

Annual Report 2012/13



Mission, Vision & Values

AIR MAURITIUS

Strategic Role:

To be a profitable national airline

Core Objectives:

- Sustained profitability
- Support inbound tourism and home originating market
- Grow with smart investment
- Deliver exceptional service with Mauritian touch
- Create a culture that encourages innovation and efficiency and rewards creativity

Mission Statement:

We are the **National Airline of Mauritius** proudly **connecting our country to the world** with exceptional **Mauritian hospitality**.

Through innovative **Employees** determined to exceed the expectations of our **Customers**, we are committed to delivering **sustained profitability** in a **socially responsible** manner.

Table Of Contents

| | |
|--|------------|
| • Fact Sheet of the Company | 2 |
| • Key Results | 4 |
| • Chairman’s Message | 6 |
| • Chief Executive Officer’s Review | 7 |
| • Glossary | 9 |
| • Directors’ Report And Business Review | 12 |
| - The Board of Directors | 14 |
| - Corporate Governance | 17 |
| - Sustainability Report | 31 |
| - Enterprise Risk Management | 36 |
| - Remuneration Report | 42 |
| • Management Discussion And Analysis | 46 |
| • Certificate from the Company Secretary | 90 |
| • Directors’ Disclosure Statement | 90 |
| • Statement Of Compliance | 90 |
| • Directors’ Responsibility Statement | 91 |
| • Independent Auditors’ Report | 92 |
| • Financial Statement | 94 |
| - Statements Of Financial Position | 94 |
| - Statements Of Comprehensive Income | 95 |
| - Statements Of Changes In Equity | 96 |
| - Statements Of Cash Flows | 98 |
| - Notes To The Financial Statements | 100 |
| - Translation Of The Statements Of Financial Position | 159 |
| • Cascade Holding Structure | 162 |
| • Directors in Subsidiary Companies | 164 |
| • Shareholders’ Information | 166 |
| • A Glimpse Of Recognitions | 169 |
| • Highlights Of The Events For Financial Year 2012/13 | 170 |
| • Notice Of Meeting | 172 |
| • Proxy Form | 173 |



Cover:

White tail tropic bird
(Phaethon Lepturus)

A large native Mauritian seabird, smaller than the red tail tropic bird.
They are commonly known as the ‘paille en queue’ and have inspired the logo of Air Mauritius.

Facts about Air Mauritius

As At March 31, 2013

Employees
2,340

1967
Creation

574
at Airmate

30,500
tons of cargo uplifted

No of aircraft
12

19 Online
destinations

Turnover EUR **450**
million

Seats offered
1.8 million

1.3 million
Passengers carried

10,080
Flights

69,953
Kestrel Flyer
Members

Key Results

| Group Financial Results | | 2012/13 | 2011/12 |
|---|-------|---------------|---------|
| Revenue | Eur m | 452.1 | 453.2 |
| Operating loss | Eur m | (1.3) | (22.6) |
| Net loss | Eur m | (2.5) | (29.4) |
| Attributable loss to equity holders of the parent | Eur m | (2.6) | (29.6) |
| Net assets | Eur m | 73.9 | 80.2 |
| Loss per share | Eur | (0.02) | (0.29) |

| Key Financial statistics | | | |
|--------------------------|-------|--------------|--------|
| Operating margin | % | (0.3) | (5.0) |
| Net margin | % | (0.6) | (6.5) |
| Return on equity | % | (3.5) | (37.9) |
| Return on assets | % | (1.3) | (15.8) |
| EBITDA | Eur m | 57.8 | 28.1 |
| Gearing Ratio | | 1.1:1 | 1.1:1 |

| Group Operating statistics | | | |
|------------------------------|-----------|--------------|-------|
| Passengers carried | '000 | 1,297 | 1,325 |
| Seats offered | '000 | 1,836 | 1,841 |
| Revenue passenger kilometres | Million | 5,851 | 6,572 |
| Available seat kilometres | Million | 7,419 | 8,519 |
| Revenue tonne kilometres | Million | 707 | 785 |
| Available tonne kilometres | Million | 1,073 | 1,271 |
| Passenger load factor | % | 78.9 | 77.1 |
| RASK | Eur cents | 6.7 | 5.9 |
| CASK | Eur cents | 6.8 | 6.3 |

Chairman's Message And Chief Executive Officer's Review



Chairman's Message



The Air Mauritius group posted a loss of EUR 2.5 million for financial year 2012/13 against a loss of EUR 29.4 million in 2011/12 whilst the company (Air Mauritius Limited) showed a loss of EUR 3.6 million as compared to loss of EUR 29.2 in 2011/12. This marked improvement of EUR 26.9 million from last year's results is a clear sign that the operating model approved by the Board is yielding encouraging results.

The loss sustained by the company falls within the forecasted range and shows that the company is on the path of recovery. The above results are commendable given that the operating environment in 2012/13 did not improve from last year with oil prices remaining high, a volatile EUR/USD exchange rate and a subdued European economy, notwithstanding the impact of successive external factors such as the global economic crisis, epidemics or natural calamities since 2008. Thus the need for the Company to build resilience and business agility in order to secure long term sustainability, became more pressing. Management enrolled the services of Seabury APG and produced a business model that is adapted to the new operating environment. The 7 Step Plan developed by management with the assistance of Seabury APG was approved by the Board and launched in February 2012.

Air Mauritius Limited's operating model has evolved from a point to point model to one combining Origins and Destinations (O&D) that offer passengers better choice and flexibility. Immediate measures to suspend loss making routes and rebalance growth towards higher potential markets have not only improved the

efficiency of the network, but also addressed the strategic needs of the country particularly that of its tourism sector. The new network greatly contributed to compensate for the sharp drop in tourist arrivals from Europe. We started twice weekly direct operations to Shanghai and announced a direct flight to Beijing that will take our frequency to mainland China to 9 flights a week including flights connecting via Kuala Lumpur.

Moreover, other strategic measures are being taken including the renewal of the existing fleet. New generation aircraft are able to offer customers better products and improve operational efficiency by up to 25 %. Management is actively studying opportunities and possibilities on that front in order to come up with a solid replacement plan in the years to come.

We are also pleased to note that the level of confidence in the share value of the Company as Air Mauritius Limited has consistently been among the highest movers at the Stock Exchange since the beginning of 2013. We believe that for the new financial year, the group will reap the full benefit of all the measures taken so far as well as those that are being implemented in line with the new business model.

Air Mauritius Limited has the task of reconciling its role as a national airline with its profitability imperatives. We are confident that Management will remain focussed on its prime objective of making the Company a profitable national airline. The Board fully supports Management in this endeavour and firmly believes that this collaborative approach will help us live up to the daunting challenges that still lie ahead.

On behalf of the Board, I wish to express my appreciation to all those who have contributed to setting Air Mauritius Limited on the path of recovery. I am thankful to my Board colleagues, Management, our dedicated employees, our industry partners, our shareholders as well as the Government of Mauritius for their support and trust they have placed in us.



Appalsamy Thomas, GOSK

Chairman

June 2013

Chief Executive Officer's Review



An improvement of EUR 25.6 million

Air Mauritius posted a loss of EUR 3.6 million for the financial year ended 31st March 2013, representing an improvement of EUR 25.6 million. This result that was achieved in an environment broadly similar to that having resulted in losses of EUR 29.2 million for the preceding financial year. It is a clear sign that the company is heading in the right direction and that the actions initiated by management under the 7 Step Plan are working.

The price of fuel remained high at an average USD 112 per barrel for the year while the EUR/USD exchange rate declined particularly during the second half of the financial year. It averaged at 1.29 representing a drop of 6.6 % that impacted our bottom line by around EUR 10 million. The crisis in Europe deteriorated with several countries going into recession. This has had a marked impact on demand reflected in tourist arrivals to Mauritius during the financial year. The French market which is a traditional pillar of the Mauritius tourism industry, declined by 16 %, while the overall tourist arrivals from Europe fell by 9 %. Competition intensified during the year with competitor airlines serving Mauritius adding more than 36,000 seats.

Reviewing the Business Model

Having been worn down by successive exogenous shocks since the turn of the century, the global airline industry displayed vulnerability to an increasingly

volatile economic environment. Uncertainty prevailing over the industry was exacerbated with the global economic downturn of 2008. It was no longer enough for Air Mauritius to come up with measures that would only address its conjectural issues. The company had to build a resilient Business Model in order to ensure long term economic sustainability. Seabury APG were contracted to assist the company with a complete review of our business model. Measures identified for the business model overhaul have been consolidated under the 7 Step Plan devised by management which has as objective to restore profitability within 2 years and thereafter ensure long term sustainability.

A new network model

The 1st step of the plan revisited the network to make it more efficient and appealing. With a view to offer customers more choice and flexibility, we changed from a Point to Point operating model to an Origin and Destination (O&D) based model. Flight schedules in Mauritius have been redesigned to ensure that arrivals and departures coincide within morning, midday and evening pools in a way that enhances possibilities for beyond connections. We, thus, reinforced the Mauritius hub. The network was also concentrated around a number of hubs, like Paris, Kuala Lumpur, Johannesburg, Nairobi and Perth. In order to better serve those hubs, we have continued to reinforce collaborations with existing partner airlines while we work towards building new ones.

The other objective of the new network was to rebalance growth towards markets that present better potential for growth. During the financial year under review, we offered 30,000 additional seats on destinations in Asia and Africa. In the same stride, we introduced direct flights to Shanghai as from January of this year and announced a service to Beijing as from July 2013. We expect arrivals from China to grow significantly and exceed the 40 % growth rate recorded during financial year 2012/13.

Boosting revenue and managing costs

We took a number of steps to improve sales and revisited our Revenue Management practices which are reflected in the sharp increase of 14 % in Revenue per Available Seat Kilometers (RASK). Robust processes have been put in place that guides our actions in the

Chief Executive Officer's Review

various markets. They constitute a sound foundation to maintain Air Mauritius on the path of recovery during financial year 2013/14. The more efficient network and cost management initiatives implemented across the company also significantly impacted the company's bottom-line. We have reduced our operating costs during the financial year by EUR 20 million which together with the EUR 15 million forgone as a result of the weak euro adds up to net efficiency gains of EUR 35 million over the year under review.

On the path to recovery

The loss of EUR 3.6 million posted was also impacted by a weak 1st quarter that saw a deficit of EUR 10.4 million. The impact of the first 3 steps of the 7 Step Plan started to be felt as from June 2012. Financial results of the 3 subsequent quarters were encouraging showing that 7 Step Plan steered the company back on the path of recovery. Air Mauritius posted profits of EUR 1.2 million and EUR 6.1 million for the 2nd and 3rd quarters respectively. The 4th quarter that corresponds to the traditional low season was also impacted by an even weaker Euro. It ended in a marginal loss of EUR 0.5 million which represents an improvement of EUR 6.4 million over the corresponding period last year.

Long term business sustainability

The airline operating environment has changed for good. Air Mauritius is up against global mega carriers that have modern fleets, excellent products and services as well as consolidated global networks. The last 3 Steps of the 7 Step Plan prepares the company to stand up to this kind of competition. Under step 5 we are looking at options to renew our fleet within a 5 year horizon. This measure will be the real game changer as more fuel efficient new generation aircraft can save up to 25% in terms of fuel costs. Contacts have already been established with the leading aircraft manufacturers. We are also looking at our best options for the disposal of our older A340 aircraft.

We are also maintaining the momentum to 'Step-Up' service at all customer touch points. Following the completion of the 'Achieving Superior Service' course conducted for around 2,800 employees, we have initiated a number of projects to improve our products and services based on feedback received from our valued customers. A number of measures are also being taken to harness the full potential of our human capital. We have implemented a Company Performance Bonus Related Plan and a Performance Management System is being deployed to all employees across the company.

As an additional step to the 7 Step Plan, Air Mauritius is exploring Strategic Partnerships with a view to achieving synergies that could make the business even more robust. The company currently already has long standing fruitful collaborations with partner airlines. This further step proposes to strengthen these partnerships while it investigates new options.

With this crucial overhaul of our business, we are now on track to achieve performance targets for the financial year ending 31 March 2014. I wish to thank all the team members of Air Mauritius for their commitment to making it happen. This improvement would not have happened without all the Employees of Air Mauritius standing together. I thank them for their commitment and contribution. I also wish to thank our Customers, our Shareholders, the Government of Mauritius and our Board of Directors for their most valued support.



Andries Nathaniel Viljoen
Chief Executive Officer

June 2013

Glossary

Turnover

Represents total revenue earned and loss derived, net of taxes, allowances and returns, from aircraft, helicopter, hotel, property rental, technical and traffic handling operations.

Travelled Revenue

Consists of gross revenue derived from the carriage of passengers, freight, mail and excess luggage.

Profit after Tax

Profit attributable to the equity holders.

Net profit margin

Profit after tax expressed as a percentage of turnover.

Earnings per share

Profit after tax and non-controlling interest divided by number of shares issued.

Net worth per share

Shareholders' interests divided by number of shares issued.

Return on Owner's Equity

Profit after tax divided by shareholders' interest.

Dividend Cover

Profit after tax divided by proposed/paid dividend for the year.

Return on Assets

Profit after tax divided by total assets.

Available seat-km (ASK)

The product of seats offered and the distance flown (in kms).

Revenue passenger-km (RPK)

The number of passengers carried multiplied by the distance flown (in kms).

Passenger load factor

RPK expressed as a percentage of ASK.

Available tonne-km (ATK)

The product of capacity offered (in tonnes) and the distance flown (in kms).

Revenue tonne-km (RTK)

Multiplying revenue load carried (in tonnes) by the distance flown (in kms).

Overall load factor

RTK expressed as a percentage of ATK.

Cargo tonne-km (CTK)

Multiplying cargo tonnage carried by the distance flown.

Revenue per ASK (RASK)

Total operating revenue divided by ASK.

Cost per ASK (CASK)

Total operating costs divided by ASK.

Unit costs

Airline operating costs (excluding sales commissions and pool settlements) divided by system-wide available tonne kilometres.

Cash

Cash at bank, cash in hand and short term deposits.

EBITDA

Earnings before Interest, Taxes, Depreciation and Amortisation.

Gearing Ratio

Total debt to equity.

Block Hours

The time from which the aircraft departs from the gate to the time it arrives at the gate of its destination.

Winter season

Period between end of October to end of March.

Summer season

Period between end of March to end of October.

Semdex

An index of all listed share prices on the Stock Exchange of Mauritius. It indicates the movement of share prices from one trading session to another.





Bridging Mauritius to the world

Air Mauritius has been a bridge to the world for Mauritius since the country gained independence in 1967. Today it carries more than half of the passenger traffic to and from the island. Since inception the airline has been constantly developing new markets building new gateways for economic development and tourism.

Directors' Report And Business Review

The Directors have pleasure in presenting the Annual Report, Business Review and Financial Statements of Air Mauritius Limited (the 'Company') and its subsidiaries (collectively the 'Group') for the year ended March 31, 2013. The Financial Statements are set out on pages 94 to 158.

Results for the year

The Group reported a loss of Euro 2.5 million for the year ended March 31, 2013 compared to a loss of Euro 29.4 million in the previous year. The Company posted a loss of Euro 3.6 million for the year compared to a loss of Euro 29.2 million for the previous year.

Overview of the Business

Principal activities

Air Mauritius Limited

The main activities of the Company are the operation of international and domestic scheduled air services for the carriage of passengers, freight and mail and the provision of ancillary services for aviation. The domestic network comprises solely of operations to Rodrigues using turbo prop ATR72 aircraft.

The Company is the leading scheduled international passenger airline in the Indian Ocean region. The Company's Head Office is in Port Louis, while its principal place of operations is SSR International airport, Mauritius. From this base, it serves 18 destinations touching four continents i.e Africa, Asia, Australia and Europe. The airline has a comparatively high proportion of point to point business with interline accounting for less than 32.6% of its passenger sales revenues. The Company has interline outward billings with other carriers amount to around 6% of its passenger sales revenues.

