT 2004.

The application of the New Code of Corporate Governance, for the reporting period 31 December 2018, introduced the concept of 'apply and explain' the eight principles of governance:

1. **Governance Structure**
2. **The Structure of the Board and its Committees**
3. **Director Appointment Procedures**
4. **Directors Duties, Remuneration and Performance**
5. **Risk Governance and Internal Control**
6. **Reporting with Integrity**
7. **Audit**
8. **Relations with Shareholders and Other Key Stakeholders.**

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

HOLDING STRUCTURE



** 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's 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 under normal circumstances.

SHAREHOLDERS' AGREEMENT

The Shareholders' Agreement was signed in November 2000 between the Government of Mauritius and Rimcom Ltd (MT's strategic partner). The current composition of the Board is pursuant to the Shareholders' Agreement which provides that the Government of Mauritius shall nominate for appointment five out of nine directors while Rimcom Ltd shall nominate four directors. Five out of the nine directors are Mauritian citizens and are residents of Mauritius. Four directors are foreign citizens.

The Shareholders' Agreement confers the right to appoint directors based on the competencies and experience, gender diversity and age of the candidate. By virtue of the Shareholders' Agreement, succession plans for directorship remain at the discretion of the shareholders.

CORPORATE GOVERNANCE REPORT

(CONT'D)

Due to the dynamic nature of the operations of the Company, the establishment of a standard induction plan has been considered. However, in the event of a new appointment to the Board, the Chairman of the Board and the Company Secretary would tailor an appropriate induction plan to update the new member on the Company's current position and future financial and performance objectives to ensure the effective integration and orientation of him/her to the Board.

BOARD CHARTER

The Board Charter, which includes the following, is governed by the Shareholders' Agreement:

- Organisation of Board meetings
- Quorum
- Election of directors
- Voting rights of directors
- Dividend policy
- Matters pertaining to Management
- Annual Business Plan
- Deadlock resolution

BOARD OF DIRECTORS

The detailed composition of the Board of Directors can be found on pages 18 to 22 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.

The Board is well balanced with members who have appropriate knowledge, skills and experience including within the telecommunication sector at both operational and financial level. All members, collectively and individually, bring along their expertise during the Board meetings towards their shared vision of the Company and enrich the professional development of the Board and its members.

The directors assume the responsibility for orientating business operations and implementing proper controls for their effective performance. They are also responsible for compliance with legal and regulatory requirements. Any new legal regulation is assessed and its impact on the Company's IT and financial reporting environment (as assessed by the appropriate key management persons) is reviewed before integrating an implementation plan within the normal course of business activities. No director of MT holds shares in MT or any subsidiary of MT.

The Chairman heads the Board of Directors, which is composed of the nine members elected by the Shareholders.

The CEO and/or his representative, participating at a Board of directors meeting, fulfills the duties of an executive director, which comprise of giving an overview of the health of the Company and its subsidiaries. There is no restriction of gender or age. All directors are non-executive. The appointment of the directors is governed by the Shareholders' Agreement. The effectiveness of the Board with its current composition is adequate as the financial and operational performance, presented by the CEO and other key management persons attending a Board meeting, is challenged by the non-executive directors as necessary.

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, teleconferences 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.

The members of the Board are also individually responsible to report any interest to the Board. The Company Secretary maintains the interest register as required by law.

Evaluation of the effectiveness of the Board remains in the hands of the Chairman and the shareholders.

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 34 and 40 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

All related party transactions are contractual in nature and conducted at arm's length. Related-party transactions are disclosed in note 33 to the Financial Statements.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of Mauritius Telecom is in conformity with the 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, to attend and to vote at General Meetings of the Company.

MANAGEMENT AGREEMENT

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

An aggregate of directors' fees is to be found in the Directors' Annual Report and in note 25 to the Financial Statements.

In view of the commercial sensitivity and confidentiality requirements, the remuneration of directors has been disclosed in aggregate in note 25 of 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.

COMMITTEES

The following committees have been established to act as an 'evaluator' in different key areas on organisational health and ensuring sound management of risks. Committees set up are as follows:

Remuneration Committee

For reasons of harmonisation of policy, the Remuneration Committee is chaired by the chairman of the Board.

In 2018, the Remuneration Committee was composed of the following Board members:

Nayen Koomar Ballah GOSK - Chairman

Dheerendra Kumar Dabee GOSK, SC

Koosiram Conhye

Bruno Mettling (Alternate: Alban Lo Gatto)

The Remuneration Committee reviews relevant aspects of the terms of employment in MT Group. 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. There is no long-term incentive plan established for any director.

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

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

There was no remuneration to the non-executive directors in form of share options and bonuses associated with organisational performance.

Audit Committee

The members of the Audit Committee are appointed by the Board by virtue of the terms of reference of the Audit Committee. The Chairman of the Audit Committee is elected by the members of the Audit Committee.

During 2018, the Audit Committee was composed of the following Board members:

Dharam Dev Manraj GOSK - Chairman

Koosiram Conhye

Christian De Faria

Ludovic Pech

Olivier Froissart

Shakuntala Devi Gujadhur-Nowbuth

(to 28 June 2018)

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.

The Audit Committee and Risk Committee were merged into one Committee in 2018 to form the Audit & Risk Committee. It is composed of the same members.

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 Officer, 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 major activities of the operating components within the Group. He investigates and examines the effectiveness of the use of Company resources and compliance with established and new policies, procedures and processes. There is no restriction from the Board or Key management personnel on the scope of the internal audit department's review nor on the scope of the right to information required for its review. He reports on audit findings on a regular basis to the Audit Committee.

External Audit

The external auditors, Messrs Deloitte, were re-appointed for the statutory audit of the financial year ended 31 December 2018. The external auditors meet with the members of the Audit Committee to discuss and finalise the scope of the audit approach, the audit execution plan and findings arising from the audit process (including internal controls).

The members of the Audit Committee evaluate the performance of the external auditors, audit quality and their findings as criteria for re-appointment.

Corporate Governance Committee

The Corporate Governance Committee duties are discharged by the Audit Committee.

Risk Management Committee

The Chairman of the Risk Management Committee is appointed by the Board.

During 2018, the Risk Committee was composed of the following Board members:

Dharam Dev Manraj GOSK - Chairman

Koosiram Conhye

Christian De Faria

Ludovic Pech

Olivier Froissart

Shakuntala Devi Gujadhur-Nowbuth
(to 28 June 2018)

The Risk Management Committee:

- reviews and approves risk policy on an annual basis
- establishes the systematic and continuous identification, evaluation, measurement and mitigation practices of operational risks as they pertain to the Group
- defines and approves clear risk-management practices and prudential limits, and strategy covering risk-management philosophy and responsibilities throughout the Group
- reduces and mitigates identified risks to an acceptable level or considers their transfer
- ensures that adequate and effective controls and measures are in place to manage the most significant risk factors and to respond in a manner that is appropriate and proportional to the risks identified.

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

INTERNAL CONTROL MECHANISMS

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

- Board committees with specific focus as described above
- Clear roles and responsibilities for each employee within the organisational structure with well-defined reporting lines of reporting.
- A full set of ISO-certified written internal procedures covering all the major processes across the Company and its operating subsidiaries.
- 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 performance against budgets with explanations on variances for the operating components within the Group.
- An Internal Audit Department with the Internal Auditor reporting 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 continued its journey towards achieving business continuity and the security of its operations during crisis situations. Simulation exercises were carried out in key areas of its activities in order to assess the readiness of staff to react during crisis situations and to test the business continuity plans.

Ongoing awareness sessions were held with staff in various departments, especially to sensitise new comers and newly promoted staff during crisis situations and in their respective roles. Business continuity plans and incident management plans were updated to reflect the changes in tools and processes.

PHYSICAL SECURITY

a) 1,100 IP-based CCTV cameras have been installed with the aim of enhancing security on various MT sites including all MT shops.

b) Access control has been introduced in Rodrigues at the Fibre Cable Landing Station (MARS).

c) An innovative membership card using QR code has been developed for the MUGA Phoenix Project.

d) A digital card printing solution has been implemented for the access control system at the new Data Centre in Rose Belle.

e) An intelligent key management solution has been introduced for both data centres.

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. The monitoring of compliance remains in the hands of the key management persons during day-to-day operations, who are to report on instances of non-compliances to the Board and other relevant committees, deemed appropriate.

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

Courses were delivered by a team of trainers so as to sensitise all staff to the Charter. Videos used during the courses were 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 NCSR 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, sport and leisure, and the environment.

HEALTH AND SAFETY

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

ANNUAL SHAREHOLDERS' MEETING

The Company is not listed on the Stock Exchange. 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, subject to adequate visibility on financial indicators
Annual Meeting of shareholders	June

In addition to the shareholders who are the key stakeholders in the Company, the below-mentioned stakeholders are also considered of major importance for the success of the Company's progress:

1. Customers
2. Employees
3. Suppliers/creditors
4. Regulators
5. Banks

The Group engages with its stakeholders through open and effective communication to respond to their expectations and interest. The Group provides transparent information through its website (myt.mu and telecom.mu) and press communiques on its business activities and other matters as may be required.

DONATIONS

The aggregate amount of donations is shown in the Directors' Annual Report and in note 25 of the Financial Statements.

There was no political funding.

On behalf of the Board of Directors

P C Colimalay

Company Secretary

6 May 2019

my.t Weather mobile app brings updated and real-time information on major incidents, calamities and weather in Mauritius.

STATEMENT OF COMPLIANCE

(SECTION 75 (3) OF THE FINANCIAL REPORTING ACT)

Name of Public Interest Entity: **MAURITIUS TELECOM LTD**

Reporting Period: **Year ended 31 December 2018**

We, the Directors of **MAURITIUS TELECOM LTD**, confirm that to the best of our knowledge that Mauritius Telecom Ltd has complied with all of its obligations and requirements under the Code of Corporate Governance in all material aspects.

Signed by:

Chairman and one Director

CHAIRMAN	DIRECTOR
6 May 2019	*6 May 2019*

BOARD AND BOARD COMMITTEE
ATTENDANCE DURING 2018

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

	BOARD OF DIRECTORS MEETING	REMUNERATION COMMITTEE	AUDIT COMMITTEE	RISK MANAGEMENT COMMITTEE
No of meetings held	5	-	2	- *
Directors				
N K Ballah GOSK	4 in person + 1 by alternate	-	n/a	n/a
K Conhye	5	-	2	-
D K Dabee GOSK SC	3 in person + 2 by alternate	-	n/a	n/a
C de Faria	5	n/a	2	-
O Froissart	5	n/a	2	-
D D Manraj GOSK	1 in person + 4 by alternate	n/a	1 in person + 1 by alternate	-
B Mettling (A Lo Gatto - alternate)	5 by alternate	-	n/a	n/a
S D Gujadhur-Nowbuth (to 28 June 2018)	4	n/a	1	n/a
L Pech	4 in person + 1 by alternate	n/a	1 in person + 1 by alternate	-
N Poonye from 28 June 2018)	1	n/a	n/a	-

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

** Note: The Audit Committee and Risk Management Committee were merged into the Audit and Risk Management Committee in 2018.*

DIRECTORS' ANNUAL REPORT

THE DIRECTORS HAVE PLEASURE IN PRESENTING THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2018.

NATURE OF BUSINESS

The Group's main activity is the provision of telecommunications and related ICT 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
- Teleforce 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
- *CSL Madagascar (97% owned by MT International Ventures PCC, a wholly owned subsidiary of Mauritius Telecom) offers call-centre services in Madagascar.

***Note:**
CSL Madagascar was wound up and removed from the Register of Commerce of Antananarivo on 29 October 2018.

RESULTS FOR THE YEAR

The Group's and Company's profits/(loss) after tax, attributable to equity holders, for the financial year were: Rs'000s 1,303,980 (2017: Rs'000s 1,045,070) and Rs'000s 494,350 (2017: Rs'000s (98,523)) respectively.

Earnings per share for the year were Rs 6.86 (2017: Rs 5.50 per share).

The audited financial statements of the Group and Company for the year ended 31 December 2018 are annexed.

BOARD OF DIRECTORS

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

The following held office as directors of companies within the Group during 2018:

Mauritius Telecom

Nayen Koomar Ballah, GOSK - Chairman

Koosiram Conhye

Dheerendra Kumar Dabee, GOSK, SC

Christian De Faria

Olivier Froissart

Dharam Dev Manraj, GOSK

Bruno Mettling : Alternate – Alban Lo Gatto

Shakuntala Devi Gujadhur-Nowbuth
(to 28 June 2018)

Ludovic Pech

Navindranath Poonye
(as from 28 June 2018)

Cellplus Mobile Communications Ltd

Manvendra Singh - Chairman

Tarkaswar Cowaloosur

Telecom Plus Ltd

Manvendra Singh - Chairman

Rai Basgeet

Peter Conrad Colimalay

Tarkaswar Cowaloosur

Preetam Kumar Ramsoondur

Call Services Ltd

Manvendra Singh - Chairman

Tarkaswar Cowaloosur

Teleforce Ltd

Manvendra Singh - Chairman

Tarkaswar Cowaloosur

MT Properties Ltd

Manvendra Singh - Chairman

Tarkaswar Cowaloosur

Mauritius Telecom Foundation

Manvendra Singh - Chairman

Tarkaswar Cowaloosur

MT Services Ltd

Manvendra Singh - Chairman

Tarkaswar Cowaloosur

MT International Ventures PCC

Manvendra Singh - Chairman

Rai Basgeet

Tarkaswar Cowaloosur

**** CSL Madagascar***

Manvendra Singh - Chairman

Rai Basgeet

Devendra Curpen
(local director in Madagascar)

See Note on page 52

DIRECTORS' REMUNERATION

Total remuneration and benefits paid to Board directors by the Company during the year are disclosed in note 25 (Directors' emoluments) of the financial statements. These include directors' fees and benefits in cases where such benefits are applicable, such as the provision of a company car, telecommunication facilities and allowances.

No fees or benefits are paid to directors of MT subsidiary companies.

Statement of directors' responsibilities

The responsibilities of the directors in respect of the operations of the Group and the Company are as follows:

FINANCIAL STATEMENTS

The 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 2018 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.

DIRECTORS' ANNUAL REPORT

(CONT'D)

- adhered to the code of corporate governance and maintained adequate accounting records and an effective system of internal control and risk management.

DECLARATION OF INTEREST

Disinvestment in Telsea Investment Ltd

At the 163rd Board of Directors' Meeting held on 25 April 2018, Messrs Froissart, De Faria and Lo Gatto declared their interest as Rimcom is a wholly owned subsidiary of Orange SA which is the majority shareholder of Telsea.

They did not participate in deliberations and decisions on this matter.

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)*.

DIVIDENDS

Dividends amounting to Rs 262,200,000 were declared during the year 2018 (2017: Nil).

DONATIONS

Donations of Rs 170,000 were made by the Group during the year (2017: Rs 72,000).

There were no political donations during the year.

AUDITORS

The fees payable to the auditors for audit services in 2018 were:

	GROUP		COMPANY	
	2018	2017	2018	2017
	Rs'000	Rs'000	Rs'000	Rs'000
Audit services	3,290	3,154	1,826	1,734
Non- audit services	nil			nil

No other services were 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.

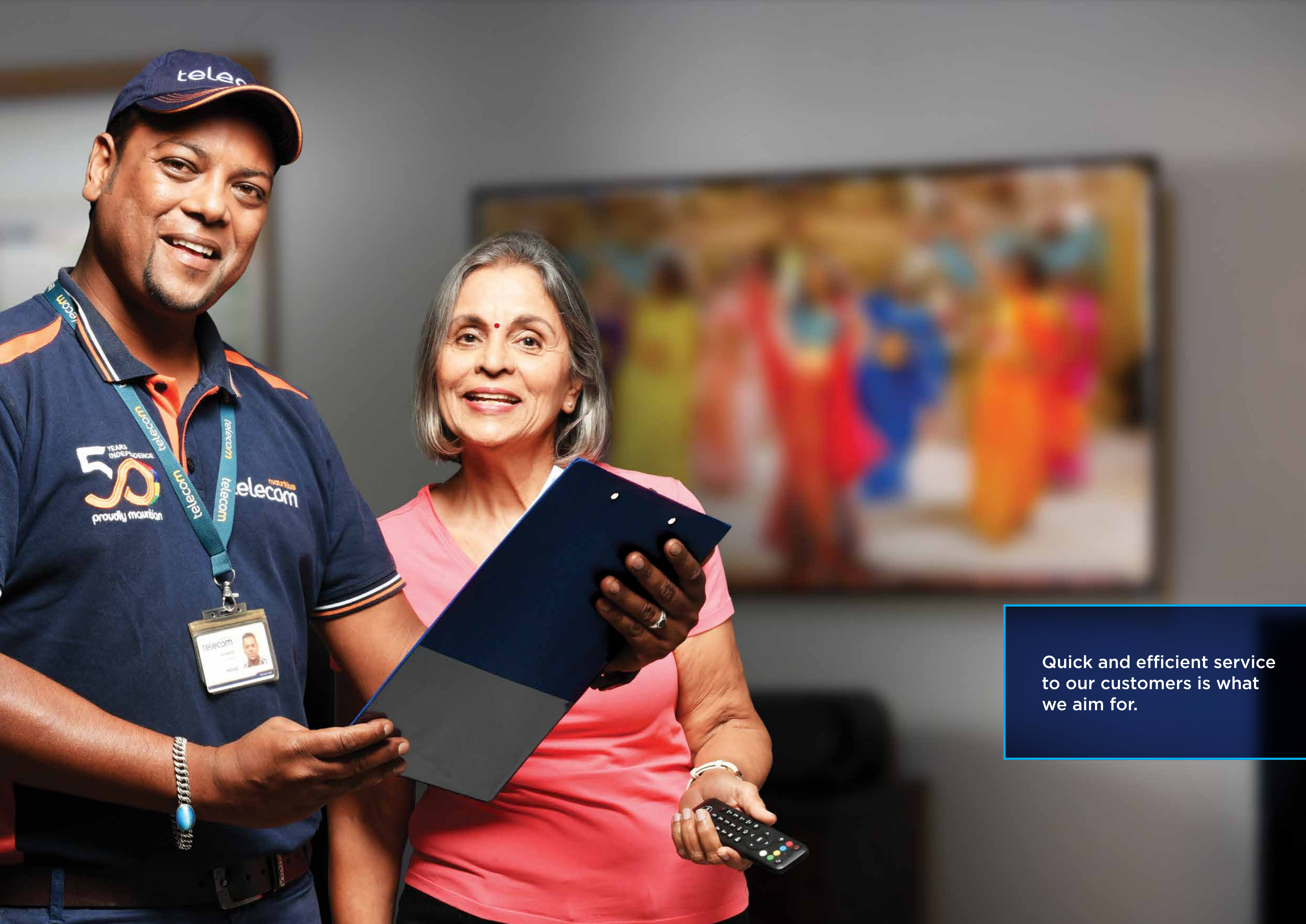
Approved by the Board of Directors and signed on its behalf.