The Company also operates a worldwide air cargo business, solely in conjunction with its scheduled passenger services, using the belly hold capacity for cargo transshipment. The Cargo business accounts for approximately 10% of total airline revenues.

Economic value is generated by the Company by meeting the demand for business and leisure travel, with leisure travel being the main passenger segment.

The Company provides vital links for trade and investment, and feeds the tourism sector and the rest of the economy through its substantial leisure travel opportunities for individuals and families. In the financial year ended 31 March 2013, the Company earned Euro 450.0 million in revenue as compared to Euro 450.9 million for the previous year. 87.1% of this revenue was generated from passenger traffic, 10.4% from cargo and 2.5% from other activities. During the period under review, the number of passengers uplifted was 1,296,542 whilst 30,492 tonnes of cargo were uplifted across the network. At the end of March 2013, the Company had 12 fixed wing aircraft and 2 helicopters in operation.

Mauritius Estate Development Corporation Limited ("MEDCOR")

The subsidiary company Mauritius Estate Development Corporation Limited (MEDCOR) is engaged in leasing out office and commercial space. Air Mauritius Limited holds 93.7% of the issued share capital of the Company.

MEDCOR recorded a profit after tax of Rs 43.8 million (Euro 1.1 million) as compared to Rs 20.6 million (Euro 0.5 million) for last year. Last year's result included a fair value loss on investment property of Rs 3.8 million as compared to a fair value gain of Rs 15.4 million for 2012/13. The office space stood at 99% occupancy level during the year.

Pointe Coton Resort Hotel Company Limited

Pointe Coton Resort Hotel Company Limited is in the business of providing hotel accommodations together with all related services in Rodrigues. Air Mauritius Limited holds 54.2% of its issued share capital.

The Company recorded a profit of Rs 118,000 (Euro 3,000) compared to a profit of Rs 11.5 million (Euro 0.3 million) for 2011/12. The occupancy rate of the hotel was down from 76.8% to 54% as the hotel was closed during part of the year for renovation works.

Airmate Ltd

Airmate Ltd is a wholly owned subsidiary of Air Mauritius Limited and provides Call Centre and IT enabled services. Airmate Ltd recorded a turnover of Rs 123.1 million (Euro 3.2 million) and a profit of Rs 20,008 (Euro 540) as compared to a turnover of Rs 117.6 million (Euro 3.0 million) and a profit of Rs 2.7 million (Euro 0.07 million) for last year.

Directors' Report And Business Review

Air Mauritius (S.A) (Pty) Limited

In South Africa, the Group operates through a 100% owned subsidiary, Air Mauritius (S.A) (Pty) Limited which acts as agent for Air Mauritius Limited. It operates on a cost re-imburement basis with its expenses being directly accounted for in the books of the parent Company.

Objectives

The Group aims to build a sustainable business with margins covering its cost of capital on a long term basis. It is working in partnership with all its key stakeholders to foster growth and harness business opportunities and also to effectively manage the risks associated with the business.

Shareholders' return

For its shareholders, the Group's key responsibilities are to generate a sustainable return on the capital employed in its business and to ensure it can invest for future growth. It seeks to return to shareholders a balance between capital growth and an income stream by way of dividend. The Group seeks to operate complementary businesses in its investments with the core being airline operations.

Other stakeholders

The Group also takes account of its responsibilities to other stakeholders including its employees, its customers and the communities affected by its operations, as well as having regard to the impact its business has on the environment. Group policies are benchmarked with best practice internationally in managing these stakeholders' relationships.

Directors' Report And Business Review

The Board of Directors

The names and details of the current directors are set out below. All directors served throughout the financial year with the exception of Mr Appalsamy Thomas, GOSK who was appointed on 30 August 2012 in replacement of the Rajkamal Taposeea and Mr Jean Michel Louis Rivalland who was appointed on 26 July 2012 in replacement of Mr Timothy Taylor.

THOMAS Appalsamy, GOSK - Chairman



Mr Appalsamy Thomas, GOSK is currently Group Head of Human Resources, Marketing and Communications of Harel Mallac. He started his career with Air Mauritius and spent thirteen years with the national carrier, occupying several positions including

that of Executive Adviser to the Chairman and Managing Director. In 1986, he joined British American Tobacco (Mauritius) as Human Resources Manager before embarking on an international career for nearly 5 years with the same company. In 2001, he joined consultancy firm DCDM in Mauritius as a free-lance consultant and, in 2004, became its CEO for the Central, Eastern and Southern Africa Region. He was formerly the Chairman of Mauritius Telecom. He was appointed to the Board on 30 August 2012.

VILJOEN Andries Nathaniel – Chief Executive Officer



Mr Andries Nathaniel Viljoen is the Chief Executive Officer. He was appointed to the board on 21 July 2011. He joined the company in April 2009 as the Chief Financial Officer and Chief Information Officer. Apart from his degrees in the commercial and financial fields, he is also

a Chartered Accountant (SA). Mr Viljoen is a seasoned airline executive with more than 32 years airline leadership experience. His experience includes the 15 years he spent with Comair/British Airways as Finance and Commercial Director and the 8 years he spent at South African Airways initially as Chief Financial Officer and then as President and Chief Executive Officer.

BEEGOO Kremchand



Mr Kremchand Beegoo was appointed to the Board on 30 September 2005. He was formerly the Director of Cargo at Air Mauritius. Presently he is involved in strategic re-engineering programs for performance enhancement with major leading global brand names in textiles and apparel in Mauritius, Europe and Asia.

DABEE Dheerendra Kumar, GOSK, SC



Mr Dheerendra Kumar Dabee, GOSK, SC, a Laureate and Law and Political Science Graduate from Birmingham University, Barrister at Law of Middle Temple since 1981, and a Senior Counsel, is currently Solicitor-General in the Attorney General's office, the Chairman of the Medical

Tribunal and of the Cane Planters, Millers Arbitration and Control Board and Legal Adviser to a number of public organisations. He was appointed to the Board on 22 June 1998.

ESPITALIER-NOËL Gerard, CSK, CONM



Mr Gerard Espitalier-Noël CSK, CONM was appointed to the Board on 12 August 2010. After a long career as the Head of Air Mauritius in Europe, he also held the position of Hotels & Leisure Director of Indigo Hotels & Resorts Ltd in Mauritius between January 2008 and December 2009.

Directors' Report And Business Review

ESPITALIER-NOËL Philippe



Mr Philippe Espitalier-Noël was appointed to the Board on 9 October 2000. He is currently the Chief Executive for Rogers & Company Limited, one of the largest listed conglomerates in Mauritius.

MANSOOR Ali



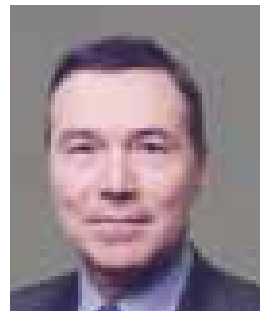
Mr Ali Mansoor was appointed to the Board on 29 September 2006. He is currently the Financial Secretary in the Ministry of Finance and Economic Development. He was formerly the Lead Economist of the Office of the Chief Economist Europe and Central Asia Region, World Bank, Washington DC, USA.

GUJADHUR Ramapatee, CSK



Mr Ramapatee Gujadhur, CSK was appointed to the Board on 30 September 2005. He was Senior Manager at the Mauritius Commercial Bank (MCB) and retired at the end of 2003, he was a member of the MCB Top Management team since 1988.

PATRY Dominique



Mr Dominique Patry was appointed to the Board on 03 May 2010. He is currently the Vice President International Affairs and Alliances of Air France/KLM since 1998. Mr Dominique Patry is a graduate from the Ecole des Hautes Etudes Commerciales and from the Ecole Nationale d'Administration.

NANDAN Rohit



Mr. Rohit Nandan took charge of Air India Ltd. as Chairman & Managing Director on 12th August 2011. He was appointed to the Board on 12 August 2011. He was earlier Joint Secretary, Ministry of Civil Aviation, Delhi and belongs to Service Cadre of "IAS/Uttar Pradesh/1982

batch. Prior to Civil Aviation Ministry, he was holding the post of Principal Secretary, Rural Development Department, Government of Uttar Pradesh.

RINGADOO Raj



Mr Raj Ringadoo was appointed to the board on 8 March 2006. He is currently the Chairman of The State Investment Corporation Ltd, the investment arm of the Government of Mauritius. He was the Chief Manager at the Development Bank of Mauritius and retired at the end of April 2005.

Directors' Report And Business Review

The Board of Directors (Cont'd)

RIVALLAND Jean Michel Louis



Mr Jean Michel Louis Rivalland is currently the Group Chief Executive of Swan Insurance and Anglo-Mauritius Assurance. He is a past President of the Joint Economic Council and of the Insurers' Association of Mauritius. He is a Board member of the Mauritius

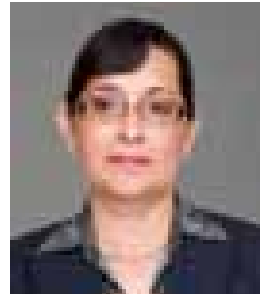
Revenue Authority and a member of the Financial Services Consultative Council. He has played an active role in the development of risk management, insurance and pensions in Mauritius having chaired or been part of various technical committees on these areas. He was appointed to the Board 26 July 2012.

SEEBALLUCK Suresh, GOSK



Mr Suresh Seeballuck, GOSK was appointed to the Board on 29 September 2006. He is currently the Secretary to the Cabinet and Head of the Civil Service. He was formerly the Secretary to Home Affairs.

TIMOL Aisha, GOSK



Mrs Aisha Timol, GOSK was appointed to the Board on 01 September 2008. She is the Chief Executive of the Mauritius Bankers Association Limited. She has previously worked at the Ministry of finance as Deputy Director, Budget Bureau and Director, Financial Services

and at the University of Mauritius. Mrs Timol is on a number of boards and committees in both public and private sectors and has previously served on the Air Mauritius Limited and Air Mauritius Holding Limited from September 2005 to September 2006 when she also chaired the Audit Committee.

WOO SHING HAI Francois, GOSK



Mr. François Woo Shing Hai, GOSK was appointed to the Board of Air Mauritius Limited on 14 August, 2009 and is currently the Group Managing Director of Compagnie Mauricienne de Textile Ltée, industry leader in fashionwear manufacture.

NOORAULLY Foad - Company Secretary



Mr Foad Noorally is the Executive Vice President-Legal, Corporate Communications & Company Secretary. He was formerly the Company Secretary & General Counsel. He joined the company in April 2001. Barrister-at-law by profession, he is in charge

of the Legal Department, Corporate Communications and Company Secretariat.

Directors' Report And Business Review

CORPORATE GOVERNANCE

The Board is accountable to the Company's shareholders for good governance and is committed to ensure that the interests of all stakeholders are given due consideration.

In line with the Code of Corporate Governance for Mauritius issued by the National Committee on Corporate Governance under the Financial Reporting Act 2004 (the 'Code'), the Board of Directors has put in place various committees to assist in the execution of its responsibilities and to ensure compliance with the provisions set out in the Code.

Board of Directors

The Board is led by the Chairman while the executive management of the Company is led by the Chief Executive Officer Mr Andries Nathaniel Viljoen. The roles of the Board and Management are separate and recognized in terms of the Report on Corporate Governance for Mauritius. The role of the Board is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed.

There were 15 directors serving on the Board of Air Mauritius as at March 31, 2013. All were non-executive directors except for the Chief Executive Officer. The non-executive directors are drawn from a diversity of businesses and other backgrounds, so as to bring a broad range of views and experiences to Board deliberations. Although the Board is presently composed of one executive director, it is of the view that the spirit of the Code is being respected in view of the attendance and participation of Senior Executives at all board meetings and deliberations on matters such as strategy and investment.

The Board acknowledges that the current practice is for the controlling shareholder to propose members of the Board for election by shareholders at the Annual Meeting of the company. Two of these are independent directors as defined in the Report on Corporate Governance for Mauritius. In line with the Code, all directors stand for re-election on a yearly basis. Nominations to the various committees are also made on a yearly basis.

Specific responsibilities are assigned to sub-committees of the Board, namely, the Audit Committee, the Risk Management Steering Committee, the Corporate Governance Committee and the Senior Officers Remuneration and Selection Committee which act within the parameters of their clearly defined terms of reference. As and when necessary other committees may be set up by the Board on an ad-hoc basis to deal with specific issues of relevance to the Company.

Other Senior Executives of the Company are invited, when appropriate, to attend Board meetings and sub-committee meetings. Consultants are also invited to attend Board and sub-committee meetings as and when their expertise are required.

Role of the Board

The Board sets the Company's strategic targets, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board also sets the Company's values and standards and ensures that its obligations to its stakeholders are understood and met.

Board Meetings

The Board of the Company routinely meets at least six times a year and additionally when necessary to consider all matters relating to the overall control, business performance and strategy of the Company. The Board has defined specific terms of reference for its committees. A statement of the directors' responsibilities in respect of the financial statements is set out on page 91 and a statement on going concern is given on page 27. The Board met 10 times during the year under review.

Board Information

All directors receive regular information about the Company in order to enable them to play as full a part as possible in Board meetings. Papers for Board and Committee Meetings are distributed prior to the relevant meeting. All Board members have access to the Company Secretary for any further information they require. The appointment and removal of the Secretary is a matter for the Board as a whole. Independent professional advice is available to directors in appropriate circumstances, at the Company's expense.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

Board and Director Appraisal

For the year under review, no evaluation of the Board or its committees was carried out. However, this process will become a regular feature as from financial year 2013/14.

Dealings in Company Shares

No director dealt in Company shares during the year. Details of Directors' shareholding in the Company are given on page 43 of this Annual Report.

Board Members and Board Meetings

The following table shows the list of Board members and the number of Board and Committee meetings held during the year and the attendance of individual directors.

| | Status | Board | CGC | AC | RMSC | SORSC |
|--|--------|-------|-----|-----|------|-------|
| Chairman | | | | | | |
| Mr Rajkamal Taposeea (up to 26.07.12) | N | 3/4 | n/a | n/a | 1/1 | n/a |
| Mr Appalsamy Thomas, GOSK (as from 30.08.12) | N | 4/4 | n/a | n/a | 6/6 | 3/3 |
| Chief Executive Officer | | | | | | |
| Mr Andries Nathaniel Viljoen (CEO as from 30.08.12) | E | 10/10 | 2/3 | n/a | 6/7 | 3/3 |
| Directors | | | | | | |
| Mr Kremchand Beegoo | I | 9/10 | n/a | 7/8 | n/a | 3/3 |
| Mr Dheerendra Kumar Dabee, GOSK, SC | N | 9/10 | 2/3 | 8/8 | n/a | n/a |
| Mr Gerard Espitalier-Noël, CSK, CONM | N | 8/10 | n/a | 7/8 | n/a | 3/3 |
| Mr Philippe Espitalier-Noël | N | 7/10 | 2/2 | 6/8 | n/a | n/a |
| Mr Ramapatee Gujadhur, CSK | I | 10/10 | 1/3 | 8/8 | n/a | n/a |
| Mr Ali Mansoor | N | 6/10 | n/a | n/a | 4/6 | n/a |
| Mr Raj Ringadoo | N | 10/10 | 1/1 | 8/8 | n/a | 3/3 |
| Mr Suresh Seeballuck, GOSK | N | 6/10 | n/a | n/a | n/a | 2/3 |
| Mr Jean Michel Louis Rivalland (as from 26.07.12) | N | 6/6 | n/a | 4/5 | 5/6 | n/a |
| Mrs Aisha Timol, GOSK | N | 9/10 | 2/2 | n/a | 7/7 | n/a |
| Mr Francois Woo Shing Hai, GOSK | N | 5/10 | 1/3 | n/a | 0/7 | n/a |
| Mr Rohit Nandan | N | 0/10 | n/a | n/a | n/a | n/a |
| Mr Gyan Deepak Brara (Alternate Director to Mr Rohit Nandan)(as from 14.02.13) | N | 0/2 | n/a | n/a | n/a | n/a |
| Mr Timothy Taylor (up to 26.07.12) | N | 2/4 | 0/1 | n/a | 1/1 | n/a |
| Mr Dominique Patry | N | 3/10 | n/a | n/a | n/a | n/a |

Directors' remuneration

Board directors are paid monthly fees for their services to the Company. Directors, who are also directors within the Group, receive fees from these subsidiaries. Details of the Director's fees and other remuneration are contained on page 42 of the Annual Report.

Significant contracts

No contracts of significance or loans existed between the Company and its Directors during the year under review, with the exception of the service contract of the Executive Director which is summarized on page 42.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

E = Executive Director **Company Secretary:** Foad Nooraully
 I = Independent Director
 N = Non Executive Director **Auditors:** Ernst & Young
 n/a: Not a member

CGC Corporate Governance Committee
AC Audit Committee
RMSC Risk Management Steering Committee
SORSC Senior Officers Remuneration and Selection Committee

Attendance: Number of meetings attended/total eligible to attend

NOTES:

CORPORATE GOVERNANCE COMMITTEE

Mrs Aisha Timol, GOSK became a Member and Chairperson of Corporate Governance Committee as from 30 August 2012
 Mr Philippe Espitalier-Noël became a Member of Corporate Governance Committee as from 30 August 2012
 Mr Raj Ringadoo was no longer a Member of Corporate Governance Committee as from 30 August 2012
 Mr Timothy Taylor was no longer a Member of Corporate Governance Committee as from 26 July 2012

AUDIT COMMITTEE

Mr Jean Michel Louis Rivalland became a Member of the Audit Committee as from 30 August 2012

RMSC

Mr Appalsamy Thomas, GOSK became a Member and Chairman of the RMSC as from 30 August 2012
 Mr Jean Michel Louis Rivalland became a Member of the RMSC as from 30 August 2012
 Mr Ali Mansoor became a Member of the RMSC as from 30 August 2012
 Mr Timothy Taylor was no longer a Member of the RMSC as from 26 July 2012

SENIOR OFFICERS REMUNERATION COMMITTEE

Mr Appalsamy Thomas, GOSK became a member and Chairman of the SORSC as from 30 August 2012
 Mr Raj Ringadoo became a Member of SORSC as from 30 August 2012
 Mr Suresh Seeballuck, GOSK became a Member of SORSC as from 30 August 2012
 Mr Philippe Espitalier-Noël was no longer a Member of SORSC as from 30 August 2012
 Mrs Aisha Timol, GOSK was no longer a Member of SORSC as from 30 August 2012
 Mr Dheerendra Kumar Dabee, GOSK,SC was no longer a Member of SORSC as from 30 August 2012

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

Directorship of the Group

The table below shows the Board memberships across the Group.

| Name of Directors | Air Mauritius Holding Ltd | Air Mauritius Limited | MEDCOR Ltd | Pointe Coton Resort Hotel Co. Ltd | Airmate Ltd | Mauritius Helicopter Ltd |
|--|---------------------------|-----------------------|------------|-----------------------------------|-------------|--------------------------|
| Mr Rajkamal Taposeea (up to 26.07.12) | Chairman | Chairman | Chairman | Chairman | Chairman | |
| Mr Appalsamy Thomas, GOSK (as from 30.08.12) | Chairman | Chairman | Chairman | Chairman | Chairman | |
| Mr Andries Nathaniel Viljoen | | ✓ | ✓ | ✓ | ✓ | |
| Mr Kremchand Beegoo | | ✓ | | | | |
| Mr Dheerendra Kumar Dabee, GOSK, SC | ✓ | ✓ | | | | |
| Mr Gerard Espitalier-Noël, CSK, CONM | ✓ | ✓ | | | | |
| Mr Philippe Espitalier-Noël | ✓ | ✓ | | | | |
| Mr Ramapatee Gujadhur, CSK | | ✓ | ✓ | | | |
| Mr Ali Mansoor | ✓ | ✓ | | | | |
| Mr Raj Ringadoo | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Mr Suresh Seeballuck, GOSK | ✓ | ✓ | | | ✓ | ✓ |
| Mr Timothy Taylor (up to 26.07.12) | ✓ | ✓ | | | | |
| Mrs Aisha Timol, GOSK | ✓ | ✓ | | | | |
| Mr Francois Woo Shing Hai, GOSK | ✓ | ✓ | | | | |
| Mr Jean Michel Louis Rivalland (as from to 26.07.12) | ✓ | ✓ | | | | |
| Mr Rohit Nandan | ✓ | ✓ | | | | |
| Mr Gyan Deepak Brara (Alternate Director to Mr Rohit Nandan) | ✓ | ✓ | | | | |
| Mr Dominique Patry | ✓ | ✓ | | | | |

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

BOARD COMMITTEES

The Board has four specific sub Committees, which meet regularly under terms of reference set by the Board. Copies of these are also available on www.airmauritius.com. Each of the Committees has authority to take external advice as required.

| | |
|-------|--|
| AC | Audit Committee |
| RMSC | Risk Management Steering Committee |
| SORSC | Senior Officers Remuneration and Selection Committee |
| CGC | Corporate Governance Committee |

Report of the Audit Committee (AC)

Members: Raj Ringadoo (Chairperson), Dheerendra Kumar Dabee, GOSK, SC, Timothy Taylor (up to 26.07.12), Kremchand Beegoo, Ramapatee Gujadhur, CSK, Gerard Espitalier-Noël, CSK, CONM, Philippe Espitalier-Noël, Jean Michel Louis Rivalland (as from 30 Aug 2012)

Secretary: Foad Nooraully

In attendance: Andries Nathaniel Viljoen (CEO), Vijay Seetul, Dindoyal Sookun, Nazir Shah Kodaruth, Ernst & Young.

All members of the Audit Committee are non-executive directors. The Board considers that each member brings broad experience and professional knowledge of financial reporting to the Committee's deliberations. The Committee's main responsibilities include:

- To oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information;
- To review the effectiveness of the Company's internal financial control and risk management system;
- To review the effectiveness of the internal audit function;

- To review the effectiveness of the independent audit process including recommending the appointment and assessing the performance of the external auditor;
- To review the Company's process for monitoring compliance with laws and regulations affecting financial reporting, its Code of Business Practice and Ethics and its Fraud Prevention Policy;
- To review the appropriateness of the Group's accounting policies and considers changes to them; and
- To review the significant accounting judgments and monitor the integrity of the annual and interim financial statements. Ultimate responsibility for the approval of the annual and interim financial statements rests with the Board.

In appropriate circumstances the Committee may make recommendations to the Board, to be put to shareholders for approval at the annual meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors.

The Committee reviews the work undertaken by the external auditor and assesses annually its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole. The Committee monitors the auditor's compliance with relevant regulatory, ethical and professional standards. It also monitors the provision of any non-audit services as well as processes for the rotation of partners, in the audit process.

Items reviewed by the Audit Committee during the year include:

- Financial reporting:** The Committee reviewed the draft annual and interim reports before recommending their publication to the Board. The Committee discussed with Management and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

- b) **Internal controls:** The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls. During the year it considered reports from the VP-Internal Audit summarising the work planned and undertaken. The Committee looked at recommendations for improvements as well as actions taken by management as a result. The Committee also sought the views of the external auditors in making its assessment of the effectiveness of controls.
- c) **Internal audit:** The Committee evaluated the performance of internal audit from the quality of reports and recommendations from the VP-Internal Audit.
- d) **Audit Fees:** The Committee also recommend to the Board the fees to be paid to external auditors each year. Details of the fees paid to the external auditor during the financial year 2012/13 can be found on page 43.

Report of the Risk Management Steering Committee (RMSC)

Members: Rajkamal Taposeea (Chairman) (up to 26 Jul 12), Appalsamy Thomas, GOSK (Chairman) (as from 30 Aug 12), Andries Nathaniel Viljoen (CEO), Aisha Timol, GOSK, François Woo Shing Hai, GOSK, Timothy Taylor (up to 26 Jul 2012), Ali Mansoor (as from 30 Aug 2012), Jean Michel Louis Rivalland (as from 30 Aug 12).

Secretary: Foad Nooraully.

In Attendance: Vijay Seetul, Dindoyal Sookun, Jean Laval Ah Chip

The Committee's terms of reference include:

- Ensuring there is a system of risk assessment across the company on an on-going basis;
- Reviewing the effectiveness of the Company's risk management system including risk assessment reports;
- Assisting the Board to understand the total risks facing the Company;
- Approving risk mitigation actions for specific items of risk and identifying areas for system improvements and monitoring;
- Reviewing actions taken for specific critical transactions in accordance with the risk map for both financial and non financial risks on a continuing basis;
- Setting and approving changes to financial approval limits for hedge and treasury transactions; and
- Setting and approving risk parameters for the Company's budget each year.

Matters reviewed during the Year

- The Risk Management Steering Committee met seven times during the year and carried out the following tasks, in line with its terms of reference:
- Reviewed and approved a new risk management manual that sets out the risk management framework. The manual was subsequently approved by the Board of directors.
- Reviewed and approved risks limits and parameters, hedge mandate and any derogation from the risk manual as appropriate, whilst aligning to the business strategy and risk appetite.
- Reviewed and approved hedge performance for both jet fuel and currency and ensuring that these transactions remain within pre-approved risk framework.
- Ratified the decision to voluntarily comply with the requirements EU ETS (EU Emissions Trading scheme) directives following the "Stop the Clock" moratorium period of one year.
- Carried out an analysis of counterparty credit risks, reviewing and approving new counterparties that would otherwise deviate from prescribed internally set criteria.
- Reviewed and approved the budgeted financial parameters to be used as the basis for the financial year budget.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

Report of the Senior Officers Remuneration and Selection Committee (SORSC)

Members: Rajkamal Taposeea (Chairman)(up to 26 Jul 12), Appalsamy Thomas, GOSK (Chairman) (as from 30 Aug 12), Andries Nathaniel Viljoen (CEO), Philippe Espitalier-Noël (up to 30 Aug 12), Aisha Timol, GOSK (up to 30 Aug 12), Gerard Espitalier-Noël, CSK, CONM, Kremchand Beegoo, Dheerendra Kumar Dabee, GOSK, SC (up to 30 Aug 12), Raj Ringadoo (as from 30 Aug 12), Suresh Seeballuck, GOSK (as from 30 Aug 12).

Secretary: Foad Nooraully

In Attendance: Sarawon Puddoo

The Committee is responsible for approving all the policies governing the compensation paid to the Company's executive officers and senior management. The Committee also assists the board in the recruitment, evaluation, selection and approval of contracts of candidates for senior management positions and ensuring levels of remuneration are appropriate.

Report of the Corporate Governance Committee (CGC)

Members: Timothy Taylor (Chairman)(up to 26.07.12), Aisha Timol, GOSK (Chairperson), Andries Nathaniel Viljoen (CEO), Dheerendra Kumar Dabee, GOSK SC, (co-opted director), Ramapatee Gujadhur, CSK, Kremchand Beegoo (up to 30.08.12), Francois Woo Shing Hai, GOSK, Raj Ringadoo (up to 30.08.12), Philippe Espitalier-Noël (as from 30 Aug 2012)

Secretary: Foad Nooraully

The role of the Corporate Governance Committee is to ensure that Board structures as well as reporting requirements on corporate governance, whether in the Annual Report or on an ongoing basis are in accordance with the principles of good governance and the Code.

Upon recommendation of the Corporate Governance Committee, the Board has implemented three new measures to step up governance within the organization. Those measures are :-

- (i) A formal induction course has been devised for newly appointed directors;
- (ii) Directors will henceforth be informed at the beginning of each financial year of the applicable close periods where they are prohibited from dealing with the shares of the Company; and
- (iii) A yearly evaluation of the Board effectiveness.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

Leadership Team

The leadership team of Air Mauritius Limited comprises the Chief Executive Officer and the following senior executives.

Andries Nathaniel Viljoen

Is the Chief Executive Officer. He joined the company in April 2009 as the Chief Financial Officer and Chief Information Officer. Apart from his degrees in the commercial and financial fields, he is also a Chartered Accountant (SA). Mr Viljoen is a seasoned airline executive with more than 32 years airline leadership experience.

Indradev Buton

Is the Executive Vice President-Information Systems, Procurement & Facilities since September 2012. He was formerly the Executive Vice President-Strategic Planning. He joined Air Mauritius in July 1986.

Captain Pramil Banymandhub

Is the Executive Vice President-Flight Operations. He joined the Company in April 1979. He was formerly the Director Flight Operations responsible for managing the cockpit crew and also the delivery of flights to customers.

Donald Payen

Is the Executive Vice President-Customer Experience, Ground & In-flight Services since September 2012. He was formerly the Executive Vice President-Commercial & Communications and has also held various management positions from 1988 in Mauritius, Reunion, Singapore and France. He first joined the Company in June 1979.

Vijay Seetul

Is the Executive Vice President-Finance. As Chief Finance Officer, he also manages the finances of the company including Treasury, Risk Management and Insurance activities. He was formerly the Executive Vice President-Internal Audit. He joined the company in April 1989.

Foad Nooraully

Is the Executive Vice President-Legal, Corporate Communications & Company Secretary. He was formerly the Company Secretary & General Counsel. He joined the company in April 2001. Barrister-at-law by profession, he is in charge of the Legal Department, Corporate Communications and Company Secretariat.

Sarawon Puddoo

Is the Executive Vice President-HR & Organisation Development. He joined the Company on 01 June 2012. He has occupied various Senior Management positions over several years including being Group Head of Human Resources of Mauritius Telecom from 2001 to 2012.

Derek Shanks

Is the Executive Vice President-Commercial. He joined the company in April 2012. He has a wide experience in developing International Markets for Airlines, Cruise Companies and Hotel Groups. He also has an extensive background and knowledge of Distribution and International Sales and Marketing.

Ashok Keerodhur

Is the Vice President-Technical Services and joined the company in April 1989. He is an Aeronautical Engineer. He is in charge of the Technical Services Department, which provides maintenance & engineering services for the airline fleet and technical handling services to third parties.

Sudh Ramjutun

Is the Executive Vice President-Strategic Planning, Network, Fleet, Alliances & Cargo. He joined the company in May 1990 and prior to the above post, he was the Executive Vice President-Airports and Ground Operations. He is in charge of the following Departments: Planning, Alliances, International Alliances, Cargo and Helicopter.

Dindoyal Sookun

Is the Financial Controller responsible for financial reporting and control across the Group. He joined the company in August 1984. He also oversees the Management Accounting and Revenue Accounting functions.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

Chitranjan Ramdaursingh

Is the Vice President-Sales. He joined the company in December 1982. Previously he has held various positions in Finance and Internal Audit Department before moving to Commercial Department. He is now responsible for overseeing International Sales.

Insurance cover & indemnities

The Company has arranged appropriate insurance cover in respect of legal action against its directors and officers. The Company has granted rolling indemnities to the directors and the Secretary, uncapped in amount but subject to applicable law, in relation to certain losses and liabilities which they may incur in the course of acting as officers of companies within the Group. These indemnities also set out the terms on which the Company may, in its discretion, advance defense costs. A specimen indemnity is available for view on the Company's website, by clicking on the heading Corporate Governance.

Code of Ethics and business conduct

A Code of Ethics and Business Conduct was introduced in 2004 and forms the foundation for the conduct expected of every employee in the Company's business dealings. This document has been endorsed by the Board and applies to all employees of Air Mauritius worldwide whether already in employment or newly recruited. Whilst it is impossible to anticipate or provide for every situation that may arise, the Code is a brief statement of the standards of business conduct which should guide out everyday decisions.