Director

6 May 2019

Director

6 May 2019



Quick and efficient service to our customers is what we aim for.

2018 Highlights

1-4 my.t WEATHER : UP-TO-DATE AND RELIABLE INFO AT YOUR FINGERTIPS

Mauritius Telecom launched a new application, my.t weather, in February. A collaborative venture between MT and the website windy.com, the Mauritius Meteorological Services, the National Disaster Risk Reduction and Management Centre, the Ministry of Education and the Police. The app provides up-to-date meteorological data, such as forecasts and special weather bulletins, sea conditions, temperature as well as emergency numbers.

2018 Highlights

5-8 my.t SELFCARE – THE CUSTOMER IS NOW IN CONTROL

A new service, my.t Selfcare, was launched in August, allowing both prepaid and postpaid my.t mobile subscribers to manage and control their accounts in a convenient and secure manner. Among other things, they can view their detailed usage history, subscribe to new mobile services and recharge their prepaid accounts or pay their postpaid bills. It is the first time in Mauritius that prepaid mobile customers can have immediate access to their account details.

2018 Highlights

9-12 MUGA – A TECHNOLOGY-ENABLED COMPLEX FOR THE COMMUNITY

The Mauritius Telecom Foundation opened its first MUGA wellness complex in Phoenix on the 4th August. More than a sports complex, MUGA is a concept that benefits from the contribution of new technologies. In addition, an informative and practical website (www.muga.mu) and a MUGA app were made available to the public

2018 Highlights

13-15 SERVICE TRANSFORMATION INITIATIVES

The Company launched Speed, an in-house project, in August in order to develop the most effective problem-resolution processes for customers' issues. 70 staff members, representing all levels, departments and subsidiaries, are involved in this project and they meet every two weeks to find speedy solutions.

MT also initiated a three-day training programme for some 300 contractors in October 2018, consisting of both theoretical and practical sessions that aim at perfecting contractors' knowledge of installation and fault resolution techniques.

16-19 THE MTF CONTRIBUTES TO POVERTY ALLEVIATION

In December, the Mauritius Telecom Foundation provided hundreds of school bags, copybooks and other supplies to needy children in various parts of the country, including Agalega, to help families who cannot afford such school essentials.

2018 Highlights

2018 Highlights

20-23 MAURITIUS TELECOM DELIVERS... ONE YEAR IN ADVANCE!

In 2018, Mauritius Telecom made history in Rodrigues. On 17 November, the MARS (Mauritius and Rodrigues Submarine) cable landed in Grand Bay, Rodrigues – one year before the due date. The cable had previously been linked to La Prairie in Mauritius on 6 November. It has become operational since February 2019 and the island now has access to high speed internet, enabling it to embark on its digital transformation journey.

24-28 MAURITIUS TELECOM DID IT AGAIN

In June, the Company won the Ai ICT/Telecoms Deal of the Year 2018 Award, conferred by Africa Investor, a leading international investment and communications group, for its achievements in the ICT sector in Mauritius.

The Company and its CEO were once again acclaimed in September, at the annual FTTX Council conference in Durban, South Africa. The 2018 Company Award was bestowed on MT for its exceptional work in the field of fibre-to-the-home deployment, while Sherry Singh won the Leadership Award for his strategic role in making Mauritius the most connected country in Africa.

Mauritius Telecom was designated Cisco Partner Plus Champions Club Winner 2018 for the African region at the 2018 Cisco Partner Plus Champions Club, which took place in October.
To close the year, Mauritius Telecom obtained the Avaya Cloud Partner of the Year award for the Middle East, Africa and Turkey during the Avaya Partner Summit 2019 held in Dubai in December.

BUSINESS REVIEW

NETWORK

Mauritius Telecom proceeded with the continuous modernisation and expansion of its network and service platforms following the completion of the accelerated Fibre- To-The-Home (FTTH) Project, resulting in a further increase in the use of MT's ICT services.

The migration of customers to fibre resulted in a 40% reduction in the number of recorded faults. Further improvement in processes reduced repair times to within one day in 95% of cases and connection time to within seven days in 79%. The fault repair process was fully automated so that technicians receive all their orders via Mobiwork application on their tablets, eliminating paperwork and considerably increasing productivity and efficiency.

A pilot all-IP migration was successfully carried out at Beau Bassin, resulting in space and power savings. More than 230,000 homes and businesses have been connected to the fibre network and the FTTX Council Africa again rewarded MT in September 2018 with the Company Award in recognition of its accelerated FTTH deployment.

The connectivity with peering partners at the new points of presence (PoPs), installed at major international internet exchange points, was further increased to cater for the increase in traffic and also to provide resiliency. Increased demand for popular contents led to the installation of cache servers of major content providers (such as Google, Facebook, Netflix and Akamai) in MT's content delivery network (CDN) infrastructure. Probes deployed in the network have recorded major improvements in user experience, with page load-times reduced by more than twofold for most popular websites. End-to-end performance monitoring was also improved with the installation of test servers at MT's London Point of Presence (PoP).

In order to respond to the increasing demand for bandwidth, the Networks team also carried out major upgrades on its international undersea fibre-optic cables, effectively doubling international connecting capacity. Meanwhile, MT is acting as an anchor tenant in a consortium investing in a third undersea submarine cable linking Mauritius to South Africa to improve the country's network redundancy.

Works were initiated to extend undersea fibre-optic cables to Rodrigues. Previously, Rodrigues has only been connected to mainland Mauritius by satellite and the Mauritius and Rodrigues Submarine (MARS) Cable now opens new avenues for Rodrigues' socio-economic development. The laying of the cable, setting-up of a new cable landing station and installation of equipment has now been completed a year ahead of schedule.

In line with MT's strategy of providing widespread mobile broadband facilities, the Networks team carried out full optimisation of the Single Radio Access Network (Single RAN) deployed in the previous year and also the modernisation and upgrade of the mobile core network. Twenty-five new mobile sites were also installed to improve coverage. Network key performance indicators (KPIs) show major improvements in quality of service and user experience and there was a more than 50% increase in mobile data traffic between January and December 2018. With the deployment of 4G technology island-wide, a major milestone was reached when 4G traffic exceeded 3G traffic in August 2018.

A new online charging system (OCS) platform was implemented to offer more flexible and innovative prepay and postpay services, while the newly deployed e-Topup platform allows the purchase of mobile data packages, simplifying the task of retailers.

The team also commissioned a Tier IV, Uptime Institute certified, greenfield data centre in Rose Belle. It is a 3-megawatt facility with 2,000 m^2 whitespace, which can accommodate at least 336 server racks in six state-of-the-art data centre pods. The data centre will provide infrastructure, platform hosting and cloud-computing services to global players and will give impetus to the transition of Mauritius into a recognised and well established ICT hub with the objective of enhancing the ICT sector as a key pillar of the economy.

INTERNATIONAL BUSINESS DEVELOPMENT

As the local leader in the ICT field, Mauritius Telecom now also has ambitions to become a regional player, focusing on Central and East Africa. In 2018, the Company bid to acquire a major stake-holding in Uganda Telecom Ltd (UTL). The offer attracted six other international bidders but, although Mauritius Telecom had the best track record and was the best bid technically, a higher offer from a Nigerian based firm was accepted.

Mauritius Telecom remains firmly committed to seeking new opportunities in Africa and focussing on new industry verticals to generate scale, widen product scope and create synergies for pursuing its growth ambitions.

MARKETING AND COMMERCIAL DIVISION

The Commercial Division of Mauritius Telecom led several initiatives that contributed not only to enhance users' satisfaction and their loyalty towards the my.t brand but also in attracting new customers, resulting in growing revenue streams for the company.

The my.t TV offers were enriched with diverse bouquets so as to target various age groups and satisfy a wide range of viewers' interest. In February, the Chinese Pack was launched, with five channels (Chinese Premium, CGTN Documentary, CCTV 4, CGTN French and NHK World). The Division also negotiated broadcasting rights to include the UEFA Champions League in the my.t Sports Pack since July 2018.

In October, another milestone was achieved with the introduction of the Warner TV channel in the Cine Pack with the legendary films and serials produced by Warner Brothers Studios.

The Division ended 2018 with a special offer of two weeks' free viewing of all my.t channels for all its customers. The aim was to create stickiness to my.t TV channels and make customers subscribe to new packs or to upgrade their current package.

In February, my.t mobile internet offers were increased and volumes even doubled for the former 400 MB and 1 GB packages to cater for the growing customer need for more data, mainly due to a surge in video sharing on social media.

In July, Mauritius Telecom launched its my.t Selfcare service with new and innovative functionalities for mobile users, allowing them to check their usage and details online. Moreover, payment of bills online for postpay customers is now a reality. They can also obtain details about their usage in real time, subscribe to mobile services through the internet and send/track any request made. Individuals as well as businesses can now manage their mobile accounts anytime and anywhere.

The year was also marked by the opening of a premium Telecom Shop at one of the major commercial centres, La City Trianon, and the high volume of smartphone, tablet and other product sales achieved during Infotech Rodrigues and Infotech Mauritius. Meanwhile, to strengthen the position of Telecom Shops as the number one distribution channel for smartphones, MT was the first to commercialise the latest flagship models of the most popular brands, such as the iPhone XS, the Samsung S9 and the Huawei P20 Pro.

Concurrently, the in-house my.t weather app, which provides real-time information on the climate in Mauritius, was one of the top downloaded apps in 2018.

The Division has also been working on rolling out two transformative services in 2019. my.t Money is expected to revolutionise the mode of payment through its user-friendly digital platform, while the new my.t 4K smart box will open a new world of possibilities with its Android-compatible features and ultra-high image definition.

ENTERPRISE SOLUTIONS

Key achievements

Enterprise Solutions achieved 3.7% growth in its sales revenue in 2018 in an intensified competitive environment. This growth was the result of transformative actions initiated in 2017 in its commercial as well as technical departments.

The highest contributor to its revenue remained the corporate segment, accounting for 37% of revenue in 2018. As part of its strategy, MT has earmarked the development of the high potential SMB segment and has started a transformation in its commercial approach to the sector. MT shops, CSL teams and field sales teams at Teleforce assisted the direct SMB sales teams to grow the sector's revenue by 12%.

The public sector also recorded a substantial growth rate of 11% through the implementation of turnkey projects for various ministries and parastatal bodies.

At the product portfolio level, the main contributors to Enterprise Solutions' growth came from business internet and data solutions delivered over MT's newly fibered network.

The team introduced two services in its security services portfolio, Managed Firewall Services and Protection against Denial of Service, enabling customers to address the increasing security threats that businesses are facing from the internet. These enhancements lay the foundation for long-term value creation by positioning MT as a key partner for its customers in the security domain.

People and customer service

In collaboration with CSL, Enterprise Solutions implemented a service-desk tool deployed to all teams involved with fault management, to replace the legacy ticketing system. With this tool, MT aims to provide enhanced management of service level agreements (SLA) for business customers in respect of their data and internet service availability.

The Service Management Centre for Enterprise Customers also helped to train a dedicated a team at CSL to improve the first-line resolution of services faults on MT's hotline, 8919. Available from May 2018, this improvement in service resulted in more than 95% of complaints being resolved within SLA times.

Recognition

Several awards and certifications from MT's partners recognised the Company's technological edge in the ICT field:

- Cisco Sales Champions East Africa for exceeding sales targets by 128%
- Avaya Cloud Partner for Middle East & Africa recognising MT as an innovative partner in deploying their new state-of-the-art platform for unified communications
- Microsoft Gold Partner for small and midmarket cloud Solutions
- Silver MSSP Partner status with Fortinet for the expertise shown in acquiring the necessary security certifications
- Oracle Gold Partnership to deliver Oracle Cloud Solutions in the region

In collaboration with the Customer Experience team, Enterprise Solutions worked towards the certification of all its solutions under ISO 9001 2015, an exercise successfully completed following an ISO certification audit.

Key strategic projects

MT initiated the migration of its data services to its island- wide fibre network in September, completing 50% migration of its services.

MT has been entrusted with the provisioning of high-speed internet and wireless connectivity (Wi-Fi) for 242 primary schools and has successfully completed their deployment in 110 schools by March 2018. A second phase will be undertaken in 2019, when MT expects to complete the delivery to 142 more schools.

Meanwhile, Enterprise Solutions, working with MT's Networks and IS teams, implemented its first cloud-based campus network system for a university, providing a Wi-Fi and PABX communication system over a private cloud network, hosted in MT's Data Centre in Rose Hill and delivered in October.

Together with the Networks and IS teams, Enterprise Solutions completed the installation of the first customer in the newly delivered Tier IV Rose Belle Data Centre for a key project of national interest in the financial sector in October 2018.

Another key project of national interest was completedfor the Ministry of Gender Equality, Child Development and Family Welfare for a state-of-the-art and integrated support-centre system for its hotline, using MT's unified communication system. This solution integrates with social media tools such as Facebook and CRM to provide a 360° degree view of the customer. Furthermore, through this solution, 24/7 support is now available across the island allowing caretakers to provide assistance to victims from home via a laptop or smartphone.

To face the significant challenges and opportunities ahead, Enterprise Solutions will continue to accelerate the transition from being just a telecommunications Service Provider to a Digital Solution Provider. Enriched Connectivity being at the heart of everything we do, MT have fast-tracked the migration of the remaining 50% of our business customers from copper to fibre enabling our customers to be their best. Next year will be a major year of transformation for this department and we are looking forward to bring a number of disruptive, novel and innovative solutions on the market, that will help our customers be more successful

WHOLESALE MARKET

The ITES/BPO sector has become of major importance to the Mauritian economy, employing more than 25,000 people. BPO companies rely on Mauritius Telecom's fully resilient, secure and high capacity multiprotocol label switching (MPLS) network to carry out their business activities. They cannot function during any network outage as it leads to a complete halt in their production, leaving staff inactive and customers highly dissatisfied. To avoid such repercussions, in July 2018 MT upgraded its MPLS backbone links to its points of presence in the UK and Paris from 622 Mbps to 2.5 Gbps to anticipate and meet customers' specific requirements.

INNOVATION DIVISION

The Innovation team has developed several new services, introduced in 2018:

- **my.t Weather** was launched, in collaboration with the Marketing Department, in February 2018, on both Android and iOS platforms. Its main function is to keep the public informed with weather updates from the Mauritius Meteorological Services and act as an information-sharing platform for alerts and news regarding major incidents

- **Network Watch** is an internal mobile app, developed in collaboration with the Network Department, to allow senior management and managers to keep track of all planned activities and incidents in the Mauritius Telecom network via notifications and a calendar view of planned activities

- **Unified Troubleshooter** was developed as a portal that acts as a single interface providing a full view of a customer's complaint. Its main purpose is to improve troubleshooting and resolution times, and is currently being widely used in relevant parts of the organisation

- For the 2018 FIFA World Cup, multiple contests were organised for both the general public and MT staff. For the public version, users could predict outcomes for the different matches during the event. Scores were allocated and the top ten scorers were awarded gifts during a ceremony held at Telecom Tower. A similar game was developed and made available on the Pulse portal for MT staff only. Moreover, the Face Filter app developed by the team allowed users to take selfies with flag filters. The winner of this game was selected based on the number of likes received on Facebook

The Innovation team also upgraded some of the Company's most successful services during the year:

- An updated version of **Traffic Watch** was launched in February 2018 during the Maha Shivaratree pilgrimage, providing a revamped interface and more cameras at Grand Bassin and in the region of Port Louis, with 100,000 downloads of the mobile app. Another version was released, along with live weather information, for the Pere Laval pilgrimage in September

- New features were added to **Pulse**, MT's internal social network portal. Pulse Shop allows MT staff to buy phones, accessories and uniforms online. The Press Cutting section regroups newspaper cuttings chronologically and is updated regularly

- On its first anniversary, the Citizen Support Portal was revamped with accessibility features. People with disabilities can now more easily browse the platform through a text-to-voice feature, bigger fonts, and keyboard only navigation

CUSTOMER EXPERIENCE

Customer journeys

Customer journeys were revamped for the following services:

- Fixed, broadband and TV on fibre: A customer is now immediately given an appointment for next day at all touchpoints
- Copper: Fixed-line customers are connected to fibre at first contact at MT's call centre (without technical intervention). For telephone line extensions customers are given an appointment upon first call
- Mobile: Improvement in first-line resolution (FLR) of customer issues

Complaints management

Clearance of customer complaints and technical faults:

- Improvement in the average time taken to resolve complaints requiring technical intervention through the complete re-engineering of the process and the empowerment of frontline agents
- Monitoring of complaints and pro-active communication with customers
- A continued reduction in complaints from residential and business customers during 2018

Quality of service

- Quality audits at customer premises produced tangible results in terms of improved partner workmanship and customer satisfaction
- Cross-functional initiatives brought about closer collaboration between MT staff and partners
- Partners were trained in enhancing performance and in reducing missed appointments and substandard workmanship

Digitalisation

Following work across departments, the main processes pertaining to service were digitalised and portals were developed and adapted to provide crucial assistance to staff at various touchpoints. As examples:

- The Knowledge Management Portal is highly useful to all frontline staff and field technicians, as a support for concluding sales and speeding up complaints' resolution
- The Appointment and Workforce Management Portal provides for next-day appointments, effective team management and tracking of work orders
- The Provisioning Portal is crucial to rendering MT's technical teams autonomous during connection works while in the field
- The Field Sales Portal allows for immediate order taking and provisioning onsite without back-office intervention
- Billing automation has enabled speedy and accurate emission of bills
- A customer applying for my.t upgrades via MT's website is immediately provisioned, again without needing to go through the back office
- Mobile services complaints were digitalised from customer reporting through the Selfcare portal to closure. The re-engineered process has allowed for 80% first-line resolution

Speed

The Speed initiative, launched in August, has catalysed numerous company-wide activities and set the momentum for the future expansion of revenue-generating streams and service transformation.