This Code sets out the standards and guiding principles of conduct of Air Mauritius personnel in the discharge of their duties. It goes beyond the legal minimum and gives expression to Air Mauritius core values and its expectations as an employer. It deals with principles of integrity, diligence and responsibility. It helps staff comply with their duties, adhere to the best standards and avoid breaches of discipline as a result of ignorance, misunderstanding or wrong interpretation of their obligations.

Carbon Emission

In November 2008, the European Council of Ministers adopted legislation to add aviation to the EU Emissions

Trading Scheme as from January 1st 2012. This scheme is a cap-and-trade system for CO2 emissions to encourage industries to improve their CO2 efficiency.

Amidst escalating lobbies, protests from every corner and widespread controversies surrounding the inclusion of the aviation industry in the European Union's Emissions Trading Scheme (EU ETS), the EU announced, in November 2012, a "Stop the Clock" moratorium period of one year. This was effectively the suspension of the emissions scheme for Non-EU Airlines flying into and out of the European Union. The one-year breathing space was to allow the ICAO (International Civil Aviation Organisation) the time to work on a truly global solution to aviation carbon emissions.

Should no global agreement be reached following ICAO's general assembly in September/October 2013, the aviation industry will be reinstated in the EU ETS scheme as before. However internal EU flights continue to be included in EU ETS, regardless of whether the operating airline is from within or outside the European Union.

To ensure an orderly conclusion to the 2012 compliance year, Non-EU airlines were offered 2 options:

- a) Make use of the derogation but return back all previously granted free EU aviation allowances (EUAs) or
- b) Voluntarily comply.

Air Mauritius has voluntarily complied with the requirements of the EU ETS Directive. As a national carrier Air Mauritius takes its environmental responsibilities seriously and intends to continue to improve its environmental efficiency and to minimize emissions.

Health and safety status

In line with our commitment to protect and promote the health and safety of our valued employees at the workplace, Air Mauritius has continued to focus on embedding a safety culture across the organization with the main objective to control risks associated our range of activities so as to prevent people from being injured or contracting occupational diseases and also to minimize property damage that can impact on our business operations.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

During the financial year April 2012 to March 2013, the following health and safety performance had been achieved:

Health & Safety Policies

In compliance with OSHA 2005 and in line with the requirements of IOSA, the Health and Safety Policies were reviewed and updated to reflect the changes in the local legislations while risk assessments which are on-going activities have also been conducted.

Health & Safety Training

Health & Safety training continues to be delivered to employees to ensure that they can perform safely without risk of bodily injury or work-related illnesses. Several courses were delivered to our employees by the health and safety team members as well as by external agencies and the subjects covered the following: Health & Safety Induction, Working in Fuel Tank Confined Space, Fire Fighting Techniques, Fire Evacuation Procedures, manual Handling, Awareness on OHSAS 18001, Ramp Safety, Code of Practice for Electrical Installation.

Health Promotion & Wellbeing

In our endeavour to ensure that our employees are medically fit and are not being subject to adverse health impact on their health due to their working environment, our flight and cabin crew have undergone their mandatory medical fitness assessment while staff including those from Rodrigues exposed to noise have been subject to audiometric assessment and employees handling substances hazardous to health have undergone spirometry and blood lead tests respectively. On the other hand, a large number of employees have participated in our Non-Communicable Diseases medical screening held in our offices at the Airport, Head Office and Ebene.

Emergency Preparedness

In order to ensure life protection and minimise property loss in case of the most pronounced emergency situation, that is, fire outbreak, sensitization program were conducted for all Air Mauritius employees on the fire evacuation procedures which had been updated and fire drills were organized for all Air Mauritius

buildings to familiarize our building occupants with all fire protection facilities and arrangements in place. On the other hand, Air Mauritius participated massively in the fireball exercise which was organized by Airports of Mauritius Co. Ltd.

Environmental Protection

Air Mauritius subscribes to environmental protection through sound and safe management of its hazardous wastes generated mostly in the Hangars at Technical Services. The Company continues to effect environmental protection actions with the disposal of nickel cadmium batteries through an approved local recycling agent, used oils and petrol are taken by a local recycling agent while batteries and used tyres are taken care by approved recycling agents.

Accident and Incident Reporting

There has been no reportable accident or incident at work during the period April 2012-March 2013 under the Occupational Safety and Health Act.

Future Projects

- Developing a disaster management and business continuity plan to cope with situations as flooding, spread of communicable diseases, tsunami, chemical spillage, bomb threats, release of radioactive substances, violence at work, fire and explosion
- Developing and implementing OHSAS 18001 for In-Flight Warehouse and Cargo Warehouse
- Embarking on a companywide health and safety sensitization programme to propagate and drive a pro-active safety culture
- Creation of an E-Learning health and safety portal

Shareholder Agreement

The Company is not a party to any shareholders' agreement and, to the best of its knowledge, there is no such agreement between its direct shareholders.

Holding structure

The holding structure of the company is set out on page 162 of the Annual Report.

Directors' Report And Business Review

CORPORATE GOVERNANCE (Cont'd)

Substantial shareholders

At 31 March 2013, the following shareholders held more than 5% of the ordinary share capital (directly or indirectly) of the Company.

| Shareholder | Direct | Indirect | Effective |
|----------------------------------|--------|----------|-----------|
| | % | % | % |
| Air Mauritius Holding Ltd | 51.00 | - | 51.00 |
| Government of Mauritius | 8.37 | 36.05 | 44.42 |
| State Investment Corporation Ltd | 4.54 | 9.19 | 13.73 |
| Rogers and Company Ltd | 4.28 | 9.24 | 13.52 |
| Compagnie Nationale Air France | 2.78 | 5.72 | 8.50 |
| Air India | 2.56 | 4.50 | 7.06 |

Communication with Shareholders

The Company maintains regular contact with its larger institutional shareholders through its meetings with the Chairman, the Chief Executive Officer and the Chief Finance Officer and Chief Information Officer. In addition, regularly stockbroker and investor events are held to inform the public on the performance of the Company. The Board also receives regular feedback on investors' views. Copies of any news releases and presentations to investors are made available to the public through the Company's website, www.airmauritius.com.

The Annual Meeting of each year gives a reasonable opportunity for the Board to discuss all matters relating to the Company and its performance with shareholders. At these meetings, issues related to corporate governance, Company operations and Group performance are raised by the shareholders and responded to by the Directors. In addition, the Chief

Executive's address at the Annual Meeting responds to any issues raised by shareholders in writing, in advance of the meeting. Shareholders also express their views freely by voting for resolutions at the Annual Meeting.

Donations

As in previous years, the Group and Company did not make any donations to political parties. The company continued to provide support in the form of rebated tickets and promotions to social organizations. No donation in cash was made by Air Mauritius Limited during the financial year under review.

Going concern

After making enquiries, the directors consider that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts for the year ended 31 March 2013.

Directors' Report And Business Review

Directorship In Other Listed Companies

| Name of Directors | Directorship in other listed companies |
|-------------------------------------|---|
| Mr Philippe Espitalier-Noël | Ascencia Limited Rogers and Company Limited Espitalier Noël Limited Swan Insurance Company Limited The Anglo Mauritius Assurance Society Limited |
| Mr Raj Ringadoo | National Investment Trust Ltd Sun Resorts Ltd (Alternate Director) |
| Mr Jean Michel Louis Rivalland | Belle Mare Holding Limited ENL Commercial Limited ENL Land Limited Ireland Blyth Limited New Mauritius Hotels Limited Swan Insurance Company Limited The Mauritius Development Investment Trust Company Limited |
| Mr Dheerendra Kumar Dabee, GOSK, SC | State Bank of Mauritius Limited |

Receipts and Returns to Shareholders

Dividend Policy

The Company has a policy of paying 30% of profits each year as dividend, subject to the solvency test. In determining the level of dividend, consideration is given to the Company's future funding requirements. The directors recommended not to declare any dividend for the year ended 31 March 2013 on account of the loss posted by the Group.

Shares and Shareholders

The authorised share capital of the Company is MUR 2,000,000,000 (Euro 81,566,000) divided into 200,000,000 ordinary shares of MUR 10 each. The number of ordinary shares issued and fully paid

in Air Mauritius Limited as at 31 March 2013 was 102,305,000 shares (Euro 41,724,000), the same as in the previous financial year. In accordance with the Company's constitution, all ordinary shares have equal rights to dividends and capital and each share carries one voting right.

Capital Structure Shareholder Rights

Air Mauritius Holding Limited whose registered office is Air Mauritius Centre, President John Kennedy Street, Port Louis is the holding Company of Air Mauritius Limited. The ultimate controlling entity is the Government of Mauritius. At 31 March 2013, the shareholding of Air Mauritius Limited was as follows.

Directors' Report And Business Review

Receipts and Returns to Shareholders (Cont'd)

Shareholding of Air Mauritius Ltd at 31 March 2013

| Ordinary Shareholders | Number of Shares (of Mur 10.00 each) | % Voting rights |
|--------------------------------------|---|-----------------|
| Air Mauritius Holding Limited | 52,175,550 | 51.0% |
| The Government of Mauritius | 8,564,658 | 8.4% |
| The State Investment Corporation Ltd | 4,646,265 | 4.5% |
| Rogers and Company Limited | 4,379,344 | 4.3% |
| Compagnie Nationale Air France | 2,841,986 | 2.8% |
| Air India | 2,617,098 | 2.6% |
| National Pension Fund | 2,078,508 | 2.0% |
| Other Investors | 25,001,591 | 24.4% |
| Total | 102,305,000 | 100.0% |

The shareholders' analysis at 31 March 2013 was as follows:

| Range of Shares | No. of shareholders | No. of voting rights | % of share capital | % of all shareholders |
|---------------------|---------------------|----------------------|--------------------|-----------------------|
| 1 - 1,000 | 10,736 | 4,131,366 | 4.0 | 85.7 |
| 1,001 - 5,000 | 1,200 | 2,623,615 | 2.6 | 9.6 |
| 5,001 - 10,000 | 260 | 1,899,326 | 1.9 | 2.1 |
| 10,001 - 25,000 | 186 | 2,922,351 | 2.9 | 1.5 |
| 25,001 - 50,000 | 65 | 2,375,805 | 2.3 | 0.5 |
| 50,001 - 100,000 | 40 | 2,992,535 | 2.9 | 0.3 |
| 100,001 - 1,000,000 | 30 | 6,579,564 | 6.4 | 0.2 |
| Over 1,000,000 | 8 | 78,780,438 | 77.0 | 0.1 |
| Total | 12,525 | 102,305,000 | 100.0 | 100.0 |

Directors' Report And Business Review

Major clauses in the Memorandum and Articles of Association of Air Mauritius Limited

In order to protect the operating rights of the Company under the air services agreements, the number of ordinary shares held by non-Mauritian nationals is monitored by the Directors. Presently, there are no large interests of single or associated non-Mauritian nationals in the shareholding of the Company.

Issue of Shares

Subject to the provisions of the Companies Act 2001 and, without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued either at par or at a premium or (subject to Section 54 of the Act) at a discount or by way of bonus and may, in accordance with any applicable enactment or rule of law, issue shares of no par value, and any shares issued by the Company may be issued with such preferred, deferred, other special rights or restrictions, whether in regard to dividend, voting, return of capital, or otherwise, on such terms and conditions and at such times and in such manner as the Company may by Ordinary Resolution determine.

Transfer of Shares

Any member may transfer all or any of his shares by instrument in writing provided that in the case of any shares of the Company which are traded on the Mauritius Stock Exchange the transfer may be in such form as is permitted by the Mauritius Stock Exchange.

Every instrument of transfer of shares shall be accompanied by a declaration signed on behalf of the transferee in a form determined by the Board stating whether or not the transferee is on registration a Mauritian national and whether any person other than a Mauritian national will hold or have any interest in the shares referred to in the instrument of transfer.

Directors

The number of Directors shall not be less than nine (9) Members or more than Fifteen (15) Members. Not less than Two Thirds of the Directors of the Company shall be Mauritian citizens.

Qualification of Directors

No Director shall be required to hold shares in the Company to qualify him for appointment.

Appointment of Directors

The Directors of the Company shall be appointed by the Company in General Meetings.

Related Party Transactions

Related Party Transactions are performed at arms length and these are disclosed in Note 31 of this Annual Report.

Transactions with shareholders

Air France

Air France has a 8.5% effective shareholding in Air Mauritius Limited. During the year, Air France has traded with Air Mauritius and details of the value of these transactions are as follows:

| | 2013 | 2012 |
|-------------------------------|--------|--------|
| | €'000 | €'000 |
| Expenses | 29,209 | 20,062 |
| Income | 616 | 781 |
| Amount payable at 31 March | 4,878 | 7,190 |
| Amount receivable at 31 March | 111 | 167 |

Shareholders' Information

Information relating to share price information, reporting dates, dividend declaration and payment dates and meetings of shareholders are shown on page 166.

Directors' Report And Business Review

Sustainability Report

In 45 years of existence, Air Mauritius has consistently played its role as the national airline bridging Mauritius to the world and has remained an economically sustainable company despite the huge challenges that the airline industry has had to face during the past decade.

Balancing its economic activities with the social and environmental upliftment of the community in which it operates is an integral part of the way Air Mauritius conducts its business. As a responsible corporate citizen and a national airline, Air Mauritius has not only been a driving force of the economy, but is also actively involved in the Mauritian society, supporting various aspects of its activities as well as the environment.

Economic sustainability

Connectivity

Connectivity is vital to the island and aviation is the only rapid means of connecting it to people, societies, cultures, businesses, and markets around the world enabling economic activity, trade, tourism as well as global social interaction. Air Mauritius has therefore become a driving force of the Mauritian economy, particularly that of its tourism sector.

Air Access and connectivity is regulated by Bilateral Air Service Agreements that Mauritius has with 35 countries. Under these agreements, airlines from those countries can operate around 22,000 flights a year to the island. Out of these, more than 15,000 slots are not used. Many foreign airline companies do not find it commercially viable to operate to and from Mauritius but Air Mauritius has continuously developed new routes and opening gateways for tourism and economic activities in various regions of the world. Mauritius is thus, connected to 4 continents and 13 countries. Of the 2.5 million passengers travelling to and from Mauritius annually, 1.3 million (that is slightly more than half) choose to travel by Air Mauritius.

A key component of the tourist industry

More than half of tourists travelling to Mauritius do so on Air Mauritius which many consider an integral part of the Mauritius destination. The company is reckoned as one of the driving forces of tourism – an industry that generated 44 billion rupees of income last year contributing 12.6% to the national GDP. Travel and tourism directly supports 67,000 jobs and more than 150,000 indirect jobs representing 27% of total employment.

Air Mauritius additionally plays an important role supporting the country's tourist strategy. It promotes destinations with special offers on several routes and relentlessly supports trade partners to attend fairs overseas while promoting destination Mauritius.

An operating model supporting national strategy

Since the beginning of 2012 the company initiated an overhaul of its operating model to adapt to new market conditions. It suspended loss making routes and concentrated the network around hubs in Johannesburg, Nairobi, Kuala Lumpur, Paris and Perth. New routes have been developed in China with the introduction of direct flights to Shanghai and planning for Beijing in a general effort to rebalance growth to emerging markets.

The effect of these measures have been felt at national level as the rapid growth in tourist arrivals from emerging markets have compensated for the slump in the country's main tourist market Europe, affected by deteriorating economic conditions.

Job creation

Air Mauritius is an equal opportunities employer providing more than 3,000 jobs most of which for Mauritians. Conditions of employment are in line with the best standards in Mauritius with rewarding jobs, pension schemes while catering for employees' health and welfare.

The company supports many indirect jobs as it procures products and services from more than 200 Mauritian suppliers for fuel, catering food, marketing collaterals, laundry services, professional services, hotel rooms, transport services among others generating a substantial amount of economic activities.

Directors' Report And Business Review

Sustainability Report (Cont'd)

Cargo

The rapid development of its fleet and growth in cargo capacity has been a key factor in the growth of the export activity. During the financial year under review Air Mauritius carried 30,500 tons of cargo to and from Mauritius.