A new approach from problem identification to problem resolution was devised, resulting in complaints decreasing by a further 25%.

Standards

Enterprise Solutions received ISO 9001:2015 quality and service certification, which helps to build successful and durable partnerships with suppliers and customers. The Company has also started implementing security standards in critical areas to further build trust in MT's services.

HUMAN RESOURCES

The human resource philosophy of the company is guided by the belief that the backbone of its success is its highly skilled and engaged workforce. Accordingly, valuing their contribution in the service value chain and keeping them engaged and motivated is high on the agenda of MT Group.

Group wellness and safety

Ever since its implementation, the Wellness section has been spearheading the Group's wellness agenda.

In March, the Wellness team organised the second edition of the annual staff event, at which all members of the Mauritius Telecom family gathered to celebrate the achievements of the preceding year.

The team also organised its first Wellness Day in December which aimed at promoting the wellness spirit and fostering collaboration and team working among MT Group employees.

Safety and health have been fostered by:

- Inclusion of safety and health induction training in the company's on-boarding process, covering safety procedures in case of accident/illness at work, safe working practices and procedures, the importance of wearing protective gear, industrial relations and wellness
- Companywide first-aid training programme and certification
- Medical screening throughout the MT Group. In 2018, the screening included the following activities: complete blood tests, ECG tests and overall medical examinations
- Collaboration with the Mauritius Research Council on fighting diabetes in the workplace
- Rescue simulation exercises performed on MT Mobile site at Exchanges

Developing skills and capacity

Seminar on FinTech

As the provision of financial services through the use of modern technology is rapidly gaining the interest of various stakeholders, Mauritius Telecom organised a seminar on FinTech's emergence and its projected growth in the Mauritian economy.

Contractor training

Contractors are an important link in MT's service value chain and the Company seeks to ensure that all installations and fault resolutions are effected in accordance with its own high standards. Accordingly, a training programme was launched in October 2018, aiming to include 300 contractors spread across various teams. Each batch accommodated around 22 participants and was run over a period of three days. As at December 2018, 151 contractors had successfully completed the training programme and the remaining batches have been scheduled for early 2019.

Long service awards

During the 2018 staff event, the Company launched the first edition of its long service award aimed at recognising the contribution of senior employees with more than forty years' service in the Company – twenty employees on that occasion.

Operational efficiency through digitalisation

The Company's Human Resources Department is always on the lookout for measures to improve the efficiency of its existing processes. Having digitalised several processes during the previous year, the department improved the annual appraisal and the overtime modules, and proceeded to design the first phase of its HR analytics module aimed at providing actionable HR data to management cadres as an input to operational and strategic decision-making.

Outlook for 2019

The Group will embark on a transformational journey in terms of learning and development, following a rigorous and tailored training-needs analysis conducted for each department, with particular emphasis on sales, innovation and technical areas.

Equally in the pipeline is the crafting of a comprehensive employee engagement policy aimed at creating a winning strategy across the Group. The HR team will also collaborate with the Innovations team to design an HR communication platform on the Company's enterprise social network, Pulse.

INFORMATION SYSTEMS

eNICE Project

The eNICE business support system connects Mauritius Telecom with its customers at all times through a self-service portal providing billing information, usage, requests & complaints made, as well as payments effected.

After the successful implementation of eNICE for mobile products/services last year, the system was extended further to cater for fixed telephony (FXL) in 2018. The main components of the eNICE systems are:

- Customer Lifecycle Management providing a 360° view of MT's customers
- Automated Service Fulfilment, enabling near real-time provisioning of customer requests
- A product catalogue of mobile and fixed products and services catering for current and emerging market opportunities
- A comprehensive ticketing system that handles complaints, queries and requests made by a customer. This ticketing system is interactive and keeps the customer informed at all times via SMS of all actions that are being taken. An extension of this system is also found in the Selfcare module through which customers can themselves log their complaint, request or query
- An elaborate billing system, providing functionalities ranging from rating and billing to collections, dunning and debt management, as well as an inventory for order management. The system also introduced additional flexible payment options
- Loyalty programmes and campaign management schemes

Information Systems staff remain in constant contact with frontliners to assist them in resolving any operational issues that may arise.

eNICE systems run on a very stable infrastructure in order to achieve optimum service delivery. The following infrastructure improvements were completed in 2018:

- Introduction of high-end firewalls, core switches and load-balancers with a network throughput of 100 GBPS
- New storage solutions aimed at zero storage downtime
- New enterprise back-up solutions to secure customer data
- Roll-out of high-tech containment solutions within the new data centre

Additionally, a number of processes were automated to improve on service quality and time to market.

CARBON REDUCTION COMMITMENT AND GREEN ACTIONS

Mauritius Telecom has set itself the following strategic objectives in its Strategic Plan:

- To achieve a 5% reduction in its power consumption
- To reduce its carbon footprint by 10%

To meet these strategic objectives, the Company has implemented an energy-saving project, named ZEUS, which is working on the following measures:

- Replacement of incandescent lamps with energy-saving ones on 30 sites, with the remaining sites to follow
- Procurement and utilisation of sleep-mode rectifier modules on all technical sites, which saves energy during low-peak periods

- Procurement and utilisation of digital scroll compressors for precision type air-conditioning units, which are more energy efficient and provide flexible capacity when cooling electronic telecom equipment
- Use of heat resistant paint on 11 sites which provides insulation from the sun and reduces the ambient temperature inside the technical equipment room which in turn requires less cooling capacity and thus saves energy
- Requesting the procurement of a solar system for the Beau Bassin site, which will allow the Company to achieve its corporate green objective within two years
- Partitioning technical rooms to separate equipment with higher power consumption from those with lower consumption on five sites and thereby save energy, and, on these sites, closing wall openings to prevent cool air from escaping
- Using free cooling in equipment rooms in temperate regions

RISK MANAGEMENT

Like all businesses, Mauritius Telecom Group is affected by a number of risks and uncertainties, coming from both internal and external sources. Identifying and managing risks with the potential to affect its strategies and objectives is an essential part of MT's governance framework. It has established a rigorous and systematic risk review process to identify, monitor, manage and report risks. Identified risks are assessed on their likelihood and impact, which can be on finance, business, people and image and reputation. As Management has primary responsibility for identifying, managing and reporting to the Board the key risks faced by the Group, it has set up specialised functions, such as Legal and Regulatory, Credit Management, Treasury and Insurance.

The Group is committed to achieving its financial, customer, people and societal goals through sustained profitable growth without compromising its integrity, values and reputation by risking brand damage, service delivery standards, severe network disruption or regulatory non-compliance.

The financial performance and operations of the Group are influenced by economic as well as a vast range of other risk factors.

Although the Group's risk management approach facilitates appropriate identification, assessment and control of risks to its operations and corporate strategy, nevertheless there may be some risks which are unknown today or some which were considered of little significance but which may become important later.

The main risk types faced by the Group are financial, regulatory, competitive, technology, IT, breach of privacy, network failure and catastrophe and people.

Throughout the year, it continues to refine its risk-management approach. Risks are regularly reviewed and monitored and 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.

Material business risks

The Group is exposed, by the nature of its business, to material business risks that could adversely affect the Group's financial performance, business, brand, assets and growth potential in future years. In all respects, the Group continually seeks to mitigate or manage them.

Financial risks

These are outlined in note 31 of the Financial Statements.

Industry disruption and competition

Rapid changes in telecommunications technology are increasing the level of competition in the telecommunications industry world-wide with the lowering of barriers to entry.

Competition comes from new and existing competitors as well as emerging competitors, including over-the-top (OTT) service providers with lower cost bases and agile and innovative business models. The effect of increasing competition is inter alia characterised by constant and rapid change, falling prices, market and product convergence and customers' continuous migration from higher-margin legacy products to fully digitalised, converged, fault-free solutions. Not responding effectively to competition can result in loss of market share, revenue or even profit in a nearly saturated market for fixed broadband and mobile connectivity.

The Group is mitigating these risks by sticking to its strategy of broadening and deepening customer relationships with a single unified brand, delivering superior customer service, reducing complexity for customers and employees, simplifying processes, transforming its operating model and investing for growth. In this regard, MT has been investing massively in areas like fibre, TV and contents, IT and mobile.

Technology risk

The Telecommunications and ICT industries are subject to rapid and significant technological changes, which may reduce costs, expand capacity, open new opportunities and result in shorter periods for investment recovery. MT needs to be able to identify emerging technologies, assess how customers will adopt them and invest accordingly, often a long time before the demand materialises. The rapid advancements in new technologies can lead to increased investment requirements and the accelerated obsolescence of current products, assets and systems before the end of their expected useful life. This can lead to impairment of some assets which may have a material effect on financial results.

Security and resilience

The MT Group network is critical to its ability to compete and provide stable, highly reliable and fast networks and services. A high dependency on technology and the increased integration of customer services means outages can significantly impact the continuity of business operations and delivery of services to customers. Other key threats include extreme weather events, natural disasters, malicious attacks, loss of key third-party service providers and human errors. MT has business capabilities, strategies and plans in place, which are subject to continuous review, to respond and recover from any critical service disruption, featuring backup sites, system redundancy and business recovery. The aim is to equip the Group with the means to manage adverse events or mitigate their consequences, and to provide acceptable levels of service continuity, especially for critical transactions and applications.

Cybersecurity and privacy risks

Globally, there are increased cyber security risks as a result of hacking tools, phishing scams and disruptive malware becoming more sophisticated and accessible to attackers. The Group's business is heavily dependent on the resiliency of its network infrastructure and supporting systems. The exposure is further intensified with the growing dependency on uninterrupted connectivity. Unless adequately protected from cyber-attack, theft or other malicious activities, this could result in disruption in MT's operations or network, and leakage or unauthorised dissemination of sensitive information about the Group and its customers. Apart from reputational risks, it could in turn lead to litigation from customers and penalties from regulatory bodies. The Group places high importance on protecting the security and privacy of customer and company data. To manage the growing risk, in addition to a multi-layered security framework, regular training is given to employees in relation to data security and privacy awareness, and regular cybersecurity and privacy drills are undertaken across the organisation to test the level of staff compliance and vigilance. MT also continually reviews and updates the security controls on its network based on known threats and best industry practice and knowledge.

Innovation and agility

Intense competition and strong price erosion on conventional products and services present major challenges. The Group's capacity and ability to respond to these are tied to the agility of its internal processes and the capability and flexibility of its people. To manage this risk, MT is enriching its pool of key competencies by hiring externally where there is scarcity and enhancing its people skills. It is further committed to identifying innovative products and services with the potential to deliver long-term earnings growth. It is also simplifying its processes by embracing the digitalisation and convergence of its IT and network infrastructure, as well as reviewing operating costs, so as to deliver services at a more affordable cost and be able to respond quickly to disruptive innovations.

Regulatory environment

The Group operates in a regulated environment. Regulatory or policy changes may directly impact its defined strategies and business model, as well as increase complexity and the cost of doing business, thereby affecting revenue. The Group closely monitors new developments, engages and maintains relationships with relevant regulatory stakeholders and policy makers, community groups and industry, to mitigate any potential adverse effects of policy and regulatory decisions which might be inappropriate for a small market like Mauritius.

People

Technological evolution, transformation and innovation require a capable workforce to realise the Group's growth strategy and adapt to the changing operational environment. A risk factor is the Group's need for technical, sales and leadership skills within key growth areas, in which it may prove difficult to attract and retain key staff. The Group's mitigation strategies, intended to enhance its competitive advantage and people capability, include succession planning, external professional hire and retention, talent management and perpetual upgrading of the competencies of the existing workforce in growth areas.

Pensions

The Group has an exclusive funding obligation to its main defined benefit pension schemes. All such schemes face risks of low investment returns, high inflation, longer life expectancy, increases in salary and pensions, and regulatory changes, any of which may lead to higher pension deficits and an increase in deficit payments or additional annual contributions into the schemes. MT mitigates this risk by regularly reviewing investment performance with the pension administrator. To contain wider growth in retirement benefit obligations, all defined benefit schemes have been closed since 2007. Moreover, the Group's financial strength and cash generation themselves provide a level of protection against the impact of changes in its 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. An unforeseeable negative media report on our products and services or our corporate activities and responsibilities can have a huge impact on the reputation of the Group and its brand image, which might easily be tarnished in an era of digitalisation and widespread use of social media. To mitigate this risk, the Group is engaged in a constant and constructive dialogue with our customers and the media to ensure a balanced view prevails.

REGULATORY AND POLICY DEVELOPMENTS

Review of major legal and regulatory developments in 2018:

Digital Mauritius 2030

In line with Mauritius Vision 2030 that calls for an intelligent and smart Mauritius, the Government published Digital Mauritius 2030 Strategic Plan.

The Plan charts various strategic waves to create an enabling environment for the country's digital growth and competitiveness, including digital government, ICT infrastructure, innovation, talent management and cybersecurity.

The Plan lays emphasis on the preparedness of an innovative, effective and sustainable public sector and for emerging technologies such as artificial intelligence, the blockchain, robotics, the internet of things, fintech and big data.

Special rate of electricity for accredited data centres

Following representations by Mauritius Telecom, in its 2018-2019 budget speech, the Government announced a special electricity tariff for accredited data-centre operations having at least a Tier 3 infrastructure.

In September 2018, the Central Electricity Board introduced a special tariff for data centres, providing a 50% decrease. The new tariff will help to position Mauritius as the data-centre hub and interconnection gateway for Africa.

Data protection act 2017 & general data protection regulations (GDPR)

The GDPR and the Data Protection Act 2017 give individuals new rights over their data and heighten the accountability of organisations which collect, store, analyse and manage personal data.

Mauritius Telecom's Legal and Regulatory Department conducted several awareness campaigns to sensitise staff as regards their new obligations. Existing processes were reviewed in order to comply with the new legislation.

New frequency spectrum for mobile

The development of new radio-access technologies for telecommunications, coupled with the wide adoption of mobile broadband services by consumers, has boosted spectrum requirements worldwide.

The ICT Authority (ICTA) therefore decided to release the 2100 MHz band for LTE and LTE advanced technologies and the 900 MHz band for deployment of frequency division duplexing (FDD).

The additional spectrum will support enhanced mobile services and will benefit consumers and businesses in terms of wider coverage, low risk of interference and increase in traffic capacity.

Renewal of telecommunication licences for mt, telecom plus and cellplus

The ICT Authority renewed the commercial licences for Mauritius Telecom Ltd, Cellplus Mobile Communications Ltd, and Telecom Plus Ltd for an additional period of three years.

CELLPLUS MOBILE COMMUNICATIONS

Cellplus introduced my.t Selfcare, a service enabling prepaid customers to obtain detailed information on their usage so that they can manage their e- accounts on the go and postpaid customers the facility to consult and pay their bills online.

At the same time, Cellplus completely reviewed its market footprint that now covers 21 shops in strategic locations, including Port Mathurin in Rodrigues. With the full roll-out of the my.t rebranding, all shops now offer enhanced customer experience in a friendlier environment. La City Trianon Premium Shop has been the latest addition to the Company's' retail network. All the shops now have a wide range of smartphones, tablets and accessories available to cater for the needs of the various customer segments.

Cellplus added 20,000 users to its customer base during 2018, despite operating in a highly saturated market. The Company retained its leadership position in the Mauritian mobile market, achieving year-on year revenue growth of over 4%.

As well as supplying new apps, mobile data offers were upgraded to meet increasing user needs. On the network side, Cellplus continued with the modernisation of its network through the island-wide single RAN project that has necessitated a significant investment. In addition, through the use of UMTS 900 technology, the Company has enhanced indoor coverage.

In terms of infrastructure, new mobile sites have been added with more environmentally-friendly towers to further increase network coverage in newly developed areas.

CSL

Call Services Ltd (CSL)'s broad portfolio of services ranges from directory enquiries and customer-relationship management (CRM) services to consultancy services and training.

In view of its strategy to provide a contextual and consistent experience to customers, CSL has, during the year, centred its efforts on:

- Improved infrastructure and security to cater for the requirements of its business partners:

CSL invested in a state-of-the-art contact centre management system (CCMS), which acts as the primary multi-channelled point-of-contact system (inbound and outbound) between CSL and its local and international customers. This has led to productivity gains with user-friendly scripting tools that enable faster campaign creation, quick go-to-market solutions and capabilities that combine voice, chat, e-mail, web and social media for improved customer experience.

Enhancements were brought in through server & storage virtualisation and consolidation in the virtual infrastructure, enabling improved server provisioning and deployment, and better backup and disaster-recovery solutions.

- Optimised operations and processes to pursue its digital transformation:

The implementation of a ticketing solution on Business Contact mailbox for better service to Enterprise customers

Digitalisation of the troubleshooting system enabling a 360 degree overview of the customer

- Multi-skilled experts to build the contact centre of tomorrow:

Greater emphasis on integrating people development, wellness and engagement initiatives in its business strategy, physical environment and operational activities, while recognising outstanding performance

Continuous enhancement of its in-house customised technical courses and the provision of soft skills development programmes

Future projects

CSL is planning to fast track towards its digitalisation journey to become a digital contact centre that redefines end-to-end customer experience, whilst empowering its employees. In the short term, CSL will be leveraging system data and using predictive analytics to be able to provide a proactive service, and will continue building the required competencies in order to provide a full customer context with each interaction.

TELEFORCE LTD

Despite the decreasing market for print, Teleforce Ltd has been able to leverage on its new digital business model to keep on generating stable income during 2018.

With the global as well as local emphasis on moving towards a paperless society, Teleforce Ltd, with its brand new online directory, searchmauritius.mu, shifted its focus from print to online thereby considerably increasing its online customer base. The sales team focused their attention to bringing on board more online contracts during the year through selling their clients an enhanced concept.

Teleforce Ltd equally went on to publish the second edition of its phonebook, L'Annuaire 2018-2019 and also launched its new business directory, The Source, with a new concept and enhanced user friendliness.

MAURITIUS TELECOM FOUNDATION

Fitness and wellness

In August, the Mauritius Telecom Foundation launched a multi-use games area (MUGA) at Phoenix. MUGA is a community-based fun and fitness movement created by the Foundation. Its mission is to promote healthy living through physical activity and education for all segments of the population. MUGA aims to achieve its objective by creating sustainable infrastructure, promoting activities through the use of technology and leveraging on the active collaboration of the government and the local authorities and community. MUGA offers the general public a wide range of amenities such as futsal, outdoor gym, Zumba and yoga classes in a fun setting. The aim is to encourage increased physical activity, particularly by localising access to facilities.

More than 15,000 people have used the MUGA Phoenix since its opening and more than 900 matches have been played on the futsal pitch. An application and a website were developed to ease the facilitation of registration and also inform the public about the wellness activities available at the complex. With the introduction of a QR Code reader on the MUGA application, users can scan and select an exercise which provides video presentations that can be practiced on the outdoor gym equipment on MUGA sites.

The Foundation intends to set up more sites across the island and construction works and the implementation of MUGA in various regions across the island have already been started in Triolet, Goodlands and Tyack.

Health

The Foundation contributed financially to the association Enn Rev Enn Sourir, to help children in accessing critical paediatric healthcare.

Mobility

Facilitating the everyday integration of people with disabilities has always been one of the Foundation's main priorities and it donated 296 commode wheelchairs to people with severe physical disabilities in the year under review. In a similar spirit, the Foundation also donated 748 travel mugs to elderly people across the island.

Education

As education is a major tool in empowering people, leading to economic, social and personal well-being, the Foundation distributed 75,750 copybooks and 1,405 school bags to children from vulnerable groups across the island.

The Foundation believes that a gift of toys and supplies can make a big difference to children and families living in poverty, and 2,500 educational toys were distributed to children without the means to have their most basic needs met, much less receive a gift at holiday time.

A better environment for a better tomorrow

In line with government policy to eliminate plastic bags, 2,200 long-lasting/re-usable bags were distributed to the general public.

Rodrigues

Mauritius Telecom Foundation supported projects in Rodrigues in the fields of education, disabilities, art and music, empowerment, building social capital and entrepreneurship development. It did this by using its CSR funds to help finance the activities of nine NGOs on the island: Restore Another Child's Hope Association, EPYCS Epilepsy Group, CareCo, Voluntary Blood Donors Association, Caritas, Rodrigues Student Needs Association, Association SOS Pauvreté and Association Les Enfants d'Abord. The aim was to support underprivileged school children achieve better results through computer literacy and training programmes. NGOs financed also promoted economic empowerment for people with disabilities by providing new equipment for handicraft and beekeeping production.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MAURITIUS TELECOM LTD

REPORT ON THE 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 the "Public Interest Entity") and its subsidiaries (collectively referred as the "Group")** set out on pages 82 to 144, which comprise the statements of consolidated and separate financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate 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 2018, 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 the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Annual Report, the Certificate by the Company's Secretary and the Corporate Goverance report, 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 consolidated and separate 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.

Corporate Governance Report

Our responsibility under the Financial Reporting

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MAURITIUS TELECOM LTD (CONT'D)

Act 2004 is to report on the compliance with the Code of Corporate Governance, disclosed in the annual report, and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirement of the Code.

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 consolidated and separate 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 Group and/or 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is suffi cient 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 eff ectiveness 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 consolidated and separate 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 consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

13 May 2019

Jacques de C du Mée, ACA

Licensed by FRC

MUGA brings a community together through sports, fun and sharing. This concept encourages Mauritians to adopt a healthy lifestyle.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	THE GROUP 2018	THE GROUP 2017	THE COMPANY 2018	THE COMPANY 2017
		Rs 000s	Rs 000s	Rs 000s	Rs 000s
ASSETS					
Non-current assets					
Property, plant and equipment	5	14,213,427	13,115,144	12,242,450	10,978,339
Intangible assets	6	553,586	484,265	454,431	381,439
Investments in subsidiaries	7	-	-	842,408	842,408
Investments in associates	8	290,920	308,573	40,935	40,935
Investments designated at FVTOCI	9	39,825	11,107	39,825	11,107
Other deposits	37	30,909	169,231	30,909	169,231
Trade receivables	12	392,294	-	392,294	-
Other receivables	13	86,879	75,976	86,879	75,976
Loan to subsidiary	10	-	-	164,384	186,499
Other non current assets	38	2,514,801	-	2,514,801	-
Deferred tax asset	18	404,733	586,768	366,837	547,334
Total non-current assets		18,527,374	14,751,064	17,176,153	13,233,268
Current assets					
Inventories	11	639,672	465,302	488,963	330,671
Trade receivables	12	1,261,350	958,664	804,766	535,892
Other receivables	13	925,187	1,462,550	711,451	1,290,978
Other deposits	37	139,091	30,769	139,091	30,769
Loan to subsidiary	10	-	-	22,115	20,219
Cash and cash equivalents	36	752,944	975,122	624,985	874,357
Total current assets		3,718,244	3,892,407	2,791,371	3,082,886
TOTAL ASSETS		22,245,618	18,643,471	19,967,524	16,316,154
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	15	190,000	190,000	190,000	190,000
Fair value reserve	16	33,350	4,632	33,350	4,632
Translation reserve		1,384	(21,474)	-	-
Retained earnings		8,939,957	7,541,893	4,609,700	3,919,292
Total equity		9,164,691	7,715,051	4,833,050	4,113,924
Non-current liabilities					
Loans	17	1,586,316	-	1,586,316	-
Deferred tax liabilities	18	36,521	37,588	-	-
Retirement benefit obligations	19	4,424,347	5,043,333	4,139,518	4,784,071
Other payables	21	92,489	142,085	92,489	142,085
Total non-current liabilities		6,139,673	5,223,006	5,818,323	4,926,156
Current liabilities					
Loans	17	10,915	-	1,073,309	1,092,030
Trade payables	20	2,785,157	2,243,235	2,004,505	1,117,504
Other payables and accrued expenses	21	2,499,125	2,449,584	5,133,527	4,479,262
Deferred revenue	22	788,494	286,610	650,699	198,073
Current tax liabilities	18	489,395	372,985	146,156	76,842
Provisions	23	368,168	353,000	307,955	312,363
Total current liabilities		6,941,254	5,705,414	9,316,151	7,276,074
Total liabilities		13,080,927	10,928,420	15,134,474	12,202,230
TOTAL EQUITY AND LIABILITIES		22,245,618	18,643,471	19,967,524	16,316,154

Approved by the Board of Directors and authorised for issue on 06 May 2019

N. K. Ballah
DIRECTOR

D. K. Dabee
DIRECTOR

The notes on pages 88 to 144 form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

THE GROUP

	Notes	2018	2017		
		Total Rs 000s	Continuing Operations Rs 000s	Discontinued Operations* Rs 000s	Total Rs 000s
Revenue	24	10,604,555	9,736,952	155,461	9,892,413
Cost of sales		(3,083,503)	(2,468,665)	(49,337)	(2,518,002)
Gross profit		7,521,052	7,268,287	106,124	7,374,411
Operating expenses		(6,038,126)	(6,528,237)	(87,825)	(6,616,062)
Profit from operations	25	1,482,926	740,050	18,299	758,349
Other income	26	102,711	157,074	-	157,074
Other gains and losses	27	202,599	72,008	445,330	517,338
Investment income	28	35,986	41,580	77	41,657
Finance costs	29	(108,649)	(39,433)	(4,800)	(44,233)
Share of profits from associate	8	19,979	16,212	-	16,212
Profit before tax		1,735,552	987,491	458,906	1,446,397
Income tax expense	18	(431,572)	(401,327)	-	(401,327)
PROFIT FOR THE YEAR, attributable to owners of the Company		1,303,980	586,164	458,906	1,045,070
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of retirement benefit obligations	19	616,464	(857,554)	-	(857,554)
Impact of changes in financial assumptions		(15,501)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	18	(105,067)	146,096	-	146,096
Fair value gain on investments designated at FVTOCI	16	4,255	408	-	408
		500,151	(711,050)	-	(711,050)
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translating foreign operations		(45,871)	(31,231)	-	(31,231)
Other comprehensive income/(loss) for the year, net of tax		454,280	(742,281)	-	(742,281)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, attributable to owners of the Company		1,758,260	(156,117)	458,906	302,789
EARNINGS PER SHARE	30	6.86	3.09	2.42	5.50

The notes on pages 88 to 144 form an integral part of these financial statements.
* The sale of Telecom Vanuatu Ltd, the indirectly owned subsidiary, has been completed on 21 March 2017.

CONSOLIDATED AND SEPARATE STATEMENTS OF

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

THE COMPANY	Notes	2018	2017
		Rs 000s	Rs 000s
Revenue	24	7,243,008	6,576,181
Cost of sales		(1,953,173)	(1,565,273)
Gross profit		5,289,835	5,010,908
Operating expenses		(5,523,724)	(5,468,480)
Loss from operations	25	(233,889)	(457,572)
Other income	26	899,550	529,601
Other gains and losses	27	202,004	(11,349)
Investment income	28	67,887	72,984
Finance costs	29	(301,579)	(214,420)
Profit/(loss) before tax		633,973	(80,756)
Income tax expense	18	(139,623)	(17,767)
PROFIT/(LOSS) FOR THE YEAR		494,350	(98,523)
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligation	19	611,521	(849,940)
Impact of changes in financial assumptions	19	(15,501)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	18	(103,959)	144,490
Fair value gain on investments designated at FVTOCI	16	4,255	408
Other comprehensive income/(loss) for the year, net of tax		496,316	(705,042)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		990,666	(803,565)

The notes on pages 88 to 144 form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Stated capital	Fair value reserve	Translation reserve	Retained earnings restated	**Total**
GROUP		Rs 000s	Rs 000s	Rs 000s	Rs 000s	**Rs 000s**
At 1 January 2017		190,000	4,224	9,757	7,208,281	7,412,262
Profit for the year		-	-	-	1,045,070	1,045,070
Other comprehensive income/(loss) for the year net of tax		-	408	(31,231)	(711,458)	(742,281)
Total comprehensive income/(loss) for the year		-	408	(31,231)	333,612	302,789
At 31 December 2017		190,000	4,632	(21,474)	7,541,893	7,715,051
AT 1 JANUARY 2018		190,000	4,632	(21,474)	7,541,893	7,715,051
Effects of initial application of IFRS 9	2(a)(b)	-	24,463	-	(66,601)	(42,138)
Effects of initial application of IFRS 15	2(c)	-	-	-	(4,282)	(4,282)
At 1 January 2018 (as restated)		190,000	29,095	(21,474)	7,471,010	7,668,631
Profit for the year		-	-	-	1,303,980	1,303,980
Other comprehensive income/(loss) for the year net of tax		-	4,255	(45,871)	495,896	454,280
Total comprehensive income/(loss) for the year		-	4,255	(45,871)	1,799,876	1,758,260
Movement in reserves		-	-	68,729	(68,729)	-
Dividend paid	14	-	-	-	(262,200)	(262,200)
AT 31 DECEMBER 2018		**190,000**	**33,350**	**1,384**	**8,939,957**	**9,164,691**

	Notes	Stated capital	Fair value reserve	Retained earnings restated	**Total**
COMPANY		Rs 000s	Rs 000s	Rs 000s	**Rs 000s**
At 1 January 2017		190,000	4,224	4,723,265	4,917,489
Loss for the year		-	-	(98,523)	(98,523)
Other comprehensive income/(loss) for the year, net of tax		-	408	(705,450)	(705,042)
Total comprehensive income/(loss) for the year		-	408	(803,973)	(803,565)
At 31 December 2017		190,000	4,632	3,919,292	4,113,924
AT 1 JANUARY 2018		190,000	4,632	3,919,292	4,113,924
Effects of initial application of IFRS 9	2(a)(b)	-	24,463	(29,521)	(5,058)
Effects of initial application of IFRS 15	2(c)	-	-	(4,282)	(4,282)
At 1 January 2018 (as restated)		190,000	29,095	3,885,489	4,104,584
Profit for the year		-	-	494,350	494,350
Other comprehensive income for the year, net of tax		-	4,255	492,061	496,316
Total comprehensive income for the year		-	4,255	986,411	990,666
Dividends	14	-	-	(262,200)	(262,200)
AT 31 DECEMBER 2018		**190,000**	**33,350**	**4,609,700**	**4,833,050**

The notes on pages 88 to 144 form an integral part of these financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	THE GROUP		THE COMPANY	
		2018	2017	2018	2017
		Rs 000s	Rs 000s	Rs 000s	Rs 000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		1,735,552	1,446,397	633,973	(80,756)
Adjustments for:-					
Profit on disposal of property, plant and equipment		(20,734)	(2,906)	(20,734)	(2,428)
Interest expense		108,649	42,100	301,579	214,111
Interest income		(28,194)	(35,389)	(49,320)	(59,541)
Dividend income		(7,792)	(6,268)	(18,567)	(13,443)
Retirement benefit obligations		(2,522)	(1,481)	(33,032)	(29,512)
Termination benefits		(143,806)	(99,501)	(143,806)	(99,501)
Share of profits of associates		(19,979)	(16,212)	-	-
Depreciation, amortisation and impairment loss of property, plant and equipment		2,093,018	2,196,347	1,698,187	1,612,124
Gain on disposal of a subsidiary		-	(444,958)	-	-
Impairment loss on investment in associate		-	38,675	-	71,310
Provision for obsolete stock		4,263	(5,914)	124	(445)
Provision for doubtful debts		29,665	68,146	4,466	49,410
Unrealised exchange gain		(169,765)	(188,406)	(179,937)	(65,578)
Loss on winding up of a subsidiary		2,929	-	-	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		3,581,284	2,990,630	2,192,933	1,595,751
(Increase)/decrease in inventories		(178,633)	109,476	(158,416)	80,404
(Increase)/decrease in trade receivables		(764,101)	409,200	(647,441)	364,141
Decrease/(increase) in other receivables		525,018	(597,992)	588,874	(348,388)
Increase/(decrease) in trade payables		548,323	(852,966)	889,737	(908,752)
Increase in other payables and accrued expenses		19,777	57,470	364,325	296,371
Increase/(decrease) in deferred revenue		497,602	(41,751)	448,344	6,806
(Decrease)/increase in provisions		(4,278)	23,260	(20,266)	57,854
CASH GENERATED FROM OPERATIONS		4,224,992	2,097,327	3,658,090	1,144,187
Interest paid		(59,073)	(4,468)	(15,029)	-
Net taxation paid		(265,939)	(389,240)	(8,045)	(36,255)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		**3,899,980**	**1,703,619**	3,635,016	1,107,932

The notes on pages 88 to 144 form an integral part of these financial statements.

	Notes	THE GROUP 2018 Rs 000s	THE GROUP 2017 Rs 000s	THE COMPANY 2018 Rs 000s	THE COMPANY 2017 Rs 000s
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(2,899,245)	(3,516,283)	(2,698,023)	(2,907,069)
Purchase of intangible assets		(231,426)	(384,712)	(200,227)	(260,785)
Proceeds from sale of property, plant and equipment and intangible assets		27,925	2,906	21,059	2,428
Movement in other non current assets		(2,514,801)	-	(2,514,801)	-
Net proceeds from disposal of a subsidiary		-	610,683	-	-
Net cash outflow on winding up of subsidiary		(1,065)	-	-	-
Movement in other deposits		30,000	(200,000)	30,000	(200,000)
Interest received		24,242	35,389	24,008	29,799
Dividend received		18,567	13,443	18,567	13,443
Net cash used in investing activities		(5,545,803)	(3,438,574)	(5,319,417)	(3,322,184)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loan repayment from subsidiary		-	-	20,219	1,077,879
Loan received		1,584,656	-	1,584,656	-
Repayment of bank loan		-	(12,769)	-	-
Loan settlement on disposal of a subsidiary		-	277,187	-	-
Dividend paid		(262,200)	-	(262,200)	-
Net cash used in financing activities		1,322,456	264,418	1,342,675	1,077,879
Net decrease in cash and cash equivalents		(323,367)	(1,470,537)	(341,726)	(1,136,373)
Cash and cash equivalents at beginning of the year		975,122	2,258,449	874,357	1,893,109
Effect of exchange rate changes on the balance of cash held in foreign currencies		101,189	187,210	92,354	117,621
Cash and cash equivalents at end of the year	36	**752,944**	975,122	**624,985**	874,357

The notes on pages 88 to 144 form an integral part of these financial statements.

1. GENERAL INFORMATION

Mauritius Telecom Ltd ("the Company") 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 Group and the Company have applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2018.

New and revised standards that are effective for the current year

The following relevant revised Standards have been applied in these financial statements. Except for IFRS 9 and 15, the other revised standards have not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 39 Financial Instruments - Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of 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.

IAS 40 Investment Property - Amendments to clarify transfers or property to, or from, investment property

IFRS 9 Financial Instruments - Recognition and Measurement

IFRS 15 Revenue from Contracts with Customers

IFRIC 22 Foreign Currency Transactions and Advance Consideration issued

Impact of application of IFRS 9 Financial instruments

In the current year, the Group and the Company have applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. In accordance with the transition provisions of IFRS 9, the Group and the Company have elected not to restate the comparative information, which continues to be reported under IAS 39. Differences arising from the initial adoption of IFRS 9 have been recognised in the statement of financial position as at 31 December 2017 but are recognised directly in the opening reserves on 1 January 2018.

Additionally, the Group and the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosure for 2018.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

The Group and the Company have not applied hedge accounting to its financial instruments during the year ended 31 December 2017 and 2018.

Details of these new requirements as well as their impact on the Group's and the Company's financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group and the Company have applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and have not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group and the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group and the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group and the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group and the Company have not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The directors reviewed and assessed the Group and the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

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

Impact of application of IFRS 9 Financial instruments (Cont'd)

(a) Classification and measurement of financial assets (Cont'd)

- the Group and the Company's investments in equity shares (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale ("AFS") financial assets and were measured at fair value or at cost less imparment at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in fair value reserve;
- financial assets classified as "loans and receivables" under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The change in classification of investments in equity shares which was previously classified as AFS and carried at cost has resulted in the fair value gain of Rs 000's 24,463 upon designation to FVTOCI on 1 January 2018 and was recognised directly against the retained earning as at 1 January 2018 and is accumulated in the fair value reserve. There is no deferred tax impact on this adjustment.