Territorial continuity with Rodrigues

Over the past 40 Years, Air Mauritius has been a significant partner of the economic development of Rodrigues connecting it to mainland Mauritius and through it, to the rest of the world. Since August 2009 a special discount is offered to residents of Mauritius visiting the island which saw an average annual growth rate of 5 to 6 % in tourist arrivals to the island.

Air Mauritius also actively participates in the promotion of Rodrigues as a tourist destination. It offers discounted tickets to participants in regional and international tourism fairs and also supports educational and press trips to the island.

Residents of Rodrigues travelling beyond Mauritius benefit from a reduced combined air fare. Full assistance is given for medical emergencies as well as for the transportation of medical items to and from Mauritius. Air Mauritius also supports travel to and from Rodrigues for sports, cultural events and also for small and medium enterprises.

Environmental sustainability

Collaboration with the Mauritius Wildlife Foundation

Mauritius has a unique biodiversity comprising of some of the world rarest species of birds, plants and reptiles that has been seriously compromised after 400 years of deforestation. Under a memorandum of understanding signed with the Mauritius Wildlife Foundation (MWF) Air Mauritius has committed to join forces with them on conservation projects.

Under the 'One take-off one tree' programme, Air Mauritius supports the planting of a tree for every take-off. Over 6,000 endemic plants are cultivated in MWF nurseries and planted all over the Mauritian territory including Rodrigues, corresponding to the number of Air Mauritius take-offs each year.

Air Mauritius also supports the MWF endemic species conservation programme particularly that of the Rodrigues Warbler, the Rodrigues Fody and the Red-tailed tropic bird (Paille en queue - that inspired the Air Mauritius logo).

Air Mauritius is aligned to IATA's environment objectives

Climate change is at the top of the world political and economic agenda. Carbon emissions, up to now, an unavoidable by-product of modern industrial and economic activities is a major contributor to the greenhouse effect leading to global warming. Aircraft burn fuel and release CO₂, the main greenhouse gas emission. Aircraft operation worldwide is responsible for 2% of global carbon emissions. The airline industry has been fast to react to such pollution:-

IATA (organisation grouping 230 airlines carrying 93% of world air traffic) took the commitment to cap their carbon emissions with the following objectives:

- 1.5% average annual improvement in fuel efficiency from 2009 to 2020
- Carbon-neutral growth from 2020
- 50% absolute reduction in carbon emissions by 2050.

IATA's programme is based on the following 4 pillars:

- Investment in new technology
- Fly planes effectively
- Build and operate efficient infrastructure
- Use positive economic measures

Air Mauritius is fully committed to this programme and has additionally set up a dedicated fuel management section. This section is working in close collaboration with Airbus technicians and other international experts to explore all avenues for the conservation of fuel and reduction of its carbon footprint.

Social sustainability

As a responsible corporate citizen, Air Mauritius participates in the social life of the country and its fellow citizens, supporting them in various aspects of their lives.

Directors' Report And Business Review

Sustainability Report (Cont'd)

Mauritius is a geographically isolated island and travelling abroad is often a matter of necessity. So that remoteness does not become an obstacle, Air Mauritius assists Mauritians in a number of fields:-

- **Health** – The Company offers discounted fares for Mauritians travelling abroad for medical treatment not available in Mauritius as well as for two escorts to accompany them.
- **Education** – Many young Mauritians travel abroad for further education. They often have special needs. Many are accompanied by their parents and most of them carry excess luggage as they stay away from the country for a long time. Air Mauritius allows them a defined amount of excess luggage free of charge and special discounted student fares. Accompanying parents also benefit from special fares to attend graduation ceremonies.
- **Sports** – Air Mauritius plays a major role in the projection of local sports talents on the international scene. Athletes travel abroad to attend training sessions and to participate in international competitions. The company offers special rebated tickets to them.
- **Arts and culture** – World renowned artists occasionally visit Mauritius to give performances. The company sponsors cultural activities within defined parameters. The company also provides opportunities to local artists to showcase their talents on the international scene.
- **Amédée Maingard Foundation** – Through the Amédée Maingard Foundation Air Mauritius supports high potential Mauritian students, usually first ranking students in Tourism and Hospitality Management at the University of Mauritius, the University of Technology and the Hotel School of Mauritius. The foundation pays for their course fees and grants them a monthly stipend during the entire duration of their Degree or Diploma Programmes.

Sponsorships

Air Mauritius sponsors a number of events in Mauritius and in other markets where it operates. These events cover a wide range of activities including golf, marathon, racing, deep sea fishing and cycle race.

The promotion of golf is a component of the government's strategy aiming to position the country as a leading golf destination for the region. In line with this strategy, Mauritius prides itself to possess some world class golf courses. Air Mauritius participates in the organisation of the golfing season together with the golf resorts and the Mauritius Tourism Promotion Authority. Every year in December, the presence of hundreds of leading golf personalities, golf enthusiasts and the international media enhances the visibility of Mauritius on the international scene as these events are reported on channels of Canal+ and DSTV.

Air Mauritius also sponsors the Marlin World Cup and the South Indian Ocean Billfish Competition (SIOBC) annually. These competitions are leading big game fishing events attracting international coverage on global television channels and specialised publications.

A number of sporting events are organised annually to promote eco-tourism and the environment. Air Mauritius partners these events that are gaining popularity as witnessed by the number of participants growing rapidly every year. This year the Royal Raid (a long distance nature trail) attracted about 600 participants from around the world and organisers are expecting the same number of participants for the Dodo Trail.

The company also supports a number of horse riding events including the Air Mauritius show jumping and the International Jockeys' week-end that host the world's leading horserace jockeys from different countries.

Additionally, Air Mauritius supports a number of events in its various international markets that not only contributes to the promotion of the airline, but also of the destination as a whole. These can range from sailing events in Australia, social events for the Mauritian diaspora, to horse racing at Longchamps France. Last year Air Mauritius had the unique opportunity to be the official partner of Miss France 2012. The photo-shoot for all the candidates was held in Mauritius with the support of Air Mauritius. The country gained prime time visibility to millions of French viewers as the event was broadcast live on French national television, TF1, and relayed by several international channels.



Welcome to Intel



Generating economic activity

More than half of tourists travelling to Mauritius do so on Air Mauritius which many consider an integral part of the 'Mauritius Destination'.

The company generates a substantial amount of economic activity creating indirect jobs as it procures products and services from more than 200 Mauritian suppliers for fuel, catering food, marketing collaterals, laundry services, professional services, hotel rooms and transport services among others.

Directors' Report And Business Review

Enterprise Risk Management

An underlying premise of Enterprise Risk Management exists in the Company to provide value for its stakeholders as the Company faces uncertainty. The challenge for Management is to determine how much uncertainty to accept as it strives to grow shareholder value.

The Company's management structures are designed to ensure enterprise-wide risks are properly identified, analysed, mitigated and managed. The ultimate responsibility for effective management of risks lies with the Company's Board of Directors with overall management of risks delegated to the Risk Management Steering Committee (RMSC).

The Board sets strategies for the identification, analysis and management of the enterprise-wide risks for the company on an on-going basis. The objective of the process is to ensure that the right balance exists between risks taken and rewards earned and that this equation is well understood throughout the organisation. The RMSC is responsible for reviewing policies, defining risk tolerance and approving procedures and objectives. RMSC meets on a regular basis to set risk management policies and procedures, review, assess and ratify risk management activities. The Company has a Risk Management manual which provides guidelines for the establishment and implementation of the ERM process.

The basic principles of risk management followed by the company include:

- **Responsibility:** recognition that the Company's activities entail business risk and risk management's is everyone's responsibility.

- **Accountability:** ensuring risks are taken within a framework of agreed authority limits and that there is an appropriate system of evaluating, controlling and reporting on risks in a disciplined manner.
- **Risk and Return:** ensuring risk taken is commensurate with the Company's Strategy and within clearly defined risks appetite.
- **Awareness and anticipation:** Creating an atmosphere of continuous learning and awareness of risks that impact the business. Encouraging anticipation of future risks by all sections through periodic reviews and reporting systems.

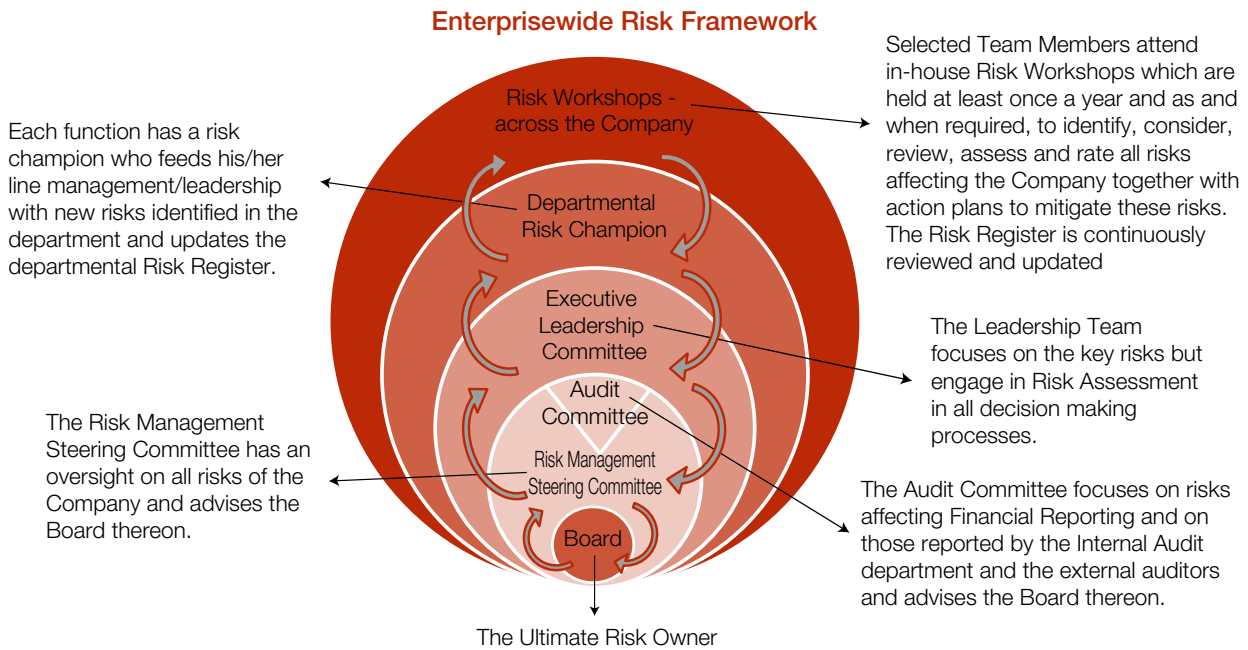
Risk Management Methodology

Air Mauritius has adopted a more holistic and forward-looking approach for the implementation of Risk Management throughout the Company. The risk matrix for both financial and non-financial risks is reviewed annually and this structured approach ensures that the full spectrum of risk - strategic, operational, financial and regulatory - is identified, evaluated, managed and monitored. A bottom up approach is adopted for the review exercise, whereby all risks that may cause a failure to achieve corporate objectives are identified and evaluated at departmental level.

The accountable managers of the department are responsible for risk management and continuity at departmental level, under a clear and predefined delegated authority. Risks identified at departmental level are recorded in a Risk register together with their action plans. Critical risks are noted and reported to the Risk Management Steering Committee and the Board.

Directors' Report And Business Review

Enterprise Risk Management (Cont'd)



Major Risk Areas

There are many risks an airline faces constantly; the inherent operational complexities together with the highly regulated and commercially competitive aviation environment force a number of risks to the Company. Many of these risks remain outside of the Company's control and are only mitigated to a certain extent.

By nature, the aviation industry is a highly specialized and regulated one, requiring adherence to specific rules and regulations in the conduct of airline business and other civil aviation activities. The scope of such regulation covers airport infrastructure issues, slots and capacity management, route flying rights, consumer rights and denied boarding, flight cancellation and delays, environmental requirements, security, etc. The Company's ability to both comply with and influence any changes in these regulations is key to maintaining its operational and financial performance.

The major risks categories identified during the Risk Management exercise are categorised below:-

A. Operational Risks:-

The Company is exposed to various risks associated with its business functions.

1. Fall in demand

Failing economies, mostly in Europe have contributed to a sluggish airline environment. The global economic crisis has gathered momentum and is now affecting all countries with impact on consumer behaviour. The year 2012 has seen the demise of many airlines and many are just about surviving around the world. The Company remained focused and implemented measures that were crucial to ensure recovery and thereafter long term sustainability of our airline. Designed to bring recovery in the short term and give resilience to our business model to face the increasingly challenging environment, the company started implementing a 7 Step Plan with proactive measures focused on improving the Company's margin and profitability and prepare the Company for the post economic crisis.

Directors' Report And Business Review

Enterprise Risk Management (Cont'd)

2. Competition

Competition is becoming fiercer in Mauritius with airlines bidding for broader air access and increased frequencies. The aviation markets continue to be liberalised and competitors aim at maintain lower cost structures and other competitive advantages. The downward pressure on yield persists as the Company tries to stimulate demand. The Company has taken robust and proactive measures in order to make its turnaround sustainable in the longer term. Management has responded to this risk by implementing a number of initiatives; the new business model and the 7 Step Plan, with the objectives of repositioning the company and equally responding to competition in order to maintain passenger traffic.

3. Disruptions in Operations

i. The modern working environment relies heavily on technology and e-commerce to deliver key functions. The impact of unavailability and breakdown of IT services hosting critical applications for e.g. E-mail services, Enterprise Resource Planning, Maintenance Software (Maintenix), Seat inventory is immediate and potentially devastating to the business. The company mitigates these risks in the following ways:

- Having off-site back-up systems, replication of servers between airport and head office and alternate disaster recovery sites
- Ensuring maintenance and regular checks.
- The introduction of new servers with higher performance and redundancy to host new/ upgraded systems.
- Revamping of the computer room at Ebene with more redundancy, resilience and scalability.
- Having simulations of redundant and fail-over systems, rehearsal of reinstallations and restorations from back-up tapes, testing of disaster recovery site.
- Computer security standards, including on-going back-up structures, have been developed in house and by third parties to ensure that IT and other systems are reliable and well protected against threats of hackers and viruses.

ii. An aircraft crash may cause major disruptions to the operations. The Company ensures that its Emergency Procedures manual is regularly reviewed and updated with the support of consultants, to meet and align with best practice standards. At regular intervals, classroom training on emergency procedures are undertaken and crisis simulations are regularly carried out to familiarise staff with those procedures and ensure that everyone is clear about his role in emergency situations and remain in a state of preparedness at all time.

iii. The Company has a large unionised workforce comprising of eight unions. Collective bargaining takes place on a regular basis and a breakdown in the bargaining process could disrupt operations and adversely affect business performance. Management recognizes that providing and maintaining an unflinching, trustworthy, healthy, safe and secure working environment is of paramount importance to the organisation and encourages effective communication with the Unions to maintain a healthy industrial relations climate.

4. Safety and Security

The Company considers flight safety and security as part of its overall risk management activities. It acknowledges the duty of care it owes to its shareholders & stakeholders and is committed to establishing and sustaining a culture of safety and security within the organisation.

Failure to prevent a major security or safety incident would harm both the Company's operations and financial performance. Our business depends on the absolute assurance of safe and secure operations, both in the air and on the ground. The Company has in place proper flight safety and security policy that ensures that necessary priority is given to this objective in furtherance to the safety of all passengers and staff alike.

Directors' Report And Business Review

Enterprise Risk Management (Cont'd)

5. Fleet and Network

The Company operates a number of aircraft based on a certain number of economic assumptions. When economic cycles change, it is very difficult for the company at short notice to readjust the fleet size accordingly. The Company addresses this issue by:

- Having a mix of new and old aircraft in its fleet so that unencumbered aircraft can be leased out or disposed of at short notice
- Financing its aircraft on both financing and operating leases to increase flexibility.
- Planning for next generation, more fuel efficient aircraft as enunciated in its 7 Step Plan.