There were no financial assets or financial liabilities which the Group and the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

In summary, upon adoption of IFRS 9, the Group and the Company had the following required or elected reclassifications as at 1 January 2018 for its financial assets:

The Group

		IFRS 9 measurement category	
IAS 39 MEASUREMENT CATEGORY	IAS 39 CARRYING AMOUNT	AMORTISED COST	FAIR VALUE THROUGH OCI
	Rs 000	Rs 000	Rs 000
Financial assets			
Loans and receivables:			
Trade and other receivables*	1,508,326	1,432,348	-
Cash and cash equivalents	975,122	975,122	-
	2,483,448	**2,407,470**	**-**
Investments designated at FVTOCI	11,107	-	35,570

The Company

IAS 39 MEASUREMENT CATEGORY	IAS 39 CARRYING AMOUNT	IFRS 9 measurement category	
		AMORTISED COST	FAIR VALUE THROUGH OCI
	Rs 000	Rs 000	Rs 000
Financial assets			
Loans and receivables:			
Trade and other receivables*	1,251,916	1,221,523	-
Cash and cash equivalents	874,357	874,357	-
	2,126,273	2,095,880	-
Investments designated at FVTOCI	11,107	-	35,570

*The change in carrying amount is a result of additional impairment allowance (Refer to (b) below).

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

1) Debt investments measured subsequently at amortised cost or at FVTOCI;

2) Lease receivables;

3) Trade receivables and contract assets; and

4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group and the Company have the following financial assets that are subject to IFRS 9's new ECL model and the impact of the change in impairment methodology are as follows:

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

(b) Impairment of financial assets (Cont'd)

Items that existed at 1 January 2018 that are subject to impairment provisions of IFRS 9	Credit risk attributes at 1 January 2018	Cumulative additional loss allowance recognised on 1 January 2018	
		The Group	The Company
		Rs 000	Rs 000
Trade receivables	The Group and the Company applied the simplified approach and recognised lifetime ECL for these assets.	(75,978)	(30,393)
Other receivables	The Group and the Company applied the simplified approach and recognised lifetime ECL for these assets.	(5,175)	(5,175)
Loan to subsidiary and amount due from related companies	The directors have concluded that it would require undue cost and effort to determine the credit risk of these balances on their respective dates of initial recognition. These balances are also assessed to have credit risk other than low. Accordingly, the Group and the Company recognise lifetime ECL until they are derecognised. The identified impairment loss was immaterial.	-	-
Cash at bank	All bank balances are assessed to have low credit risk at report-ing date since they are held with reputable banking institutions. The identified impairment loss was immaterial.	-	-
		(81,153)	(35,568)
Less Deferred tax effect arising on credit allowance on trade and other receivables		14,552	6,047
		(66,601)	(29,521)

The above additional credit loss allowances of Rs 000's 66,601 and Rs 000's 29,521 have been recognised against retained earnings on 1 January 2018, resulting in a decrease in retained earnings net of deferred tax of Rs 000's 14,552 and Rs 000's 6,047 as at 1 January 2018.

The reconciliation between the ending provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 January 2018 is as follows:

LOANS AND RECEIVABLES UNDER IAS 39/ FINANCIAL ASSETS AT AMORTISED COST UNDER IFRS 9	IMPAIRMENT UNDER IAS 39 AS AT 31 DECEMBER 2017	REMEASUREMENT	ECL UNDER IFRS 9 AS AT 1 JANUARY 2018
	Rs 000	Rs 000	Rs 000
The Group	992,958	(1,074,111)	81,153
The Company	807,487	(843,055)	35,568

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group and the Company's exposure to credit risk in the financial statements. Refer to notes 12 and 31.

(c) Classification and measurement of finance liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's and the Company's financial liabilities which continue to be measured at amortised cost.

New and revised standards that are effective for the current year (Cont'd)

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group and the Company have applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018 which resulted in changes in accounting policies and adjustment to the amount recognised in the financial statements. The Group's and the Company's accounting policies for recognition of revenue are disclosed in note 3.

IFRS 15 introduced a 5 step approach to revenue recognition and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group and the Company have applied IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply the standard to open contracts as of 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

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

(c) Classification and measurement of finance liabilities (Cont'd)

The effect of adopting IFRS 15 as at 1 January 2018 was as follows:

	THE GROUP			THE COMPANY		
	1 January 2018 as per IAS 18	Impact of adoption of IFRS 15	At 1 January 2018 as per IFRS 15	1 January 2018 as per IAS 18	Impact of adoption of IFRS 15	At 1 January 2018 as per IFRS 15
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Statement of financial position						
Deferred revenue	286,610	16,602	303,212	198,072	16,602	214,674
'Deferred expenses'' included in other receivables	1,462,550	12,320	1,474,870	1,290,978	12,320	1,303,298
Statement of profit or loss						
Revenue	9,892,413	(16,602)	9,875,811	6,576,181	(16,602)	6,559,579
Operating expense	(6,616,062)	12,320	(6,603,742)	(5,468,480)	12,320	(5,456,160)
Statement of changes in equity						
Retained earnings	7,541,893	(4,282)	7,537,611	3,919,292	(4,282)	3,915,010

The effect of adopting IFRS 15 for the year ended as at 31 December 2018 was as follows:

Statement of financial position						
Deferred revenue	778,410	10,084	788,494	640,615	10,084	650,699
'Deferred expenses'' included in other receivables	911,177	14,010	925,187	697,441	14,010	711,451
Statement of profit or loss						
Revenue	10,611,073	(6,518)	10,604,555	7,249,526	(6,518)	7,243,008
Operating expense	(6,039,816)	1,690	(6,038,126)	(5,525,414)	1,690	(5,523,724)

The nature of these adjustments are described as follows:

(a) Installation

Installation fees: The Company has the policy of charging installation fees to new customers subscribing for MyT Home (Broadband & TV offers). These installation fees are paid by new subscribers upfront for the initial minimum subscription period of the contract. For revenue recognition, the Group and the Company spread the installation fees over the initial minimum subscription period of the contract. Any unexpired amount at year end is transfered to deferred income. Correponding costs of installation is estimated, amortised and transfered to deferred costs in other receivables.

Standards and interpretations in issue but not yet effective

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

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective 1 January 2020)

IAS 12 Income Taxes - Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends) (effective 1 January 2019)

IAS 19 Employee Benefits - Amendments regarding plan amendments, curtailments or settlements (effective 1 January 2019)

IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)

IFRS 16 Leases - Original issue (effective 1 January 2019)

IFRIC 23 Uncertainty over Income Tax Treatments issued (effective 1 January 2019)

The directors anticipate that these Standards and Interpretation will be applied on their effective dates in future periods. Except as detailed below, the directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

Relevant new and revised Standards in issue but not yet effective

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group and the Company will be 1 January 2019.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The only exceptions are short-term and low-value leases.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Company and the Group have non-cancellable operating lease commitments of Rs'000 1,043,456 and 776,171 respectively. A preliminary assessment indicates that all these arrangements relate to leases other than short-term leases and leases of low-value assets. Management has not yet assessed the amounts for right of use asset and corresponding liability in respect of these leases to be recognised in the statement of financial position.

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Group's and the Company's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and complied with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 value at the end of each reporting period, as explained in the accounting policies below:

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

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

All intragroup assets, 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 IFRS 9 Financial Instruments 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in associates (Cont'd)

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 measured at cost, cost less impairment at Company level from the date the investee becomes an associate.

An investment in an associate is measured using the equity method from the date on which the investee becomes an associate at Group level.

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

The requirements of IAS 36 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 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 statement of profit or loss as incurred.

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Business combinations (Cont'd)

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 IFRS 9, 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) Revenue recognition

Revenue is recognised when or as an entity satisfies a performance obligation by transferring control of a promised goods or services (i.e an asset) to a customer at the agreed transaction price as per the contractual terms when control is transferred to the customer, either over time or at a point in time.

The consideration to which the Group and Company expects to be entitled in a contract with a customer excludes amount collected on behalf of third parties and takes into consideration any financing component arising on transfer of control passed on over time for a period more than one year.

The main revenue streams are recognised as follows:

1. Telephone and Roaming services

Telephone and Roaming services (including subscription and domestic voice calls and international voice calls, SMS services on fixed and mobile) are accrued over time on a monthly basis whose transaction price is based on established pricing and traffic and/or usage by the subscribers.

The Group provides bundled offers whereby mobile handsets, voice, sms & data are packaged. The service portion of the arrangement (voice, sms and data) may be offered under a stand-alone basis in postpaid and prepaid services. With IFRS 15, stand-alone selling price has been used to allocate revenue between handset and these services and recognised at a point in time and over time respectively.

2. Data Communication services

Revenue from Data communication services is recognised over time and measured based on the consideration received or receivable on a monthly basis.

3. Sale of equipment

Revenue from sales of handsets and equipment, mobile phones and related accessories (collectively referred as the equipment) is recognised when the control of the equipment is passed to the client at a point in time. The revenue recognised is the fair value of the consideration received or receivable reduced for estimated customer returns and any significant financing component. Any contract with multiple performance obligation involved with sale of equipment, the revenue consideration of the equipment is determined as per stand-alone selling price for the equipment after unbundling the other services from the contract.

4. Commission

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

5. Deferred revenue

Sale of prepaid phone cards is not recognised as revenue outright since subscriber does not consume all the credit at once. In order to provide a more accurate matching of revenues with the direct costs, revenue is recognised on a usage basis and a deferred revenue liability is recorded for the remaining balance. Prepaid services on mobile is accounted on consumption basis. Upfront payments for installation costs are recognised as deferred income and released over time to revenue over the initial minimum subscription period.

Other revenue

Other revenues earned by the Group and entity are recognised on the following basis:-

- Interest income is accrued over time, by reference to the principal outstanding and at the effective Interest rate applicable.
- Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.
- Rental income is accrued over time at the consideration received/receivable.
- Management fees is accrued over time at the consideration received/receivable.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method as follows:-

Plant and equipment	2 to 20 years
Buildings on leasehold land	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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Property, plant and equipment (Cont'd)

No depreciation is provided on freehold land and assets in progress.

(i) 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.

(j) 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.

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 statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the invoice value of materials on a first-in, first-out (FIFO) basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The costs of inventories comprise all costs of purchase and other costs incurred in bringing the Inventories to their present location and condition.

(l) Foreign currencies

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

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

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

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

On the disposal of foreign operations (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 statement of profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in statement of 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 statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Taxation

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

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit 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 its assets and liabilities.

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

(iii) Current and deferred taxes for the year

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

(n) Cash and cash equivalents

Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(o) Retirement benefit costs and termination benefits

The Group and the Company operate a number of defined benefit plans and defined contribution plans, the planned assets of which are held with State Insurance Company of Mauritius Ltd and Swan Life.

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.

The present value of other retirement benefits in respect of The Employment Rights Act 2008 gratuities is recognised in the statement of financial position as a non-current liability. The recognition and presentation of the components of the retirement gratuities are similar to the defined benefit plan (as above).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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 statement of profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the entity may make the following irrevocable election/ designation at initial recognition of a financial asset:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the entity may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired . For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For purchased or originated credit-impaired financial assets, the entity recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Equity instruments designated as at FVTOCI

On initial recognition, the entity may make an election to designate investments in equity instruments (which are not subsidiary nor associates) as at FVTOCI. Designation at FVTOCI is permitted if the business model is not to collect contractual cashflows from these investments.

Investments designated at FVTOCI are initially measured at fair value plus transaction costs. Fair value is determined using the most appropriate observable inputs for quoted entities and last transaction price/ most recently available net assets value proportion as basis for fair value determination of unquoted entities. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in fair value reserve. The cumulative gain or loss is transferred to retained earnings on disposal.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are recognised in profit or loss.

Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company apply the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions (when the trends are observable) and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL until they are derecognised due to short-term nature of the receivables and have been assessed to have credit risk other than low.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial instruments (cont'd)

Assessment of default range

The Group and the Company consider a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

(i) Write-off policy

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Group and the Company's recovery procedures. Any recoveries made are recognised in profit or loss.

(ii) Recognition of expected credit losses

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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 when 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 transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises 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 Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

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 arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

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

Financial liabilities

(i) Borrowings

Interest bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instalment to the extent that they are not settled in the period in which they arise. Borrowings are subsequently measured at amortised cost using the effective interest method. Deferred interest accounted for borrowings below market rate, is amortised throughout the life of the loan.

(ii) Effective interest method

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 (including all fees and points paid or received that form an integral part of the interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(iii) Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(q) 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.

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 it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are these amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(r) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Related parties

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

(t) Comparative figures

Comparative figures have been regrouped and reclassified where necessary to conform to the current year's presentation.

4 ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying the Group's and the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) 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.

(ii) 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.

(iii) Deferred tax assets

The Group and the Company recognise the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

(iv) Credit risk

As explained in note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

The directors have assessed the credit risk to be low for the following elements within financial assets:-

- Cash at bank
- Loan to subsidiary
- Trade receivables under guaranteed contracts

The Group and the Company have not recognised any provision for ECL on these elements due to the immaterial amounts involved.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(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 with its counterparts within the same industry in order to determine the useful lives and residual values of property, plant and equipment.

(ii) Revenue recognition - Use of estimates

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

(iii) 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.

(iv) Calculation of loss allowance

The Group and the Company use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and coverage by credit insurance).

The provision matrix is initially based on the Group's and the company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

When measuring ECL the Group and the Company use reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

(iv) Calculation of loss allowance (Cont'd)

The Group did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the entity would expect to receive, taking into account cash flows from credit enhancements.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

5. PROPERTY, PLANT AND EQUIPMENT

(a) THE GROUP

	Land	Plant and equipment	Buildings on leasehold land	Furniture, fittings and equipment	Motor vehicles	Assets in progress	Total
	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s
COST							
At 1 January 2017	102,780	29,266,266	1,262,378	1,515,118	169,088	1,848,046	34,163,676
Additions	-	580,870	880,374	90,589	92,440	1,905,043	3,549,316
Disposals	-	(19,925)	(100)	-	(130)	-	(20,155)
Transfer	-	1,151,989	(284)	284	-	(1,151,989)	-
Reclassification	-	(519,760)	170	(4,142)	656	-	(523,076)
Disposal of subsidiary	-	(59,746)	-	-	-	-	(59,746)
Effect of foreign currency exchange differences	-	46,780	-	(381)	-	-	46,399
At 31 December 2017	102,780	30,446,474	2,142,538	1,601,468	262,054	2,601,100	37,156,414
Additions	-	2,552,860	86,433	41,821	149	356,642	3,037,905
Disposals	-	(215,075)	-	(3,208)	(20,760)	-	(239,043)
Transfer to intangible assets	-	(4)	-	-	-	-	(4)
Reclassification	-	(3,155)	(487)	3,642	-	-	-
Assets write off on winding up of subsidiary	-	-	-	(11,890)	-	-	(11,890)
At 31 December 2018	**102,780**	**32,781,100**	**2,228,484**	**1,631,833**	**241,443**	**2,957,742**	**39,943,382**
DEPRECIATION AND IMPAIRMENT LOSS							
At 1 January 2017	-	21,074,068	717,589	715,025	74,006	-	22,580,688
Charge for the year	-	1,739,786	82,581	29,296	29,590	-	1,881,253
Reclassification	-	(522,419)	(445)	(868)	656	-	(523,076)
Disposals	-	(19,925)	(100)	-	(130)	-	(20,155)
Impairment loss	-	146,521	-	4,505	-	-	151,026
Disposal of subsidiary	-	(28,188)	-	-	-	-	(28,188)
Effect of foreign currency exchange differences	-	-	-	(278)	-	-	(278)
At 31 December 2017	-	22,389,843	799,625	747,680	104,122	-	24,041,270
Charge for the year	-	1,791,689	122,455	26,531	43,430	-	1,984,105
Reclassification	-	(7,746)	(200)	7,946	-	-	-
Disposals	-	(209,625)	-	(3,208)	(20,435)	-	(233,268)
Transfer to intangible assets	-	(4)	-	-	-	-	(4)
Net impairment loss	-	(51,776)	-	-	-	-	(51,776)
Assets write off on winding up of subsidiary	-	-	-	(10,372)	-	-	(10,372)
At 31 December 2018	**-**	**23,912,381**	**921,880**	**768,577**	**127,117**	**-**	**25,729,955**
NET BOOK VALUE							
At 31 December 2018	**102,780**	**8,868,719**	**1,306,604**	**863,256**	**114,326**	**2,957,742**	**14,213,427**
At 31 December 2017	102,780	8,056,631	1,342,913	853,788	157,932	2,601,100	13,115,144

In the prior years, the directors had performed an impairment assessment on its plant and equipment thereby anticipating that the carrying amount of copper network and other assets within this class would suffer from technological changes from introduction of FTTH and other technological development. During the financial year ended 31 December 2018, the directors have re-assessed the useful life of those assets and have partially reversed the provision, based on objective evidence that these plant and equipment have a scope of being used for a longer period, as compared to initial prior year assessments. The Directors are of the opinion that no further impairment is required.

(b) THE COMPANY

	Land	Plant and equipment	Buildings on leasehold land	Furniture, fittings and equipment	Motor vehicles	Assets in progress	**Total**
	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s
COST							
At 1 January 2017	23,749	23,613,020	760,767	1,300,543	163,525	1,848,047	27,709,651
Additions	-	429,966	869,825	86,778	92,440	1,433,181	2,912,190
Disposals	-	(18,650)	(100)	-	(130)	-	(18,880)
Transfer	-	1,188,932	-	-	-	(1,188,932)	-
At 31 December 2017	23,749	25,213,268	1,630,492	1,387,321	255,835	2,092,296	30,602,961
Additions	-	2,025,740	85,044	41,507	149	682,948	2,835,388
Disposals	-	(81,702)	-	(3,208)	(20,760)	-	(105,670)
Reclassification	-	-	-	-	-	-	-
At 31 December 2018	**23,749**	**27,157,306**	**1,715,536**	**1,425,620**	**235,224**	**2,775,244**	**33,332,679**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	-	16,951,121	566,754	569,871	68,443	-	18,156,189
Charge for the year	-	1,379,908	50,109	10,638	29,590	-	1,470,245
Disposals	-	(18,650)	(100)	-	(130)	-	(18,880)
Impairment loss	-	17,068	-	-	-	-	17,068
At 31 December 2017	-	18,329,447	616,763	580,509	97,903	-	19,624,622
Charge for the year	-	1,502,316	72,425	15,765	43,430	-	1,633,936
Disposals	-	(81,702)	-	(3,208)	(20,435)	-	(105,345)
Net impairment loss	-	(62,984)	-	-	-	-	(62,984)
At 31 December 2018	**-**	**19,687,077**	**689,188**	**593,066**	**120,898**	**-**	**21,090,229**
NET BOOK VALUE							
At 31 December 2018	**23,749**	**7,470,229**	**1,026,348**	**832,554**	**114,326**	**2,775,244**	**12,242,450**
At 31 December 2017	23,749	6,883,821	1,013,729	806,812	157,932	2,092,296	10,978,339

In the prior years, the directors had performed an impairment assessment on its plant and equipment thereby anticipating that the carrying amount of copper network and other assets within this class would suffer from technological changes from introduction of FTTH and other technological development. During the financial year ended 31 December 2018, the directors have re-assessed the useful life of those assets and have partially reversed the provision, based on objective evidence that these plant and equipment have a scope of being used for a longer period, as compared to initial prior year assessments. The Directors are of the opinion that no further impairment is required.

6. INTANGIBLE ASSETS

	THE GROUP			THE COMPANY		
	Computer software in progress	Computer software	Total	Computer software in progress	Computer software	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COST						
At 1 January 2017	89,370	1,756,829	1,846,199	89,370	1,166,076	1,255,446
Additions	-	384,712	384,712	-	260,785	260,785
Transfer	(89,370)	89,370	-	(89,370)	89,370	-
At 31 December 2017	-	2,230,911	2,230,911	-	1,516,231	1,516,231
Additions	-	231,426	231,426	-	200,227	200,227
Disposal	-	(1,573)	(1,573)	-	-	-
Assets write off on winding up of subsidiary	-	(3,530)	(3,530)	-	-	-
Transfer from tangible assets	-	4	4	-	-	-
At 31 December 2018	-	2,457,238	2,457,238	-	1,716,458	1,716,458
AMORTISATION						
At 1 January 2017	-	1,582,622	1,582,622	-	1,009,981	1,009,981
Charge for the year	-	151,861	151,861	-	124,811	124,811
Impairment loss	-	12,207	12,207	-	-	-
Exchange difference	-	(44)	(44)	-	-	-
At 31 December 2017	-	1,746,646	1,746,646	-	1,134,792	1,134,792
Charge for the year	-	160,689	160,689	-	127,235	127,235
Disposal	-	(157)	(157)	-	-	-
Assets write off on winding up of subsidiary	-	(3,530)	(3,530)	-	-	-
Transfer from tangible assets	-	4	4	-	-	-
At 31 December 2018	-	1,903,652	1,903,652	-	1,262,027	1,262,027
NET BOOK VALUE						
At 31 December 2018	-	553,586	553,586	-	454,431	454,431
At 31 December 2017	-	484,265	484,265	-	381,439	381,439

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

During the year ended 31 December 2017, the Group performed an impairment review of IT projects and recognised an impairment loss, due to technological change of Rs 12,207,000. The directors are of opinion that no impairment is required for the year ended 31 December 2018.

7. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2018	2017
	Rs 000s	Rs 000s
At cost, unquoted		
At 1 January and 31 December	842,408	842,408

The directors have assessed, at reporting date, for indication of impairment in investment in subsidiaries. Following the results of this assessment, the directors have noted that there are no impairment loss that need to be recognised at 31 December 2018 and 31 December 2017.

The subsidiaries of Mauritius Telecom Ltd are as follows:

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest 2018	2017		Principal activity
Cellplus Mobile Communications Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Mobile phone operator
Call Services Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Call centre services
Teleforce Limited	Mauritius	Ordinary	**100%**	100%	Direct	Directory publication
Telecom Plus Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Internet service provider
MT Properties Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Property management
MT International Ventures PCC	Mauritius	Ordinary	**100%**	100%	Direct	Investment vehicle
MT Services Ltd	Mauritius	Ordinary	**100%**	100%	Direct	Human resources management
CSL Madagascar*	Madagascar	Ordinary	**0%**	100%	Indirect	Call centre services

During the financial year ended 31 December 2018, CSL Madagascar has been liquidated.

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 upon completion of customer migration.

8. INVESTMENTS IN ASSOCIATES

THE GROUP

	2018	2017
	Rs 000s	Rs 000s
Opening balance	308,573	342,426
Share of profit during the year	19,979	16,212
Dividend received for the year	(10,775)	(7,175)
Translation adjustments	(26,857)	(4,215)
Provision for impairment loss	-	(38,675)
Closing balance	290,920	308,573

THE COMPANY

	2018	2017
	Rs 000s	Rs 000s
At cost		
At beginning of the year	117,656	117,656
Transfer from Associate to investments designated as FVTOCI	(5,411)	-
At end of the year	112,245	117,656
Impairment loss		
At beginning of the year	76,721	5,411
Transfer from Associate to investments designated as FVTOCI	(5,411)	-
Provision for impairment loss	-	71,310
At end of the year	71,310	76,721
Net book value	40,935	40,935

8. INVESTMENTS IN ASSOCIATES (CONT'D)

At 31 December 2017, the directors noted indication of impairment in investment in EON Reality Mauritius Ltd and had recognised an impairment loss of Rs'000 71,130. At 31 December 2018, there was no indication of impairment noted following the directors' assessment for impairment on the existing associates.

Details of material associate to the Group :

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest			Principal activity
			2018	2017		
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.

	2018	2017
	Rs 000s	Rs 000s
Current assets	1,702,071	1,139,090
Non-current assets	1,926,236	2,191,388
Current liabilities	(1,790,297)	(1,452,325)
Non-current liabilities	(650,580)	(618,669)
Net assets	1,187,430	1,259,484
Group's share of associate's net assets	290,920	308,573
Revenue	2,955,160	2,991,812
Profit for the year	81,545	66,170
Other comprehensive income for the year	-	-
Total comprehensive income for the year	81,545	66,170
Dividend received	10,775	7,175
Group's share of profit of associate for the year	19,979	16,212

Details of non-significant associates to the Group :

Name of company	Country of incorporation	Class of shares	Proportion of ownership interest			Principal activity
			2018	2017		
EON Reality (Mauritius) Ltd	Mauritius	Ordinary	**25%**	25%	Direct	Interactive digital centre hub
HDM Interactive Ltd *	Mauritius	Ordinary	**30.00%**	30.00%	Direct	Internet Kiosks

The above investments have been fully impaired in prior years.

* As of 31 December 2018, HDM Interactive Ltd has been reclassified from associate to FVTOCI investments as the Group does not consider that it has significant influence over the associate. The carrying amount transferred to the FVTOCI is nil.

9. INVESTMENT, DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI) (Previously recognised as Available-for-sale Investments)

	THE GROUP AND THE COMPANY	
	2018	2017
	Rs 000s	Rs 000s
At 1 January	11,107	10,699
Effect of initial adoption of IFRS 9	24,463	-
	35,570	10,699
At 1 January - as restated		
Transfer from Associate to investments designated as FVTOCI *	-	-
Fair value movement	4,255	408
At 31 December	39,825	11,107

Investment designated at FVTOCI were classified as available for sale investment in 2017.

Fair value is determined at the end of each reporting date by making reference to recent publicly available NAV prices, most recent traded prices and net asset value approach.

* As of 31 December 2018, HDM Interactive Ltd has been reclassified from associate to FVTOCI investments as the Group no longer has significant influence over the associate. The carrying amount transferred to the FVTOCI and the fair value estimate as of 31 December 2018 for HDM Interactive Ltd is Rs nil.

10. LOAN TO SUBSIDIARY

	THE COMPANY	
	2018	2017
	Rs 000s	Rs 000s
At beginning of year	206,718	225,202
Repayment	(20,219)	(18,484)
At end of year	186,499	206,718
Disclosed as follows :		
Current	22,115	20,219
Non current	164,384	186,499
	186,499	206,718

The loan is unsecured, repayable on a monthly basis and will mature in June 2025. The loan bears fixed interest at 9% per annum (2017: 9%).

11. INVENTORIES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Trading inventories	212,935	188,036	37,361	30,089
Provision for obsolete stock	(44,226)	(39,963)	(13,020)	(12,896)
	168,709	148,073	24,341	17,193
Non-trading inventories	475,873	297,391	469,532	293,640
Inventory on loan	-	24,748	-	24,748
Provision for obsolete stock	(4,910)	(4,910)	(4,910)	(4,910)
	470,963	317,229	464,622	313,478
	639,672	465,302	488,963	330,671

Non-trading inventories pertain to items held for use in the maintenance of network infrastructure. Inventory items with carrying value of Rs000's 24,748 were held by contractors at 31 December 2017 for implementation of FTTH project. As per agreement with the contractors, these inventory have been returned to the Company in 2018 and form an integral part of the non-trading inventories as at 31 December 2018.

The cost of inventories recognised as an expense during the year was Rs 000's 581,853 (2017: Rs 000's 206,204) and Rs 000's 1,194,919 (2017: Rs 000's 714,847) for the Company and the Group respectively. The cost of inventory recognised as an expense includes Rs 000's (124) (2017: Rs 000's(5,355)) and Rs 000's (4,263) (2017: Rs 000's (5,914)) for the Company and the Group respectively with regards to write downs of inventory to net realisable value.

12. TRADE RECEIVABLES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Trade receivables	2,691,934	1,951,623	1,983,749	1,343,379
Provision for doubtful debts	(1,038,290)	(992,959)	(786,689)	(807,487)
	1,653,644	958,664	1,197,060	535,892
Disclosed as follows :				
Non-Current	392,294	-	392,294	-
Current	1,261,350	958,664	804,766	535,892
	1,653,644	958,664	1,197,060	535,892

Trade receivables classified as non current assets amounting to Rs 000's 392,294 have not been assessed for credit impairment as these balances are held with Government of Mauritius who have low credit rating.

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.

Before accepting any new customer, the Group and the Company use an internal credit assessment system to determine whether to give credit. The concentration of credit risk is limited due to the customer base being large and unrelated.

More information on credit risk management is provided in note 31.

The Group and the Company measure the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group and the Company have recognised a loss allowance of 100% against all receivables over 360 days past due because historical experience has indicated that these receivables are generally not recoverable.

Provision made for trade receivables for the year ended 31 December 2017 was 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 were calculated by line of business in order to reflect the specific nature of the customers relevant to that line of business.

Ageing of impaired trade receivables at 31 December 2017

	THE GROUP	THE COMPANY
	Rs 000s	Rs 000s
Under 180 days	173,914	154,233
181 to 360 days	93,310	66,723
> 360 days	725,735	586,531
TOTAL	**992,959**	**807,487**

Trade receivables past due but not impaired at 31 December 2017

	THE GROUP	THE COMPANY
	Rs 000s	Rs 000s
31 to 180 days	161,261	185,647
181 to 360 days	60,399	171,861
> 360 days	11,437	11,437
TOTAL	**233,097**	**368,945**

THE GROUP AND THE COMPANY

The following tables detail the risk profile of trade receivables based on the Group's and the Company's provision matrix. The Group and the Company have segmented the trade receivables by customer type between Business Market, Consumer Market and Public Market sectors.

12. TRADE RECEIVABLES (CONT'D)

TOTAL	TRADE RECEIVABLES - PAST DUE						
	<30	31-60	61-120	121-180	181-360	>360	Total
Expected credit loss rate	5%-6%	14%-16%	22%-26%	40%-42%	60%-62%	100%	
THE COMPANY							
Estimated total gross carrying amount at default (Rs 000's)	590,447	120,591	93,552	49,706	104,582	632,577	1,591,455
Lifetime ECL (Rs 000's)	30,387	17,467	20,533	21,066	64,657	632,577	786,689
THE GROUP							
Estimated total gross carrying amount at default (Rs 000's)	1,034,414	142,060	109,553	61,109	137,399	817,501	2,302,036
Lifetime ECL (Rs 000's)	60,895	23,189	28,065	25,055	83,585	817,501	1,038,290

BUSINESS MARKET	TRADE RECEIVABLES - PAST DUE						
	<30	31-60	61-120	121-180	181-360	>360	Total
Expected credit loss rate	12%-14%	21%-23%	25%-27%	29%-31%	56%-60%	100%	
THE COMPANY							
Estimated total gross carrying amount at default (Rs 000's)	182,306	51,054	41,196	29,044	47,616	354,065	705,280
Lifetime ECL (Rs 000's)	22,996	10,972	6,665	8,715	26,572	354,065	429,985
THE GROUP							
Estimated total gross carrying amount at default (Rs 000's)	338,483	66,499	54,751	36,993	68,915	457,847	1,023,488
Lifetime ECL (Rs 000's)	43,107	15,381	13,242	10,622	38,230	457,847	578,428

CONSUMER MARKET	TRADE RECEIVABLES - PAST DUE						
	<30	31-60	61-120	121-180	181-360	>360	Total
Expected credit loss rate	2%-3%	11%-12%	32%-33%	59%-60%	71%-72%	100%	
THE COMPANY							
Estimated total gross carrying amount at default (Rs 000's)	291,040	58,030	40,119	17,923	45,734	228,746	681,592
Lifetime ECL (Rs 000's)	6,623	6,152	12,842	10,664	32,983	228,746	298,011
THE GROUP							
Estimated total gross carrying amount at default (Rs 000's)	572,765	63,580	41,922	21,161	56,210	296,877	1,052,515
Lifetime ECL (Rs 000's)	16,878	7,460	13,750	12,683	39,758	296,877	387,407

PUBLIC SECTOR	TRADE RECEIVABLES - PAST DUE						
	<30	31-60	61-120	121-180	181-360	>360	Total
Expected credit loss rate	1%-2%	3%-4%	8%-9%	45%-46%	60%-62%	100%	
THE COMPANY							
Estimated total gross carrying amount at default (Rs 000's)	117,102	11,507	12,238	2,739	11,232	49,766	204,583
Lifetime ECL (Rs 000's)	768	343	1,026	1,686	5,103	49,766	58,693
THE GROUP							
Estimated total gross carrying amount at default (Rs 000's)	123,166	11,981	12,880	2,955	12,275	62,777	226,032
Lifetime ECL (Rs 000's)	909	348	1,073	1,750	5,597	62,777	72,455

	THE COMPANY		
	Collectively assessed	Individually assesed	Total
	Rs 000	Rs 000	Rs 000
Balance at 1 January 2017	-	758,077	758,077
Increase/(decrease) in loss allowance recognised in profit or loss during the year	-	94,445	94,445
Receivables written off during the year as uncollectible	-	(45,035)	(45,035)
Balance at 31 December 2017	-	807,487	807,487
Balance at 1 January 2018 under IAS 39	-	807,487	807,487
Adjustment upon initial application of IFRS 9	145,788	(115,395)	30,393
Balance at 1 January 2018 - As restated	145,788	692,092	837,880
Increase/(decrease) in loss allowance recognised in profit or loss during the year	(5,365)	9,939	4,579
Receivables written off during the year as uncollectible	-	(55,770)	(55,770)
Balance at 31 December 2018	**140,428**	**646,261**	**786,689**

	THE GROUP		
	Collectively assessed	Individually assesed	Total
	Rs 000	Rs 000	Rs 000
Balance at 1 January 2017	-	924,812	924,812
Increase/(decrease) in loss allowance recognised in profit or loss during the year	-	113,182	113,182
Receivables written off during the year as uncollectible	-	(45,035)	(45,035)
Balance at 31 December 2017	-	992,959	992,959
Balance at 1 January 2018 under IAS 39	-	992,959	992,959
Adjustment upon initial application of IFRS 9	188,160	(112,182)	75,978
Balance at 1 January 2018 - As restated	188,160	880,777	1,068,937
Decrease/(increase) in loss allowance recognised in profit or loss during the year	(11,327)	41,105	29,778
Receivables written off during the year as uncollectible	-	(60,425)	(60,425)
Balance at 31 December 2018	**176,833**	**861,457**	**1,038,290**

13. OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Third parties	482,776	403,380	285,945	207,991
Prepayment and deferred cost	514,226	1,127,140	496,602	1,106,232
Subsidiaries	-	-	719	44,725
Related parties	15,064	8,006	15,064	8,006
	1,012,066	1,538,526	798,330	1,366,954
Disclosed as follows:				
Current	925,187	1,462,550	711,451	1,290,978
Non current	86,879	75,976	86,879	75,976
	1,012,066	1,538,526	798,330	1,366,954

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

13. OTHER RECEIVABLES (CONT'D)

The amounts due from subsidiaries represent current account balances and are unsecured, bear interest which varied between 4% and 6.85% per annum (2017: between 6.85% and 7.25% per annum) and do not have any fixed repayment terms. The Company does not hold collaterals over these balances.

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

Expected losses over the other receivables relating to third parties have been individually assessed and the impact recorded is as follows :

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Initial adoption of IFRS 9, booked through statement of changes in equity	5,175	-	5,175	-
Additional provision booked for the financial year ended 31 December 2018	(113)	-	(113)	-

14. DIVIDEND

	THE GROUP AND THE COMPANY	
	2018	2017
	Rs 000s	Rs 000s
Dividend paid	262,200	-

On 20 September 2018, a dividend of Rs 1.38 per share amounting to Rs 000s 262,200 (2017: Nil) was declared for the year ended 31 December 2017 and was paid fully during the financial year ended 31 December 2018.