6. Fraud

The Company has in place an efficient system of controls corporate-wise which is subject to regular internal and external audits thereby mitigating the risk of fraud. The internal audit department reports risk issues identified directly to the audit committee together with the actions recommended and taken to remedy the weaknesses.

The Fraud Prevention Policy outlines procedures for prevention, detection and investigation of suspected frauds and irregularities. Staff and other stakeholders acknowledge the need to act with integrity and report all suspicious transactions to relevant authorities in accordance with Code of Business Practice and Ethics, company procedures and the requirements of the law. The Code, which is applicable to all Directors and staff, is one of the key pillars implementation of high standards in corporate governance throughout the Group.

B. Reputation

The Company recognizes reputation as an on-going risk that can adversely or beneficially impact the organization's reputation and the very survival of its business depends on continued credibility and trust. It believes that its reputation and brand is of significant commercial value and work constantly to improve its image with all stakeholders, maintaining their trust and confidence.

The Company also acknowledges that reputational risks may occur as a direct result of people failing to communicate properly. It demonstrates the importance

that it places on communication with its internal and external stakeholders by bringing under one roof all the communications functions including management of the corporate identity and brand, corporate affairs, events management, corporate social responsibility and employee and investor communications. It focuses on further improving governance issues and ensures consistency in its relationship with local and international institutions, shareholders and other investors, the media and the general public. Its communications systems and public relations machinery are well tried and tested so that both staff and general public are well informed about the Company's activities and performances.

C. Business Continuity

A range of events can severely disrupt organisations and bring it to a standstill. The Company has considered all foreseeable scenarios and has identified the action it needs to take to respond to a crisis into a formalized Business Continuity Plan (BCP) for different categories of risk.

The BCP programme includes backup procedures, standby facilities as well as emergency procedures. It forms an integral part of the management of enterprise wide risks covering ground operations, aircraft operations, information technology security and safety. IT also ensures that the Company works effectively through the BCP in an effort to regain and grow its market position as speedily as possible.

D. Legal And Regulatory Risks

The Company's business and reputation may be harmed if it fails to comply with the applicable new or changed laws and regulation or governance standards or changes in interpretation of laws and regulations. It also has to manage the risk of loss that may be caused by an erroneous transaction, a claim resulting in liability for the company or a failure to adequately protect assets owned by the company,

The Company actively monitors these risks through its Legal Section who ensures that all contracts are properly vetted and that legal risks pertaining to these agreements are adequately understood properly identified and integrated into strategic decisions

Directors' Report And Business Review

Enterprise Risk Management (Cont'd)

E. FINANCIAL RISKS

Air Mauritius is exposed to market risks relating to fluctuations in jet fuel prices, interest rates and foreign currency exchange rates. The objective of the financial risk management at Air Mauritius is to minimise the negative impact of these market fluctuations in the company's earnings, cash flows and equity.

The Board of Directors sets the Treasury policies and objectives of the company, and lays down the parameters within which the various aspects of Treasury risk management are operated. The Board through its Risk Management Steering Committee (RMSC) has approved a Risk Management Manual, which outlines company policies and procedures for managing corporate and asset financing, interest rate risk, jet fuel price risk, foreign exchange risk and cash and liquidity risk.

In carrying out its hedging activities, Air Mauritius is guided by the provisions of its Risk Management Manual. The manual requires that the company be hedged against variations in jet fuel prices and exchange rates. For both jet fuel and foreign exchange, the maximum hedging tenor is two years with minimum and maximum hedge ratios of 30% and 70% respectively.

i. Foreign Exchange

The currency pair to which the company is most exposed is the EUR/USD. The revenue stream of the company is principally in Euro. On the other hand, the company pays a significant proportion of its expenses in US dollars, a currency in which it earns a very small proportion of its revenues. Consequently, the depreciation of the Euro relative the US dollar represents an exposure which the company needs to manage.

During the financial year 2012/13, the Euro/Dollar (EUR-USD) traded within a wide range – from a low of \$1.2053 /€ to a high of \$1.3640/€. The European single currency remained under heavy pressures amidst the worsening debt crisis. Credit ratings downgrades were common occurrence in both core and peripheral Europe.

Mounting optimism that Europe was slowly recovering from its debt turmoil propelled the single currency to a 14 month peak at the beginning of February 2013. This was short-lived as renewed worries about the euro bloc, political uncertainty in Spain and Italy and growing unease among European leaders about the recent gains in the euro triggered a downward correction. Indications that the US economy is improving highly benefitted the dollar during the month of March 2013. Adding to this bullish sentiment was the demand for safe haven assets as the euro zone debt crisis was back in the limelight with Cyprus struggling for a bailout.

ii. Jet Fuel Price Risk

Jet fuel is one of the principal variable cost components for Air Mauritius. The price of jet fuel is indexed according to international commodity prices and accordingly Air Mauritius profitability is exposed to commodity price risk. The risk associated to fluctuations in the price of jet fuel is managed by various hedging techniques as well as the use of fuel surcharge, whereby some of the cost is shared by the customer. Air Mauritius selects Brent crude as a proxy for monitoring and hedging fluctuations in the price of jet fuel. During financial year 2012/13, Brent prices traded in the \$89 - \$126 range.

In the second quarter of calendar year 2012, oil dropped to \$89/barrel on a weakening European economy and major supply and inventories increased. Oil surged in the second half of 2012 as the European Union embargo on Iranian oil took full effect on July 1st, fuelling concerns about supply disruptions. Rising speculation that central banks from Europe to China will ease monetary policies to spur growth, steep drop in US oil stockpiles and supply worries stemming from the North Sea maintenance as well as mounting tensions in the Middle East provided additional support to oil prices. In February 2013, oil settled higher with the prospect of economic growth appearing bright on the upbeat macroeconomic data in the US and China, dispelling fears of any easing in demand for oil. The largest economy in Europe, Germany, also gathered strength as factory orders grew more than expected, reflecting robust orders from euro zone economies. Further treats of supply disruptions and hence support to prices came from geopolitical tensions in the Middle East. Towards the end of financial year 2012/13, oil fell as the threat of a financial crisis in Cyprus soured investor sentiment towards risk.

Directors' Report And Business Review

Enterprise Risk Management (Cont'd)

iii. Credit risk

The transactions completed by Air Mauritius in the course of its financial risk management strategy may give rise to credit exposure to the Company's counterparties. There is a credit policy in place and credit risk exposure is monitored on an ongoing basis.

Trade debtors are passenger and cargo sales due from agents and airlines for interline services provided. The majority of the agents are connected to the settlement system operated by IATA and in most cases amounts due from airlines are settled on a net basis via the IATA clearing house. Therefore, the credit risk on trade debtors is fairly minimal.

The Risk Management Manual requires that the company deals with only approved financial institutions. Overall exposure to each approved financial institution is well defined. The company has in place wherever possible ISDA (International Swap Derivatives Association) agreements with financial institutions with whom it carries out hedging activities. These afore-mentioned measures ensure that credit risks are minimized.

iv. Interest rate risk

Air Mauritius earnings are also affected by changes in interest rates due to the impact of such changes on interest income and expenses on short term deposits and other interest bearing financial assets and liabilities. Air Mauritius mitigates this risk by investing cash surpluses in floating rate instruments as a hedge against increase in interest rates. Short term facilities also bear floating interest rates. Sensitivities regarding movements in interest rates are given in the Notes to the Financial Statements on page 124. As at 31 March 2013, none of the borrowings were at a fixed interest rate.

v. Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The company mitigates this risk by careful cash flow planning and regularly reviews of the facilities it has in place with its banking partners.

Insurance

The Company subscribes to essential insurance covers of types customary in the airline industry, designed to protect against loss exposures that could result in bankruptcy and at amounts deemed reasonable and adequate to protect its assets, to meet its liabilities, to comply with civil aviation regulations and to comply with credit and lease agreements. The policies principally provide "All Risks, War and Terrorism" coverage for loss or damage to aircraft, engines and spare parts, passenger and third party liability, property damage, cargo and baggage liability and employee liability.

Claims not covered by or exceed insurance

The Group believes that its insurance covers would substantially mitigate the effect of claims likely to be brought against the Group in foreseeable circumstances. However, even though the Group takes care to update its limits based on trends worldwide, insurance limits can sometimes be broken and uncovered claims may emerge with consequent risk of additional cost or loss.

Directors' Report And Business Review

Remuneration Report

Remuneration and benefits

| | 2013 | 2012 |
|--|-------|-------|
| | €'000 | €'000 |
| Remuneration and benefits of Executive Director | 367 | 235 |
| Fees paid during the year to Non-Executive Directors* | 72 | 82 |
| | 439 | 317 |
| Fees paid to the Executive Directors by subsidiaries | 3 | 2 |
| Fees paid to the Non-Executive Directors by subsidiaries | 18 | 8 |
| | 460 | 327 |

* Monthly fees paid to each Non-Executive Director amounts to Rs 15,000 (Euro 385) except for the Chairman who was paid a monthly fee of Rs 75,000 (Euro 1,923). The fees exclude any amount of reimbursed expenses incurred wholly, exclusively and necessarily for the business.

The Company provides the Executive and all Non-Executive Directors with the privilege of a reasonable amount of air tickets for themselves and their immediate family. The value of this privilege is not considered to be a part of their remuneration.

Particulars of service contract of Executive Director

The term of the service contract of the Executive Director is for a period of 3 years ending 29 August 2015 renewable at the Company's option for further periods of 3 years. The notice period for termination of the contract by either party is 6 months.

The contract provides for a compensation of 6 months to be paid to the Executive Director in the event of termination by the Company.

Directors and officers liability insurance

The policy covers:

- (i) the loss of each insured (a director, officer and employee in a managerial or supervisory capacity) resulting from any claim made against the insured for any wrongful act in the insured's capacity as a director, officer or employee of the Company except for and to the extent that the Company has indemnified the insured.
- (ii) the loss of the Company resulting from any claim made against the insured for any wrongful act in the insured's capacity as a director, officer or employee (in a managerial or supervisory capacity) of the Company but only when and to the extent that the Company has indemnified the insured for the loss.

The limit of liability is:

- First cover: USD 10M in the aggregate (including defense costs);
- Excess Layer cover: USD 10M in the aggregate including costs and expenses.

Directors' Report And Business Review

Remuneration Report (Cont'd)

Directors' share interests

| | Ordinary shares held on March 31, 2013 | |
|--------------------------------------|---|----------|
| | Direct | Indirect |
| Mr Appalsamy Thomas, GOSK | 620 | - |
| Mr Kremchand Beegoo | 188 | - |
| Mr Gerard Espitalier-Noël, CSK, CONM | 155 | - |
| Mr Ramapatee Gujadhur, CSK | 102 | - |
| Mr Raj Ringadoo | - | 4,900 |
| Mr Jean Michel Louis Rivalland | 100 | - |
| Mrs Aisha Timol, GOSK | 620 | 620 |
| Mr Francois Woo Shing Hai, GOSK | 3,980 | 3,980 |

Auditors' remuneration

The remuneration payable to the auditors was as follows:

| | The Company | | Subsidiaries | |
|----------------|---------------|---------------|---------------|---------------|
| | 2013 €'000 | 2012 €'000 | 2013 €'000 | 2012 €'000 |
| Audit services | 77 | 74 | 12 | 12 |
| Other services | 4 | 3 | 3 | 3 |

Remuneration for other services is derived from the provision of tax advice and special reports on compliance with financial and regulatory matters.

Approved by the Board of Directors on June 13, 2013 and signed on its behalf by:



Mr Appalsamy Thomas, GOSK
Chairman



Mr Raj Ringadoo
Director

A supportive corporate citizen

Air Mauritius participates in the social life of the country supporting its fellow citizens in various aspect of their lives. Tens of thousands of discounted tickets are allocated annually to facilitate Mauritians travelling abroad for studies, sports, national cultural events and medical treatment not available in Mauritius.





Management Discussion And Analysis

Implementation Of New Business Model

The focus for Air Mauritius in the financial year 2012/13 remained the implementation of the new business model developed by management with the assistance of Seabury APG (“Seabury”) to build resilience against the difficult industry conditions.

The implementation of the new business model started during IATA Summer 2012. The following are the key business model changes in 2012/13:

- Consolidation of the online network from 25 to 18 points with withdrawal of primarily long haul heavy loss making single frequency services, and at the same time evolving from a point to point model to one combining Origins and Destinations.

- Increased weekly frequencies on Asia/Australia (Mumbai, Perth, Kuala Lumpur, Shanghai) and Africa (Johannesburg, Cape Town, Nairobi) to diversify market base towards growing economies,
- Reformulation of the schedule design and flight timings to create hub structures at Mauritius and selected outstation regional hubs to maximize network connectivity,
- Aircraft fleet rationalisation to fit the new network structure and growth plans.

A 7 Step Plan has been developed containing measures which would bring about short to medium term recovery and thereafter ensure long term sustainability.

Aircraft Fleet

Fleet Composition

Air Mauritius operated a fleet of 12 aircraft during the financial year 2012/13, comprising of 8 wide body, 2 narrow body and 2 turbo prop aircraft as per table below.

| Type of Aircraft | Fleet | Owned / Finance Lease | Operating Lease | Total | Seat Capacity |
|------------------------|-------------|-----------------------|-----------------|-----------|---------------|
| Airbus A340-300 | Wide Body | 3 | 1 | 4 | 298 |
| Airbus A340-300E | Wide Body | - | 2 | 2 | 300 |
| Airbus A330-200 | Wide Body | 1 | 1 | 2 | 275 |
| Airbus A319-100 | Narrow Body | 2 | - | 2 | 124/132 |
| ATR 72-500 | Turbo Prop | 1 | 1 | 2 | 72 |
| Total | | 7 | 5 | 12 | |
| Bell Ranger Helicopter | | 2 | - | 2 | 4 |

As at end March 2013, the average age of the aircraft fleet stood at 10.0 years, with that of the wide-body fleet at 10.7 years, that of the narrow body fleet at 10.8 years and that of the turbo prop fleet at 6.5 years.

Fleet Deployment

The A340-300E fleet primarily served long haul operations to Europe and China taking into account payload range capability. The A330-200 fleet mainly

catered for the medium haul operations to India, East Asia and Perth. Operations to Africa, Madagascar, and Reunion have been covered with a mix of narrow and wide body aircraft to cater for both passenger and cargo requirements, while the ATR72-500 fleet was deployed on the inter-island network, that is, Rodrigues and Reunion.

Management Discussion And Analysis

Fleet Utilisation

The new network model involved reduced flying of the long haul A340-300E fleet and increased utilisation of the A330-200 and A319-100 aircraft fleets especially as from Winter 2012/13 when the new model was fully implemented. The table below provides the total block hours and average daily utilisation per aircraft for the financial year 2012/13 by aircraft type (after adjusting for aircraft maintenance days):

| Aircraft Fleet | Total block hours | Average daily utilisation (block hours) |
|----------------|-------------------|---|
| A340-300/300E | 21,276 | 10.2 |
| A330-200 | 9,450 | 13.5 |
| A319-100 | 5,123 | 7.0 |
| ATR72-500 | 4,724 | 6.8 |

Fleet Development Plans

A two pronged fleet strategy is envisaged - one which addresses interim fleet rationalisation up to 2016/17 to restore profitability, and the second which addresses long term re-fleeting for sustainable performance. Fleet rationalisation includes consolidation of the medium haul and regional fleet (A330-200 and A319) to cater for planned growth on the Asia and Africa regions over the next four to five years. Thereafter, re-fleeting of the existing wide-body fleet with new generation aircraft will be considered as game changers for long term sustainable performance in view of their operating cost efficiency.