15. STATED CAPITAL

	THE GROUP AND THE COMPANY	
	2018	2017
	Rs 000s	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 movement during the year is provided in the table below:

	THE GROUP AND THE COMPANY	
	2018	2017
	Rs 000s	Rs 000s
At 1 January	4,632	4,224
Initial application of IFRS 9 adjustment	24,463	-
Fair value gain for the year	4,255	408
At end of year	33,350	4,632

17. LOANS

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Bank loan (i)	1,597,231	-	1,597,231	-
Loan from subsidiary (ii)	-	-	1,062,394	1,092,030
	1,597,231	-	2,659,625	1,092,030
Disclosed as follows:				
Current	10,915	-	1,073,309	1,092,030
Non current	1,586,316	-	1,586,316	-
	1,597,231	-	2,659,625	1,092,030

BANK LOAN

	THE GROUP AND THE COMPANY	
	2018	2017
	Rs 000s	Rs 000s
Principal and interest	-	-
Additions	1,584,656	-
Fair value arising on initial recognition	(372,207)	-
Interest expense for the year at effective interest rate	20,908	-
Interest expense paid at contractual rate	(1,821)	-
Foreign exchange gain	(6,512)	-
Loan balance, at amortised cost	1,225,024	-
Deferred Interest	372,207	-
Closing balance at year end	1,597,231	-

17. LOANS (CONT'D)

(i) In 2018, the Group and the Company entered into a "preferential buyer credit loan agreement" with the Export-Import (EXIM) Bank of China in order to finance the Safe City project. This is a project to provide security equipment, related hardware, software and licenses to the Government of Mauritius for a contractual period of 20 years. As per the loan agreement, the EXIM Bank of China will make available a loan facility of up to Rs 000's 2,567,974 to the Group and the Company at an annual interest rate of 2% whereby Government of Mauritius is the guarantor. The loan agreement is for a period of 20 years effective as from 1st April 2018. As at 31 December 2018, the Group and the Company have already received Rs 000's 1,584,656 and the remainder is expected to be received in 2019.

On initial recognition, the loan received was assessed for fair value using prevailing market interest rates for an equivalent loan at 4.42%, the fair value of the proceeds of the loan as at 31 December 2018 has been estimated at Rs 000's 1,212,449. The difference of Rs 000's 372,207 between the gross proceeds and fair value of the loan is the benefit derived from the preferential interest rate of 2% which has been classified under the loan at reporting date. The deferred interest will be amortised over the life of the loan.

(ii) The loan from subsidiary carries interest rate of Libor plus 3% per annum and is unsecured and repayable on demand.

18. INCOME TAXES

Income tax

Income tax is calculated at the rate of 15% (2017: 15%) for the Group and the Company on the profit for the year as adjusted for income tax purposes. The Group has accumulated tax losses at 31 December 2018 of Rs 000's 1,244,219 (2017: Rs 000's 960,669) for the Group and Rs 000's 932,615 for the Company (2017: Rs 000's 577,376) to offset against future taxable income. The Company's fiscal year is 30 June for tax filing purposes.

The Group and the Company are required to set up a Corporate Social Responsibility ("CSR") fund equivalent to 2% of its chargeable income of the preceding year to implement a CSR programme in accordance with its own CSR framework. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Director-General at the time of submission of the income tax return of the year under review.

18.1 Income tax recognised in profit or loss

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Current tax	171,054	256,131	9,237	27,603
Deferred tax movement	71,816	(82,999)	73,096	(32,995)
CSR expense	19,440	33,758	1,232	3,680
Underprovision of deferred tax in previous years	18,637	4,674	9,489	-
(Over) / Underprovision in income tax and CSR	(35,236)	(49,217)	(9,326)	2,114
	245,711	162,347	83,728	402
Solidarity levy	300,119	328,639	157,987	84,221
Reversal of provision	(114,258)	(86,075)	(102,092)	(66,856)
MRA Refund on Solidarity levy	-	(3,584)	-	-
Tax expense	431,572	401,327	139,623	17,767

18.2 Tax reconciliation

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Profit/(loss) before tax	1,735,552	1,446,397	633,973	(80,756)
Tax at the rate of 17%	295,044	245,887	107,775	(13,729)
Tax effect of:				
Non allowable expenses	49,356	127,131	22,651	47,558
Expenses eligible for 200% deduction	(21,492)	(6,154)	(6,861)	(6,154)
Exempt income	(48,585)	(136,538)	(40,000)	(29,387)
(Over) / Underprovision in income tax and CSR	(35,236)	(49,217)	(9,326)	2,114
Underprovision of deferred tax in previous years	18,637	4,674	9,489	-
Deferred tax asset not recognised in previous year	(1,269)	(4,462)	-	-
Tax loss of a subsidiary utilised	(9,638)	(16,603)	-	-
Profit of subsidiary not eligible to tax	(1,106)	(2,371)	-	-
	(49,333)	(83,540)	(24,047)	14,131
	245,711	162,347	83,728	402

18.3 Income tax recognised in other comprehensive income

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Deferred tax				
Re-measurement of defined benefit obligation	(105,067)	146,096	(103,959)	144,490

18.4 Deferred tax assets

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
At beginning of year	586,768	406,470	547,334	369,850
- Effect of IFRS 9 (Note 2)	12,445	-	6,047	-
At beginning of year (as restated)	599,213	406,470	553,381	369,850
Under provision of deferred tax	(10,204)	(4,458)	(9,489)	-
Deferred tax income	(80,933)	38,601	(73,096)	32,994
Reversed to other comprehensive income	(103,343)	146,155	(103,959)	144,490
At end of year	404,733	586,768	366,837	547,334

Deferred tax assets arise from the following:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Temporary differences				
Property, plant and equipment	(786,303)	(688,268)	(773,165)	(677,172)
Other temporary differences	371,025	324,484	332,193	282,109
Retirement benefit obligation	820,011	950,552	807,809	942,397
	404,733	586,768	366,837	547,334

18. INCOME TAXES (CONT'D)

18.5 Deferred tax liabilities

	THE GROUP	
	2018	2017
	Rs 000s	Rs 000s
At beginning of year	37,588	81,710
- Effect of IFRS 9 (Note 2)	(2,107)	-
At beginning of year (as restated)	35,481	81,710
Under provision of deferred tax	8,433	216
Deferred tax movement	(9,117)	(44,397)
Reversed to other comprehensive income	1,724	59
At end of year	36,521	37,588
Temporary differences		
Property, plant and equipment	97,212	97,130
Other temporary differences	(42,043)	(40,929)
Retirement benefit obligation	(18,648)	(18,613)
	36,521	37,588

18.6 Current tax liabilities

	THE GROUP		THE COMPANY	
Income tax and CSR	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
At beginning of year	102,617	154,711	5,670	8,528
Provision for the year	171,054	256,131	9,237	27,603
CSR provision	22,223	33,758	1,232	3,680
Over provision of tax in previous years	(35,236)	(48,063)	(9,326)	2,114
Tax paid	(186,046)	(293,920)	(8,045)	(36,255)
At end of year	74,612	102,617	(1,232)	5,670
Solidarity levy provision				
At beginning of year	270,368	126,708	71,172	53,806
Reclassification from other payables	41,230	-	20,321	-
Provision for the year	300,119	328,639	157,987	84,222
Reversal of provision	(114,258)	(86,075)	(102,092)	(66,856)
Solidarity levy paid	(82,676)	(98,904)	-	-
At end of year	414,783	270,368	147,388	71,172
Current tax liabilities	489,395	372,985	146,156	76,842

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	
	Notes	2018	2017	2018	2017
		Rs 000s	Rs 000s	Rs 000s	Rs 000s
Defined benefit plans	19(a)	4,360,058	5,018,166	4,113,469	4,784,071
Retirement gratuities obligation under Employment Rights Act 2008	19(b)	64,289	25,167	26,049	-
Present Value of retirement benefit obligation		4,424,347	5,043,333	4,139,518	4,784,071

(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 000s 4,360,058 and Rs 000s 4,113,469 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 2018. The assets of the funded plans are managed and administered by State Insurance Company of Mauritius Ltd and Swan Life.

The plans expose the Group and 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	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Present value of funded obligations	9,397,178	9,907,444	9,040,405	9,577,610
Fair value of plan assets	(5,037,120)	(4,889,278)	(4,926,936)	(4,793,539)
	4,360,058	5,018,166	**4,113,469**	4,784,071

Reconciliation of Net Defined Benefit Liability

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Opening balance	5,018,166	4,170,113	4,784,071	3,963,643
Amount recognised in profit or loss	501,984	486,473	466,350	451,951
Amount recognised in other comprehensive income	(620,780)	854,943	(611,521)	849,940
Less: Employer Contributions	(539,312)	(493,363)	(525,431)	(481,463)
Closing Balance	**4,360,058**	5,018,166	**4,113,469**	4,784,071

19. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(a) Defined Benefit Plans (Cont'd)

Reconciliation of Fair Value of Plan Assets

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Opening balance	4,889,278	4,198,262	4,793,539	4,122,896
Interest income	292,535	280,772	285,926	275,560
Employer contributions	539,312	493,363	525,431	481,463
Employee contributions	6,920	7,047	6,920	7,047
Benefits paid	(249,014)	(252,223)	(245,335)	(251,819)
Return on plan assets excluding interest income	(441,911)	162,057	(439,545)	158,392
Closing Balance	**5,037,120**	4,889,278	**4,926,936**	4,793,539

Reconciliation of Present Value of Defined Benefit Obligation

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Opening balance	9,907,444	8,368,375	9,577,610	8,086,539
Current service cost	224,294	230,742	203,789	209,941
Employee contributions	18,915	7,047	6,920	7,047
Interest expense	558,230	535,876	548,487	517,570
Other benefits paid	(249,014)	(252,223)	(245,335)	(251,819)
Liability (gain)/loss due to change in financial assumptions	(713,760)	409,552	(719,671)	422,425
Liability experience (gain)/loss	(348,931)	607,448	(331,395)	585,907
Past service cost	-	627	-	-
Closing Balance	**9,397,178**	9,907,444	**9,040,405**	9,577,610

Components of amount recognised in Profit or Loss:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Current service cost	224,294	230,742	203,789	209,941
Past service cost	-	627	-	-
Service cost	224,294	231,369	203,789	209,941
Net interest on net defined benefit liability	277,690	255,104	262,561	242,010
Components of defined benefit costs recognised in profit or loss	**501,984**	486,473	**466,350**	451,951

Components of amount recognised in Other Comprehensive Income:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Return on plan assets below/(above) interest income	441,911	(162,057)	439,545	(158,392)
Liability experience (gain)/loss	(348,931)	607,448	(331,395)	585,907
Liability (gain)/loss due to change in financial assumptions	(713,760)	409,552	(719,671)	422,425
Components of defined benefit costs recognised in other comprehensive income	**(620,780)**	854,943	**(611,521)**	849,940

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

	2018	2017
	%	%
Equity - Local quoted	13	16
Equity - Local unquoted	1	1
Debt - Local quoted	1	-
Debt - Local unquoted	57	48
Property Local	1	1
Investment Funds	20	21
Cash and other	7	13
Total	100	100

Principal Assumptions used at End of Period

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	%	%	%	%
Discount rate	6.1 - 7.1	5.2 -7	6.9/6.5/6.1	6.7/6.1/5.2
Rate of salary increases	6.5 - 7.5	6.5 - 7.5	7.5	7.5
Rate of pension increases	1 - 4	1 - 4	4	4
Average retirement age	63Yrs-65Yrs	63Yrs-65Yrs	63 Yrs	63 Yrs
Average life expectancy for:				
- Male at ARA	12.3 - 17.3	9.8 - 17.3	17.3 Yrs	17.3 Yrs
- Female at ARA	13.6 - 21.7	11.48 - 21.7	21.7 Yrs	21.7 Yrs

Sensitivity Analysis on Defined Benefit Obligation at End of Period

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Increase due to 1% decrease in discount rate	1,779,149	1,877,597	1,587,268	1,779,149
Decrease due to 1% increase in discount rate	1,404,908	1,404,071	1,263,909	1,404,908

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

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 000s 525,323 to its pension plan in 2019 and the weighted average duration of the defined benefit obligation is 16 years for the Company.

The Group expects to contribute Rs 000s 537,564 to its pension plan in 2019. The weighted average duration of the defined benefit obligation varies between 16 years and 26 years for the Group.

Retirement benefit obligations have been based on the report submitted by AON Hewitt Ltd dated 18 April 2019 for the year ended 31 December 2018.

19. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(b) Retirement gratuities obligation

During the year ended 31 December 2018, the group and the company have also recognised a residual liability of Rs 000's 64,289 (2017: Rs 000's 25,167) and Rs 000's 26,049 respectively, under the employment Right Act (ERA) 2008, for employees who are insufficiently covered under the defined benefit plans. The obligations under this item are not funded.

Reconciliation of net present value of unfunded obligations

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Opening Balance	25,167	17,147	-	-
Amount recognised in profit or loss	34,806	5,509	26,049	-
Amount recognised in other comprehensive income	4,316	2,611	-	-
Less Employer contribution	-	(100)	-	-
Closing Balance	**64,289**	25,167	**26,049**	-

Reconciliation of net Present Value of unfunded obligations

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Opening balance	25,167	17,147	-	-
Current service cost	5,665	4,398	-	-
Interest expense	1,672	1,111	-	-
Past service cost	27,469	-	26,049	-
Other benefit paid	-	(100)	-	-
Liability experience (gain)/loss	(3,000)	(3,956)	-	-
Liability (gain)/loss due to change in financial assumptions	7,316	6,567	-	-
Closing Balance	**64,289**	25,167	**26,049**	-

Components of amount recognised in Profit or Loss

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Current service cost	5,665	4,398	-	-
Past service cost	27,469	-	26,049	-
Settlement (gain)/loss	-	-	-	-
Service cost	33,134	4,398	26,049	-
Net interest on present value of unfunded obligation	1,672	1,111	-	-
Components of present value of unfunded obligation recognised in profit or loss	**34,806**	5,509	**26,049**	-

Components of amount recognised in Other Comprehensive Income

	THE GROUP	
	2018	2017
	Rs 000s	Rs 000s
Liability experience loss/(gain)	6,445	(3,956)
Liability loss due to change in financial assumptions	8,864	6,607
Components of present value of unfunded obligation recognised in other comprehensive income	**15,309**	2,651

Principal Assumptions used at end of period

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	%	%	%	%
Discount rate	6.1-7.1	6.4-6.9	6.9/6.5/6.1	-
Rate of salary increases	6.5-7.5	6.5	7.5	-
Average retirement age	63-65 yrs	63-65 yrs	63 Yrs	-

Sensitivity Analysis on net present value of unfunded obligation

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Increase due to 1% decrease in discount rate	16,726	10,130	3,137	-
Decrease due to 1% increase in discount rate	12,749	7,436	2,681	-

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

The weighted average duration of the defined benefit obligation is 11 years for the Company and varies between 11 years to 29 years.

The Group expects to contribute Rs 000s 2,570 to its pension plan in 2019.

(c) Defined Contribution Pension

A subsidiary of the Group contributes to the National Pension Scheme and defined contribution pension plan are expensed to profit or loss in the period in which they fall due. Contributions during the year were Rs’ 000 19,869 (2017: Rs’ 000 15,436).

The subsidiary and its employees contribute to a Defined Contribution Pension Scheme administered by SICOM.

20. TRADE PAYABLES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Third parties	2,651,754	2,223,737	1,969,940	1,098,006
Shareholders	-	57	-	57
Related parties	133,403	19,441	34,565	19,441
	2,785,157	2,243,235	2,004,505	1,117,504

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.

Included in third parties are refundable security deposits of Rs 000s 392,979 (2017: Rs 000s 379,261) for the Group and the Company.

21. OTHER PAYABLES AND ACCRUED EXPENSES

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Operating taxes accrued	33,697	32,426	29,068	28,179
Subsidiaries	-	-	3,018,377	2,510,881
Related parties	-	10,021	-	-
Other payables and accrued expenses	1,261,394	1,260,762	911,319	821,803
Termination benefits	186,754	317,351	186,754	317,351
Provision for capital expenditure in progress	1,109,769	971,109	1,080,498	943,133
	2,591,614	2,591,669	5,226,016	4,621,347

Analysed as:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Current	2,499,125	2,449,584	5,133,527	4,479,262
Non-current	92,489	142,085	92,489	142,085
	2,591,614	2,591,669	5,226,016	4,621,347

The amounts due to subsidiaries represent current account balances and are unsecured, bear interest at 6.85% per annum (2017: between 6.85% and 7.25% per annum) and have no fixed terms of repayment.

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

Capital expenditure in progress pertains to capital projects still incomplete as at 31 December 2018 and as at 31 December 2017.

22. DEFERRED REVENUE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
At beginning of year	286,610	328,361	198,073	191,267
Amount received on services	-	-	30,021	3,525
Revenue recognised on services	60,722	(63,962)	(18,555)	(18,930)
Amount received on ICT equipment	419,630	25,391	434,395	25,391
Revenue recognised on ICT equipment	(3,181)	(3,180)	(17,948)	(3,180)
Deferred revenue IFRS 15	24,713	-	24,713	-
At end of year	788,494	286,610	650,699	198,073

23. PROVISIONS

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Employee benefits	321,435	305,684	300,919	305,684
Dismantling costs	46,733	47,316	7,036	6,679
	368,168	353,000	307,955	312,363

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

	THE GROUP		THE COMPANY	
	Employee Benefits	Dismantling Costs	Employee Benefits	Dismantling Costs
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
At 1 January 2017	248,554	43,179	248,554	6,264
Additional provisions recognised	135,202	2,004	135,202	106
Finance Cost	-	2,133	-	309
Utilised in current year	(78,072)	-	(78,072)	-
At 31 December 2017	305,684	47,316	305,684	6,679
Additional provisions recognised	92,481	2,087	92,481	-
Reclassed during the year	(380)	-	(20,896)	-
Finance Cost	-	3,945	-	357
Utilised in current year	(76,350)	(6,615)	(76,350)	-
At 31 December 2018	321,435	46,733	300,919	7,036

(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.

24. REVENUE

The Group and the Company derive revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Sales of goods				
At a point in time	1,217,702	739,841	599,085	122,564
Rendering of services				
At a point in time	712,982		6,643,923	6,453,617
Over time	8,673,871	9,152,572		
	10,604,555	9,892,413	7,243,008	6,576,181
Sale of goods	1,217,702	739,841	599,085	122,564
Rental of PABX	130,528	-	130,528	122,254
Rendering of services	9,256,325	9,152,572	6,513,395	6,331,363
	10,604,555	9,892,413	7,243,008	6,576,181

As per General Notice No. 1813 of 2008, legal supplement, the Company is required to contribute part of the revenues derived from international incoming minutes to a Universal Service Fund established under Section 21 of the Information and Communication Technologies Act 2001. The amount contributed during the year was Rs 000s 10,890 (2017: Rs 000s 9,826) and has been included in operating expenses.

The volume of incoming international minutes terminated by Mauritius Telecom in 2018 was 12.81 million minutes (2017: 14.1 million minutes).