Route Network

Online Destinations

As part of the business re-structure, online operations from the following points were withdrawn during 2012/13:

- Effective mid May 2012: Milan
- Effective June 2012: Sydney and Melbourne
- Effective September 2012: Frankfurt and Geneva
- Effective Winter 2012/13 (starting on 28th Oct 2012): Munich and Durban

Consequently, Air Mauritius's online network effective Winter 2012/13 comprised 18 points as follows:

| Regions | Destinations |
|--------------|---|
| Europe | Paris, London |
| Asia | Hong Kong, Singapore, Shanghai, Kuala Lumpur, Mumbai, Delhi, Chennai, Bangalore |
| Australia | Perth |
| Africa | Johannesburg, Cape-Town, Nairobi |
| Indian Ocean | Antananarivo, Saint-Denis, Saint-Pierre, Rodrigues |

Management Discussion And Analysis

Codeshare Destinations

Air Mauritius served Dubai on a code share basis as marketing carrier on flights operated by Emirates on the Mauritius/Dubai route.

Air Mauritius carried its code beyond Paris (Charles de Gaulle) to 34 European destinations on Air France operated flights as follows:

| | |
|-------------|---|
| France | Brest, Bordeaux, Clermont-Ferrand, Lyon, Montpellier, Marseille, Nice, Nantes, Pau-Pyrénées, Rennes, Strasbourg, Toulouse, Mulhouse |
| Spain | Barcelona, Bilbao, Madrid, Vigo |
| UK | Aberdeen, Birmingham, Bristol, Edinburgh, London-Heathrow, Manchester, Newcastle |
| Germany | Dusseldorf, Frankfurt, Munich |
| Austria | Vienna |
| Italy | Rome, Bologna |
| Switzerland | Zurich, Geneva, Basel |
| Netherlands | Amsterdam |

In the Far East, Air Mauritius served the following points on codeshare basis on Malaysia Airlines beyond Kuala Lumpur:

| | |
|-------------|--|
| Malaysia | Langkawi, Kuantan, Penang, Kota Bharu, Johar Bahru |
| Australia | Perth, Sydney, Melbourne |
| China | Shanghai, then Beijing effective Winter 2012/13 |
| Singapore | Singapore effective Winter 2012/13 |
| Hong Kong | Hong Kong effective Winter 2012/13 |
| Thailand | Bangkok |
| Switzerland | Zurich, Geneva, Basel |

2013/14 Operating Plans

The new business model implemented in 2012/13 will be further consolidated during 2013/14. Major focus will remain on growing economies/markets, improved online access to emerging markets like China to diversify market base and consolidation of connectivity to support the origin-destination network approach. 2013/14 plans include the following:

- Introduction of online operations to Beijing on a once weekly direct A340-300 flight effective 06 July 2013, along with the existing twice weekly direct frequencies on Shanghai,
- Re-introduction of online operations to Durban with two weekly A319-100 flights effective 05 July 2013,
- Addition of a third weekly frequency to Perth as from the start of April 2013,
- Addition of a third weekly frequency to Hong Kong effective 02 July 2013,
- Suspension of Johannesburg night flights effective May 2013 and upgrade of a fourth A319 day flight to wide body operation to meet network cargo requirements,
- Improved flight timings on Hong Kong and Mumbai for both point to point and connecting traffic.

Management Discussion And Analysis

Airline Alliances And Partnerships

Following the implementation of the 7 Step Plan, Air Mauritius aircraft operations have been consolidated on core routes and the network has been reviewed to 18 online destinations as at the end of financial year 2012/13. With such a network concentration, it was recommended to leverage and further develop airline partnerships as a major strategic tool to further increase Air Mauritius geographical reach and network expansion. In this context, Air Mauritius is reinforcing its cooperation with existing partners and pursuing new cooperation opportunities with potential partners.

As part of Step 1 (Network Concentration and Fleet Rationalisation) and to strategically support the network and commercial strategies, through the development of strong airline partnerships, the Alliances and Partnerships Section was put in place in Strategic Planning during the organisational restructuring which took place in September 2012.

Cooperation arrangements with partner airlines, namely Air France, Malaysia Airlines, Air India, South African Airways, Emirates and Kenya Airways were maintained and enhanced during the financial year, while new cooperation agreements were entered into with Air Austral and Air Madagascar.

(a) Air Mauritius / Air France

The current Joint Venture Agreement (JVA) with Air France covers the Paris route as well as destinations beyond Paris and destinations beyond Mauritius.

During the financial year 2012/13, Air Mauritius placed its code on flights operated by Air France and its franchisees beyond Paris to 34 European destinations including French provinces. More codeshare destinations will be added as and when additional third country code share rights become available.

Air France and Air Mauritius have also extended their cooperation on the cargo side whereby Air Mauritius is able to commercialise space allocated by Air France on Air France operated aircraft.

Talks regarding a renewal of the Air Mauritius-Air France Joint Venture Agreement beyond March 2014 have started and will be completed during financial year 2013/14.

(b) Air Mauritius / Malaysia Airlines

During financial year 2012/13, Air Mauritius operated three weekly frequencies on Kuala Lumpur. Air Mauritius and Malaysia Airlines have a free-flow codeshare agreement on the Mauritius-Kuala Lumpur route. The cooperation has been further extended to cover domestic codeshare and third country codeshare on sectors beyond Kuala Lumpur for Air Mauritius, and on sectors beyond Mauritius, for Malaysia Airlines.

Thus Air Mauritius, as Marketing Carrier was allowed to put its code on five domestic points and five international destinations on Malaysia Airlines operated flights from Kuala Lumpur. Similarly, Malaysia Airlines as Marketing Carrier was able to codeshare on Air Mauritius operated flights between Mauritius and Johannesburg (JNB), effective Winter 2012/13.

(c) Air Mauritius / Air India

The soft block code share agreement with Air India on the Mauritius-India route was maintained during the financial year 2012/13 where Air Mauritius remained the sole operator. The two airlines have agreed to enhance their partnership. As such, Air Mauritius and Air India have already started the groundwork to initiate the approval process for Air Mauritius to obtain domestic codeshare rights in India. Once these are obtained, both airlines will review the existing cooperation for a more aggressive one.

(d) Air Mauritius / South African Airways

Air Mauritius and South African Airways codeshare on each other's flights on the Mauritius-Johannesburg (MRU-JNB) route. The codeshare is in the form of a soft block arrangement. Air Mauritius and South African Airways have also agreed to explore other avenues of cooperation subject to obtaining the necessary traffic/route rights.

Management Discussion And Analysis

Airline Alliances And Partnerships (Cont'd)

(e) Air Mauritius / Kenya Airways

Since August 2012, Air Mauritius' flights on the Mauritius-Nairobi route are operated under a free-flow arrangement with Kenya Airways where the latter is the Marketing Carrier.

The codeshare arrangement also extends to cover beyond codeshare. Thus, Air Mauritius and Kenya Airways have agreed to codeshare on Kenya Airways operated flights on Mombasa and Cairo, ex Nairobi. Similarly, Kenya Airways will codeshare on Air Mauritius operated flights on Perth. These will be effective as soon as all necessary approvals will be obtained.

(f) Air Mauritius / Air Austral

Air Mauritius and Air Austral entered into a codeshare agreement whereby Air Austral is a marketing carrier on Air Mauritius services to Perth. Until October 2012, the cooperation was in the form of a hard block codeshare agreement which has thereafter evolved into a free flow codeshare agreement.

(g) Air Mauritius / Air Madagascar

Air Mauritius and Air Madagascar entered into a free flow codeshare agreement effective January 2013, on the Mauritius-Antananarivo route, whereby Air Madagascar places its code on Air Mauritius operated flights. Air Mauritius and Air Madagascar have also already entered into talks with regards to expanding the perimeter of the cooperation between both parties.

(h) Air Mauritius / Emirates

Effective December 2012, Emirates started operating double daily frequencies on the Mauritius-Dubai route. Air Mauritius currently has a soft block arrangement on each of Emirates' flight. Discussions have also been on-going between the two airlines to enhance the existing commercial arrangement and to look into other areas of cooperation.

International & Industry Affairs

Aero-political & Industry Developments

1. Bilateral Air Services Agreements

The portfolio of traffic rights was enhanced with the conclusion of two new Bilateral Air Services Agreements between Mauritius and (1) the Kingdom of Saudi Arabia in October 2012, and (2) the Republic of Maldives in February 2013. Thus, as at 31st March 2013, the portfolio of traffic rights constitutes of a total of 37 Bilateral Air Services Agreements & Memorandum of Understanding concluded between Mauritius and foreign countries. These traffic rights are available to Air Mauritius as the designated carrier of Mauritius for its future network development plans.

In line with the network strategy and expansion plans for year 2013/14 and beyond, the objective is to further enlarge the portfolio of Air Services Agreements and traffic rights for greater worldwide coverage and connectivity as well as to tap emerging opportunities.

2. Other Aero-political and Industry Developments

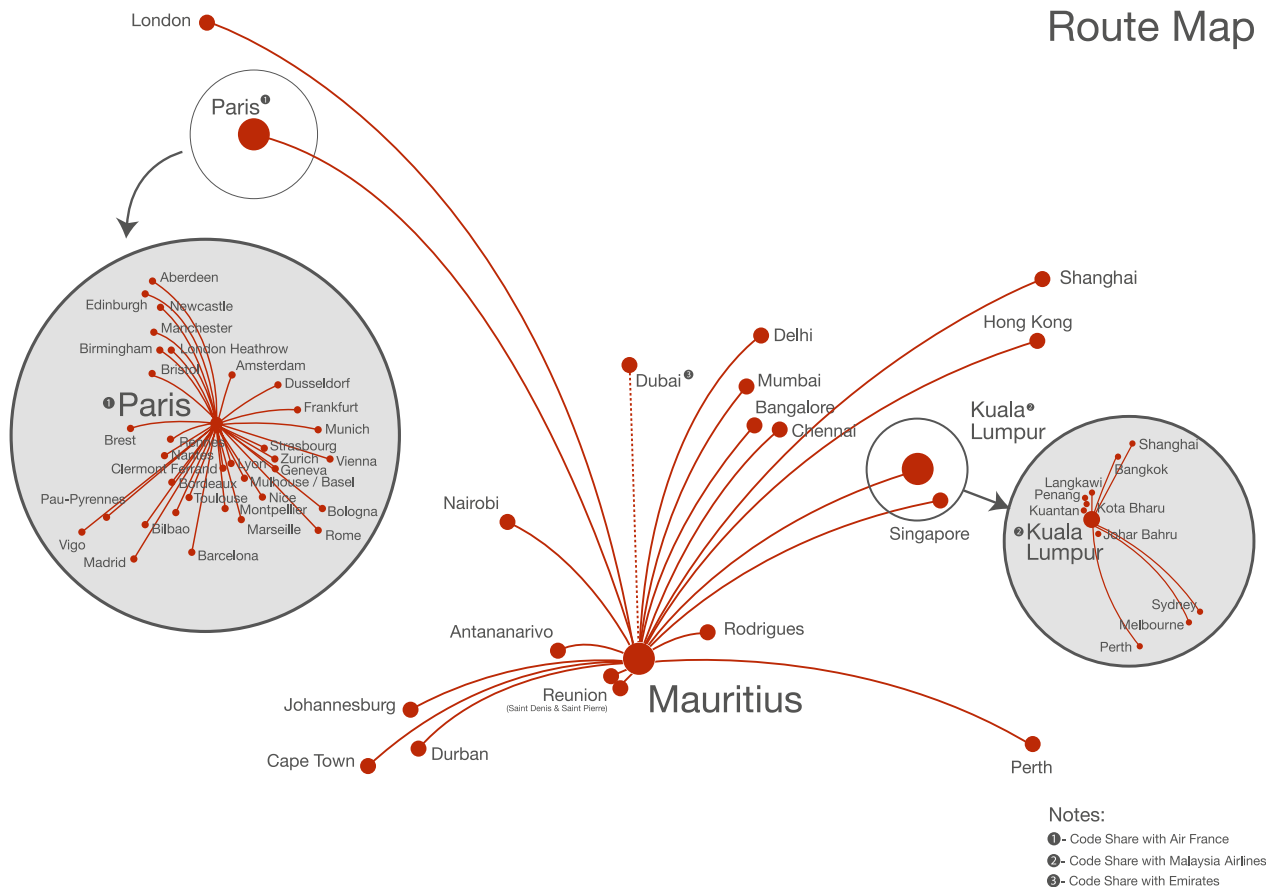
Other developments on the aero-political front during the year include the following main arising issues:

- The ICAO's setting up of a high level group aimed at developing a global solution to tackle aviation emissions.
- A new framework for external aviation policy adopted by the European Union (EU).
- The European Commission proposal to revise its passenger rights legislation (EC Regulation 261 or EC 261).
- New EU rules on the screening of liquids, aerosols and gels (LAGS).
- The European Commission's proposal for a revised EU slot regulation.
- New distribution capability project led by IATA.
- Air access policy and air transport liberalization efforts at WTO and regional group's level including COMESA & SADC.

Management Discussion And Analysis

Sales And Distribution

While being focused on also improving customer service, Air Mauritius commercial strategy for 2012/13 was dictated by the need of the hour which was to set the path for restoring profitability through a network with fewer destinations, increased frequency/capacity on the core network, the development of regional hubs to access more origin-destination (O&D) markets and network connectivity to maximize revenues. The new / revised network consisted of 18 destinations operated by Air Mauritius aircrafts which are France (Paris), U.K (London), India (Mumbai, Delhi, Bangalore and Chennai), Australia (Perth), Singapore, Malaysia (Kuala Lumpur) China (Shanghai), Hong Kong, South Africa (Johannesburg and Cape Town), Nairobi, Antananarivo, Reunion (St. Denis and St. Pierre) and Rodrigues island.



During financial year 2012/13 a series of measures was taken to improve service given to travel agents and direct customers in Mauritius. A Travel Agency Support Desk was set up to provide all assistance required for agents to sell our product. A Group Desk was set up to serve as a one-stop shop for management of Group Business. The corporate sales unit has also been reinforced to provide full-fledged services to our direct corporate clients.

The Company implemented various measures to provide better service to direct customers at various ticketing outlets. At the main counter in Port-Louis, dedicated staff are posted to welcome and greet passengers and direct them for service. More amenities have been provided to improve convenience and comfort for customers using the sales counter. The ticketing outlet at Ebene has been revamped and now offers service to customers on an extended hour's basis during week days and on Saturdays.

Management Discussion And Analysis

Sales And Distribution (Cont'd)

Internet sales are on the increasing trend for Mauritius market and the latter is now the number one market for sales through this distribution channel. Contact Centre at Ebene offers services on a 24 hours basis to all online and direct customers.

The Company has also reinforced our partnership strategy with travel agents and all the necessary tools, facilities and inducements have been implemented for Air Mauritius to secure a maximum share of their business.

The Company has implemented a very aggressive Communication strategy in the Mauritius market to promote our brand image and create awareness about our products. Several campaigns have been launched for new destinations and various tactical promotions have been launched in the market at specific periods during the year.

Routes And Markets

Europe

During financial year 2012/13, the initial seats planned on the Paris route had to be curtailed, jointly with our Joint venture partner Air France, to 246,842 a drop of 1.6% in response to the decrease in demand from Europe (mainly France) and as depicted in the tourist arrival figures. The economic slowdown in Europe coupled with ongoing crisis in the Euro zone, led to Europeans adopting a cautious spending behavior and which resulted to a fall in demand for long haul leisure holiday travel.

On the other hand, Air Mauritius having stopped direct flights to Germany, Italy and Switzerland during the first half of the financial year, steered traffic from these countries on to the Paris route and as such partly compensated for the shortfall of traffic from France. Paris continues to remain the main Air Mauritius European gateway for traffic from Europe to destination Mauritius.

The United Kingdom was also not spared from unfavourable economic conditions. A consequential drop in forward bookings having been noted, Air Mauritius had no choice but to cut down capacity

on London route by 23% with a base operation of 4 weekly flights and down to 3 weekly flights in off-peak periods. While continuing to explore the groups and MICE (Meetings, Incentives, Conferences and Exhibitions) traffic segments, several promotional offers were launched in the two main contributing markets namely UK and Mauritius, to stimulate demand.