25. PROFIT/(LOSS) FROM OPERATIONS

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

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Depreciation, amortisation and impairement of property, plant and equipment	2,093,018	2,196,347	1,698,187	1,612,124
Staff costs	2,163,459	2,027,858	1,891,719	1,724,547
Post employment benefit (a)	501,949	498,007	466,315	457,976
Costs of inventories recognised as expense	1,194,919	714,847	581,853	206,204
Impairment loss net of reversal recognised on trade receivables	29,778	113,182	4,579	94,445
Impairment of investment in an associate	-	38,675	-	71,310
Directors' emoluments	2,585	3,063	2,585	3,063
Statutory auditors	3,290	3,154	1,826	1,734
Donation	170	72	170	72

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

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Post employment benefits				
- Defined benefit plan	501,984	491,982	466,350	451,951
- Termination benefits	(35)	6,025	(35)	6,025
	501,949	498,007	466,315	457,976

26. OTHER INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Recognised over time:				
Rental income	46,420	74,203	91,250	69,080
Management fees	-	-	777,200	435,994
Other income	56,291	82,871	31,100	24,527
	102,711	157,074	899,550	529,601

27. OTHER GAINS/(LOSSES)

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Net exchange gains/(losses):				
-Realised exchange gain/(loss)	15,029	(2,986)	1,333	(8,045)
-Unrealised exchange gain	169,765	105,364	179,937	65,578
Profit on disposal of property, plant and equipment	20,734	2,428	20,734	2,428
Gain on disposal of a subsidiary	-	444,958	-	-
Loss on winding up of a subsidiary	(2,929)	-	-	-
Impairment of investment in an associate	-	(32,426)	-	(71,310)
	202,599	517,338	202,004	(11,349)

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.

28. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Dividend income	7,792	6,268	18,567	13,443
Interest income				
- Bank deposits	13,901	11,262	13,638	8,200
- Treasury bills	10,046	18,303	10,046	18,303
- Current accounts with subsidiaries	-	-	3,576	10,225
- Loan to subsidiaries	-	-	17,784	19,518
- Others	4,247	5,824	4,276	3,295
	35,986	41,657	67,887	72,984

29. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Interest expense				
- Bank borrowings	20,908	4,800	20,908	-
- Loan with related parties	-	-	32,653	11,182
- Current accounts with related parties	-	-	189,762	182,213
- Others	87,741	39,433	58,256	21,025
	108,649	44,233	301,579	214,420

30. EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year after taxation attributable to owners of the Group of Rs 000s 1,303,980 (2017: Rs 000s 1,045,070) and on 190,000,001 shares in issue for the two years ended 31 December 2018.

31. FINANCIAL INSTRUMENTS

31.1 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 strategy of the Group and the Company remains unchanged from 2017.

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.

31.2 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.

31. FINANCIAL INSTRUMENTS (CONT'D)

31.3 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Financial assets				
At Amortised Cost	2,743,357	2,483,448	2,334,517	2,126,673
At FVTOCI	39,825	11,107	39,825	11,107
	2,783,182	2,494,555	2,374,342	2,137,780
Financial liabilities				
Amortised cost	7,253,951	5,108,764	10,116,431	7,115,065

31.4 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.

31.5 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.

31.6 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:

Currency profile

THE GROUP	2018		2017	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Currency	Rs 000s	Rs 000s	Rs 000s	Rs 000s
EUR	96,579	1,500,210	58,575	680,194
MUR	860,243	3,069,259	2,117,976	4,269,817
USD	1,823,265	2,679,618	310,050	153,088
Others	3,095	4,864	7,954	5,665
	2,783,182	7,253,951	2,494,555	5,108,764

THE COMPANY	2018		2017	
Currency	Financial assets Rs 000s	Financial liabilities Rs 000s	Financial assets Rs 000s	Financial liabilities Rs 000s
EUR	43,956	1,098,502	40,624	1,134,382
MUR	1,600,318	6,453,292	1,826,168	5,856,798
USD	727,056	2,559,774	264,457	119,255
Others	3,012	4,863	6,531	4,630
	2,374,342	10,116,431	2,137,780	7,115,065

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	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Profit or loss	140,363	62,162	85,635	15,696

	THE COMPANY			
	Euro Impact		USD Impact	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Profit or loss	105,454	109,376	183,271	14,520

31.7 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 contract with fixed interest rates.

The Group's and the Company's financial assets include cash and cash equivalents 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 whose fixed interest range is as portable below:

	THE GROUP AND THE COMPANY	
	2018	2017
	% Interest Rate p.a.	% Interest Rate p.a.
Currency		
MUR	0.80-2.40	0.80-2.40
USD	n.a	n.a
EUR	n.a	n.a

Interest rate risk arising on variable interest bearing financial instruments for the Group is insignificant and for the Company amounts to Rs 000's 3,579 (2017:Rs 000's 11,270).

31. FINANCIAL INSTRUMENTS (CONT'D)

31.8 Credit risk management

The Group and the Company are exposed to credit risk, being risk that a customer or counter party will default on its contractual obligations resulting in financial loss to the group and the company.

To minimise this exposure, the Group and the Company have adopted a policy of doing business only with creditworthy customers or counter parties and obtaining sufficient collateral or guarantees where appropriate, as a means of mitigating the risk of financial loss from defaulters.

To assess the creditworthiness of customers, the Group and the Company have set up an internal credit assessment system which uses information from publicly available financial information, market intelligence and its own trading records, to rate its present and future customers.

Except for amounts due from related parties, the Group and the Company consider that they have an extremely limited exposure to concentrations of credit risk with respect to trade accounts receivable due to its large and diverse customer base (residential, professional and business customers) operating in numerous industries and located in Mauritius and abroad. In addition, the maximum value of the credit risk on these financial assets is equal to their recognised net book value.

Credit risk on trade receivables is managed through appropriate credit control policies implemented as per approved policy, and which is reviewed yearly by the risk committee. The credit control policy is implemented by a credit control team dedicated to credit management.

To mitigate the Group's and the Company's credit risk, all new customers are required to provide a cash deposit on provision of services to them. Monthly invoices for services delivered are subject to a 10% surcharge if they are not settled by the due date. Regular reminders are sent for overdue invoices and service is disconnected if not settled within the defined period. Ultimately, the telephone lines are recovered and allocated to new customers if invoices remain unpaid.

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

31.9 Liquidity risk management

The Group's and the Company's liquidity management are overseen by the Corporate Treasury Function, 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 the 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

2018	Weighted average effective Interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	More than 1 year	Total
	%	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s
FINANCIAL ASSETS						
Fixed Interest Rate Instruments	1.6%-9%	353,375	113,527	201,062	86,879	754,843
Non Interest Bearing	-	823,408	449,165	49,794	432,119	1,754,486
Variable Interest Rate Instruments	2.16%-7.05%	242,944	-	-	30,909	273,853
		1,419,727	562,692	250,856	549,907	2,783,182
FINANCIAL LIABILITIES						
Fixed Interest Rate Instruments	2.57%-2.99%	-	-	546,266	1,678,805	2,225,071
Non Interest Bearing	-	168,098	3,034,847	1,825,935	-	5,028,880
		168,098	3,034,847	2,372,201	1,678,805	7,253,951

2017	Weighted average effective Interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	More than 1 year	Total
	%	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s
FINANCIAL ASSETS						
Fixed Interest Rate Instruments	1.6% - 9.0%	112,644	76,386	59,509	75,976	324,515
Non Interest Bearing	-	507,095	780,548	246,204	11,107	1,544,954
Variable Interest Rate Instruments	2.16% - 7.05%	447,590	-	8,265	169,231	625,086
		1,067,329	856,934	313,978	256,314	2,494,555
FINANCIAL LIABILITIES						
Non Interest Bearing	-	3,793	4,129,651	599,404	-	4,732,848
Variable Interest Rate Instruments	2.13% - 7.5%	-	-	233,831	142,085	375,916
		3,793	4,129,651	833,235	142,085	5,108,764

THE COMPANY

2018	Weighted average effective Interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	More than 1 year	Total
	%	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s
FINANCIAL ASSETS						
Fixed Interest Rate Instruments	2.4%- 9.0%	353,375	113,527	226,516	86,879	780,297
Non Interest Bearing	-	814,402	697	44,564	432,119	1,291,782
Variable Interest Rate Instruments	2.90% - 6.85%	91,212	-	15,758	195,293	302,263
		1,258,989	114,224	286,838	714,291	2,374,342
FINANCIAL LIABILITIES						
Non Interest Bearing	-	3,445	2,274,770	1,781,966		4,060,181
Fixed Interest Rate Instruments	4.4%	-	-	1,359,295	1,678,804	3,038,099
Variable Interest Rate Instruments	0.09% - 6.9%	-	-	3,018,151	-	3,018,151
		3,445	2,274,770	6,159,412	1,678,804	10,116,431

THE COMPANY

2017	Weighted average effective Interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	More than 1 year	Total
	%	Rs 000s	Rs 000s	Rs 000s	Rs 000s	Rs 000s
FINANCIAL ASSETS						
Fixed Interest Rate Instruments	1.6% - 9.0%	111,210	36,464	139,912	75,976	363,562
Non Interest Bearing	-	428,981	405,965	218,501	11,107	1,064,554
Variable Interest Rate Instruments	2.16% - 7.05%	353,934	-	-	355,730	709,664
		894,125	442,429	358,413	442,813	2,137,780
FINANCIAL LIABILITIES						
Non Interest Bearing	-	-	2,586,373	583,491	-	3,169,864
Fixed Interest Rate Instruments	2.57% - 2.99%	-	-	1,092,030	-	1,092,030
Variable Interest Rate Instruments	2.13% - 7.5%	2,494,132	16,749	200,205	142,085	2,853,171
		2,494,132	2,603,122	1,875,726	142,085	7,115,065

32. 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;

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.

	THE GROUP AND THE COMPANY			
	Level 1	Level 2	Level 3	Total
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
2018				
Investment, designated at FVTOCI	-	5,185	34,640	39,825
2017				
Investment, previously designated as available-for-sale	-	5,357	-	5,357

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in these financial statements approximate their fair values. An increase in the quoted prices and/or net assets value of the underlying investments will impact the fair value positively while a decrease in the quoted prices and/or net assests will have a negative impact. The directors have assessed the impact of a 1% increase and decrease in the net asset value and the impact is considered to be immaterial.

33. RELATED PARTY TRANSACTIONS

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

As per the exemption criteria of IAS 24 paragraph 25, the state-owned entities have not been disclosed. Comparatives have been amended accordingly.

During the year ended 31 December 2018, the Group and the Company entered into the following transactions with related parties.

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
(i) Sales of services				
- Subsidiaries	-	-	697,717	854,055
- Shareholders	54,217	509,671	54,217	509,671
- Entities under common shareholding	166,583	214,620	43,341	17,911
(ii) Purchases of services				
- Subsidiaries	-	-	873,947	814,240
- Shareholders	27,890	120,953	27,890	120,953
- Entities under common shareholding	210,511	432,860	136,258	173,882
(iii) Dividend income				
- Associate	-	-	10,775	7,175
- Entities under common shareholding	7,792	6,268	7,792	6,268
(iv) Other income and management fees				
- Subsidiaries	-	-	868,330	504,709
- Entities under common shareholding	120	223	120	223
(v) Interest expense				
- Subsidiaries	-	-	189,761	182,213
- On loan from subsidiary	-	-	32,654	11,182
(vi) Interest income				
- Subsidiaries	-	-	3,576	10,225
- On loan to subsidiary	-	-	17,784	19,518
(vii) Emoluments of Key management personnel				
- Short term benefits	84,770	67,170	79,689	63,093
(viii) Outstanding balances receivable included in				
Current account				
- Subsidiaries	-	-	695	44,725
- Entities under common shareholding	68,055	8,006	15,064	8,006
Trade receivables				
- Subsidiary	-	-	-	-
- Entities under common shareholding	26,263	37,656	26,263	37,656
(ix) Outstanding balances payable to				
Current account				
- Subsidiaries	-	-	3,018,150	2,510,881
Trade and other payables				
- Shareholder	-	57	-	57
- Entities under common shareholding	133,403	29,462	34,565	19,441
(x) Loan to subsidiaries	-	-	186,499	206,718
Loan from subsidiary	-	-	1,062,393	1,092,030

34. COMMITMENTS FOR EXPENDITURE

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Commitments for the acquisition of property, plant and equipment	1,884,559	4,726,088	1,831,897	4,502,088

35. OPERATING LEASE ARRANGEMENTS

The Group and the Company as lessees

Leasing arrangements

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

Non-cancellable operating lease commitments

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Within one year	123,101	104,011	105,478	96,123
Between two and five years	311,060	302,264	186,278	202,783
After five years	342,010	419,071	751,700	361,554
	776,171	825,346	1,043,456	660,460

Payments recognised as an expense

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Minimum lease payments	131,229	95,970	125,658	109,346

The Company as lessor

Leasing arrangements

Operating leases relate to the properties owned by the Group and 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.

Non-cancellable operating lease receivables

	THE GROUP		THE COMPANY	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Within one year	88,208	69,130	178,998	136,179
Between two and five years	204,475	161,724	204,474	161,724
After five years	37,955	54,762	37,955	54,762
	330,638	285,616	421,427	352,665

36. 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	
	2018	2017	2018	2017
	Rs 000s	Rs 000s	Rs 000s	Rs 000s
Cash and cash equivalents	752,944	975,122	624,985	874,357

37. OTHER DEPOSITS

	THE GROUP AND THE COMPANY	
	2018	2017
	Rs 000s	Rs 000s
Within one year	139,091	30,769
Between two and five years	30,909	138,462
After five years	-	30,769
	30,909	169,231
	170,000	200,000

Other deposits represent a bank guarantee for a contractual agreement under a payment guarantee relating to the construction of a submarine cable. The bank guarantee shall decrease progressively as and when the related payment is effected. The above represents restricted cash set aside by a contractual agreement.

38. OTHER NON CURRENT ASSETS

During the financial year ended 31 December 2018, the Company has entered into a contract –'the Safe City Project' with the Mauritius Police Force ("the customer") over a 20 year period for the provision of security equipment, related to hardware/software and licenses. The Safe City Project is still under construction as at 31 December 2018. The Company has recognized the costs incurred of this project amounting to Rs 000's 2,514,801 as other non-current assets recoverable from the customer once the installation and commissioning of the equipment have been completed.

39. NON CASH TRANSACTION

During the financial year, the Group and the Company entered into a non cash investing activity relating to the provision for capital expenditure in progress, amounting to Rs 000's 138,660 (2017: Rs 000's 33,033) and Rs 000's 137,365 (2017: Rs 000's 51,121) respectively.

40. CONTINGENT LIABILITIES

There are contingent liabilities not provided for in the financial statements in respect of bank guarantees amounting to Rs 000s 667,727 (2017: Rs 000s 794,465) for the Group and Rs 000s 688,033 (2017: Rs 000s 772,648) for the Company respectively. The directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

GLOSSARY OF TERMS

3G	3G, short for third generation, is the third generation of wireless mobile telecommunications technology
4G	Is a mobile communications standard intended to replace 3G, allowing wireless Internet access at a much higher speed
BPO	Business process outsourcing, or BPO, is a business practice in which one organisation hires another company to perform a task (i.e., process) that the hiring organisation requires for its own business to successfully operate
CDN	A CDN is a network of computers that delivers content. More specifically, it's a bunch of servers geographically positioned between the origin server of some web content, and the user requesting it, all with the purpose of delivering the content faster by reducing latency
FTTH (Fibre-To-The-Home)	Includes fibre-optic access solutions designed for residential deployments
FTTX	Fibre to the x is a generic term for any broadband network architecture using optical fiber to provide all or part of the local loop used for last mile telecommunications
Gbps	Short for Gigabits per second, a data transfer speed measurement for high-speed networks such as Gigabit Ethernet. When used to describe data transfer rates, a gigabit equals 1,000,000,000 bits
GDPR	The General Data Protection Regulation (GDPR) is a legal framework that sets guidelines for the collection and processing of personal information from individuals who live in the European Union
ICT	Stands for "Information and Communication Technologies." ICT refers to technologies that provide access to information through telecommunications. It is similar to Information Technology (IT), but focuses primarily on communication technologies. This includes the Internet, wireless networks, cell phones, and other communication mediums

GLOSSARY OF TERMS

ITES	Information Technology Enabled Services is defined as outsourcing of processes that can be enabled with information technology and covers diverse areas like finance, HR, administration, health care, telecommunication, manufacturing etc. Major focus is on service delivery
LTE	Long-Term Evolution is a standard for high-speed wireless communication for mobile devices and data terminals
MHz	Megahertz (MHz) is a frequency unit of cycles per second that measures transmissions through airwaves or conduits, such as network cable or fibre optic cable. MHz is a common measure of the transmission speed of electronic devices, such as computer buses, RAM and CPUs
MPLS	Multiprotocol Label Switching (MPLS) is a routing technique in telecommunications networks that directs data from one node to the next based on short path labels rather than long network addresses, thus avoiding complex lookups in a routing table and speeding traffic flows
OTT	OTT stands for “over-the-top,” the term used for delivery of film and TV content via the internet, without requiring users to subscribe to a traditional cable or satellite pay-TV service
Single RAN	Is a radio access network (RAN) technology that allows mobile telecommunications operators to support multiple mobile communications standards and wireless telephone services on a single network
UMTS	UMTS (Universal Mobile Telecommunications Service) is a third-generation (3G) broadband, packet-based transmission of text, digitized voice, video, and multimedia at data rates up to 2 megabits per second (Mbps)

my.t mobile

- Fully 4G
- Mobile Internet
- Mobile Voice & SMS
- Prepay & Postpay Abundance
- Love Pack
- Gift Pack
- Gift Data
- Mobile Money
- Roaming Services
- Deezer & Fun Tones
- SMS Info
- Smartphones & Tablets
- my.t Apps

my.t home

- Fibre-To-The-Home (FTTH)
- Fibre Broadband
- Fibre Voice
- my.t Triple Play
- 100Mbps
- TV Packs
- Video on Demand
- Smart Box
- Dual Room
- Catch-Up TV
- Multi-screen
- Flybox
- Fixed Telephones
- Wi-Fi Extenders
- my.t 4K Smart Box
- my.t TV Apps

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- Mobility
- High Speed Internet
- Data Centre and Cloud
- Local Connectivity
- Security
- Productivity
- International Connectivity

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