Australasia

Australia

The once weekly Melbourne/Sydney flight was stopped as from end of May 2012 and a second weekly A330 Perth flight was introduced effective June 2012. Overall seat capacity on Australia was reduced by 7%, however, route traffic increased by 5%. Air Mauritius maintained its commercial agreements with the trade partners. Various tactical pricing initiatives were launched in an endeavour to promote traffic to Africa and Europe.

Following the suspension of Air Austral's flights to Australia, Air Mauritius and Air Austral entered into a code share agreement effective 18th August 2012.

India

The Indian economy experienced a slower growth in 2012 - an estimated 5.5% when compared to earlier robust trends. This impacted on demand with the consumer opting for closer and more affordable destinations. On its part, Air Mauritius maintained its growth strategy for the Indian market. With the introduction of a fourth frequency on the Mumbai route and the two weekly flights to Delhi and once weekly flight to Bangalore / Chennai, the Indian market is being served with a daily product for the first time. Seat capacity grew by approximately 5% compared to preceding year. Air Mauritius effected a series of sales and marketing actions in order to stimulate and grow demand in various market segments both in the metros and secondary cities across India.

Malaysia & Singapore

Countries in the Asia Pacific region have successfully resisted to the global economic slowdown by showing encouraging GDP growth. With more disposable income and competition from low-cost carriers, consumers have found a variety of travel products both at the intra-regional and long haul levels.

Management Discussion And Analysis

Routes And Markets (Cont'd)

With the establishment of Kuala Lumpur as another important hub in the Far East together with the partnership with Malaysia Airlines, three non-stop weekly flights were started in November 2012. Furthermore, with a view to providing additional travel options to our customers, these flights provide connectivity on both domestic sectors in Malaysia and on beyond points.

For its part, Singapore was served initially in combination with Shanghai and then between January till March 2013 through an extension of one flight from Kuala Lumpur.

Hong Kong

Hong Kong constitutes an essential hub in Air Mauritius network as it provides strategic links to northern China and other Far Eastern countries such as Korea, Taiwan, Philippines and Japan. During 2012/13, two weekly services were operated.

Shanghai

Air Mauritius' strategy in China saw a very significant development in 2012/13. The introduction of services to Shanghai had already led to 38% increase in Chinese visitors to Mauritius. Whilst at the beginning of the year, the service to Shanghai/ Kuala Lumpur service (and for a short while with Singapore) was maintained, Air Mauritius made a quantum leap by injecting two direct non-stop A340 flights on 24th January 2013. This initiative was strongly supported by stakeholders in Mauritius.

Middle East / Dubai

Air Mauritius maintained its code share with Emirates Airlines on the Dubai route where capacity grew by 23% from 48,300 to 59,300 seats. Twice daily flights are now operated to Dubai.

Africa

South Africa

During summer 2012, 5 weekly frequencies were operated to Johannesburg using a combination of A319/A340 and 2 weekly frequencies were operated to Cape Town and Durban respectively with the A319.

As from November 2012, the Johannesburg operations were increased to 10 weekly frequencies, with 3 night flights using the A319 and 7 day flights operated with a mix of A340/A319 aircraft. Services to Cape Town were also increased to 3 weekly A319 frequencies. The 2 weekly operations to Durban were suspended at the end of October 2012 and 8 supplementary flights were operated during December 2012 and January 2013 with the A319.

Through the above pattern of operations, a total of 216,376 seats were offered on the South Africa Routes for the financial year 2012/13 compared to the 208,684 seats for the previous financial year, an increase of 3.7%.

Whilst the frequency increases on the South Africa Routes provided more opportunities for connecting traffic throughout the Air Mauritius network, the on-going focus remained on serving the point to point traffic with the launching of numerous marketing campaigns and pricing initiatives during the year.

Kenya

With the introduction of a 3rd weekly flight in November 2012 on the Nairobi route, capacity on the route increased by 26%. Air Mauritius continues to tap potential in other East and West African countries through incentive agreements with main agents.

As from September 2012, the soft block arrangement with Kenya Airways was changed into a free flow agreement resulting in increased contribution from Kenya Airways on the Nairobi route.

Management Discussion And Analysis

Routes And Markets (Cont'd)

Regional

Reunion

During financial year 2012/13, cargo flight and one base passenger flight were merged to operate into one wide-bodied flight. Capacity on Reunion was thus increased by 20% whilst route traffic increased by 8%. Night flights on Reunion continued to improve connecting time in Mauritius. During the lean months and to complement MTPA's promotional campaign, Air Mauritius offered attractive point to point fares.

Madagascar

Seat capacity offered on the Madagascar route remained more or less constant as opposed to previous year. Passenger traffic over the previous year improved by 12%.

Rodrigues

For 2012/13 seats offered on the Rodrigues route reached 133,824 representing an increase of 4.5% over the previous year. Capacity continued to be monitored and modulations were carried out so as to match demand.

Revenue Management

2012/13 has been a very buoyant year for Revenue Management and Pricing Unit as it is the subject of a separate initiative in recovery towards the 7 Step Plan. Over a period of 6 months, a team comprising of both pricing and inventory management resources successfully conducted a project to address and implement the following 3 main elements with the help of the Seabury APG team:

1. The design and implementation of an inventory valuation model, which set the base for a fare class optimization across the network. A strict application of the latter allows accurate steering of revenue across Air Mauritius' network, covering both point-to-point local traffic and connecting traffic.

2. The complete review of the pricing strategy across the network, using a Quality Service Index Model, where premiums and discounts against competitors are applied consistently depending on evolution of market shares.

3. The fine-tuning of our inventory strategy to more accurately stimulate demand on low flights and improve yield on high performing ones. This also backs the overall network strategy by prioritizing on point-to-point higher yield traffic and driving low yield connecting traffic to flights that need pricing stimulation. This balance is done with the objective of improving revenue per seat offered.

To support this, new tools have been designed. These include tools to provide a three-dimensional view of seat availability and bookings by flight as well as one showing evolution of RASK and as such allow a more accurate assessment of the causes and effects of implemented actions. These, together with existing competitive intelligence tools, have led to more dynamic and informed decision making.

In a view to also promote this new Revenue Management approach across markets, the Revenue Management team ensured that all of our international markets fully understood the approach achieved through workshops. This has allowed a closer alignment of objectives, which was supported by clear objectives and a sharing of common tools.

E-Commerce

Air Mauritius has been continuously adapting its E-Commerce strategy to enhance the customer online experience, offering more flexibility and choice to its customers. Various initiatives and projects have been undertaken to improve the company's E-Commerce capabilities to actively promote the convenience and advantages of using airmauriti.us.com as the online channel. All these initiatives have contributed towards an increased penetration of web sales which is about 6% of total sales for financial year 2012/13. High growth has been observed in markets such as Australia, Reunion and Mauritius.

Management Discussion And Analysis

E-Commerce (Cont'd)

New E-Commerce structure

The E-Commerce unit has been set up with dedicated resources during the year. The E-Commerce team has been working closely with the technological support of IT E-Business unit to implement various initiatives and projects as follows:-

Website Revamping

The airmauritius.com website has been completely revamped to reflect the new visual identity and brand. It also aligns with the latest modern trends in terms of look and feel. The navigation has also been enhanced to provide a user friendly online experience to attract more visits and improve the conversion rate in order to generate more sales and revenues. Accessible as a 24/7/365 sales channel, it offers the convenience of a one-stop shop and a seamless travel experience in line with our commitment to provide our customers with the highest standards of service.

Automatic ticket issuance

The automatic issuance of ticket was introduced as from June 2012 in order to improve the online experience by reducing the waiting time of the customer to receive the e-ticket. This seamless flow is expected to have a positive impact on website usage and drive more web sales.

Bonus miles

The soft incentive of bonus miles for purchasing online was re-introduced for frequent flyers to promote the use a self-service channel for our loyal customers in order to focus on more value-added services from the physical channel. A prize competition was launched to encourage new members to join Kestreflyer, thus enlarging our customer database.

UpgradeNow

The UpgradeNow service was introduced to offer the opportunity to passengers to be upgraded to a superior cabin and enjoy improved comfort and service. Passengers who have bought economy tickets can bid for an Upgrade to Premium Economy or Business class seats at their price. They can make an offer on the website as from the next day of purchase of their ticket and will receive an email whether their offer has been accepted or not 3 days prior to departure.

Travel Insurance

Customers residing in Mauritius who book on Air Mauritius website now have the possibility to purchase Travel Insurance online for trips starting from Mauritius. The option is offered within the booking flow and customers make a single payment together with their ticket. This service offers the convenience of a one-stop shop and a seamless travel experience as travel Insurance is becoming increasingly a requirement for visa entry in many countries, especially in Europe. It allows our customers to travel with peace of mind. The plan is to deploy the product to our customers worldwide in the near future.

Car Rental online

Our customers can book online for Car Rental services with any one of our three partners namely Sixt, Hertz or Budget. This product also offers the convenience of a one-stop shop. The possibility for our frequent flyers to start earning miles as well as special discount for Car Rental services will be implemented soon.

Search Engine Marketing

With the assistance of our e-marketing agency, we engaged on an ongoing basis into Search Engine Marketing, Google Adwords campaigns and display media in our five main markets, namely France (including Reunion), UK, Australia, South Africa & India. This has proved to be a very cost-effective way to reach our target markets with increased brand visibility driving more traffic to our website and generating good return on investment with satisfactory sales and revenues.

Email campaigns

We have regularly launched various email campaigns to promote the special offers in our different markets. This has contributed towards better awareness of our tactical promotions among our customer base and has boosted online sales.

Domain names portfolio

With the help of our global domain management company, our domain names portfolio has been further consolidated with additional domain names. The objectives are to protect our brand in cyberspace as well as to use the country specific domain names to re-direct traffic to our website.

Management Discussion And Analysis

E-Commerce (Cont'd)

Webserver Hosting

As from mid-March 2013, the Air Mauritius website is being hosted with new service provider Rackspace. This has resulted in improved overall response time of Air Mauritius website. Consequently, a positive impact on website traffic has been observed. The new hosting also provides better security and allows blocking of robot activity with firewall of Rackspace.

Simplified Chinese localized website

To tap the opportunities of emerging markets and capitalize on the hub Mauritius as gateway between Asia and Africa, Air Mauritius has increased its frequencies to Shanghai from January 2013 and is introducing a flight to Beijing as from July 2013. In order to better service the Chinese market, a localized website in Simplified Chinese was deployed with key information contents to start with. The website will soon be enhanced with a booking engine in Simplified Chinese.

Kestrelflyer

The Kestrelflyer frequent flyer programme has registered a growth of 8% in the financial year 2012/13 from 64,981 to 69,953.

The Tie up with Flying Blue

In November 2012, Air Mauritius sealed its plan to provide reciprocity with Air France's own frequent flyer programme, Flying Blue. Both members now have the opportunity to earn miles on either of the programmes when flying Air Mauritius or Air France on the Mauritius-Paris, Mauritius-Reunion (vice versa) routes and on European destinations through our hub in Paris, Charles De Gaulle airport. It is now possible for our Kestrelflyer members to use their accumulated miles to benefit from Award tickets to all destinations on Air France & KLM flights across their network. Similarly, Air France/KLM Flying Blue members can now use their miles to benefit from Award tickets to all destinations on Air Mauritius flights across its network. This has strengthened the member value proposition in terms of accrual and redemption opportunities.

International Partnership with Sixt

In March 2013, Air Mauritius entered into an International partnership agreement with car rental

company Sixt. This cooperation has enabled the customers of both companies to gain access to additional benefits for car and air travel in the form of bonus miles and savings.

Cash and Miles

Over 4,500 award tickets have been issued and over 3,700 upgrading awards during the year. The Cash and Miles scheme has increased in popularity over the year and the Bonus Miles offer for online check-in has continued to attract members to use Air Mauritius web service. The use of this facility by our members has more than doubled during this financial year.

On-going Project

The Air Mauritius team is in the process of completing and finalizing the co-branded credit card project.

Cargo Commercial

Air Cargo plays a critical role in driving economic growth and development. In a nutshell Air Cargo is vital to the global economy, transporting more than USD 5 trillion worth of goods annually equivalent to more than a third of world trade by value as per IATA. As for Air Mauritius Limited, air cargo business accounts for approximately 10% of the total revenue and continues to play a vital contributor to the overall operations of Air Mauritius revenue. Though Air Mauritius does not operate dedicated freighter flights, yet several passenger flights with wide-bodied A340 and A330 aircraft are deployed on the regional routes to cater for the ever-growing needs and opportunities of origin/destination cargo with the use of the belly hold capacity of these passenger aircraft.

Industry Outlook

Air freight markets contracted for a second straight year, falling a further 1.5% in Year 2012 after a 0.6 % decline in 2011. Despite facing the turmoil of the global economic crisis, Cargo performance has been satisfactory overall. Competition is becoming much stiffer as there has been an influx of cargo capacity on the markets whereas demand on the other hand has been on the declining trend. Moreover, goods that were traded shifted towards bulk commodities more suited for sea maritime, which offers improved frequencies and shortened travel time.

Management Discussion And Analysis

Cargo Commercial (Cont'd)

These market dynamics led to tremendous pressure on yield coupled with unprecedented rise in fuel and weaker EUR/USD exchange rate makes the cargo business more complicated. However, Air Mauritius is resisting such a hostile industry environment and we continue to strive to offer an efficient network of cargo services in order to promote trade, support local industries and contribute towards the economic development of the country. The positive sign noted is the increase in trade volume between Asia and Africa to which we are benefitting to some extent by deploying wide bodied aircraft.

Performance

The total cargo revenue (freight and other associated cargo revenue) and weight carried for financial year 2012-2013, showed a drop of 4.3% and 4.5% respectively compared to financial year 2011/12. This is attributed to the fall in network cargo capacity of 3.4% and more so due to the substantial drop of 23.8% in our European network cargo capacity as a result of the suspension of flights to Italy, Germany and Switzerland during 2012/13.

Concurrently, with the implementation of our 7 Step Plan, the Company has consolidated our network and brought some quality changes to our schedules that have added value to the bottom line. Also, Air Mauritius has expanded its partnership network with other airlines and trucking companies..

New Projects

The airline will pursue on initiatives embarked on digitizing our business processes, that is, remove paper from the air cargo logistic supply chain and replace it with electronic messaging. As at date, for shipments uplifted on Air Mauritius European flights, Master Airway Bill information is transmitted electronically (e-AWB to European Customs and a 100 % e-AWB transmission has been achieved. We are currently probing into possibilities to extend that facility to other destinations and we have earmarked that by the end of the year 95% of shipments loaded onto Air Mauritius flights will travel with e-AWB.

Air Mauritius will start the Phase 2 modernization of processes with the implementation of E-freight and the project will gain momentum following the implementation of the new Cargo System Cargo Spot during this year.

Air Mauritius has also introduced the Skycooler mobile temperature controlled units for air-transportation of temperature-sensitive products. Skycooler units will provide cool-chain solutions for our customers to meet their tailored-made specific requirements. It will enhance and strengthen Air Mauritius cargo products profile. After a successful test period, Skycooler will be deployed progressively on specific lanes to capitalize on the opportunities.

Air Mauritius is also considering using Amsafe thermal pallet covers and blankets that are specifically designed to protect temperature sensitive goods loaded onto Pallets. Amsafe thermal pallets covers are ideal for transporting pharmaceutical, medical and perishable goods.

In that perspective, in the financial year 2013/14, the company will strengthen the Cargo team in order to be able to act proactively and promptly to market volatility and uphold Air Mauritius's service standards.

Way Forward

The business growth will be supported by consolidating our hub gateways, nurturing business relationship and loyalty with cargo stakeholders, continuously exploring avenues to compensate lost capacity on European network, maintaining a rigorous cost discipline and offering a high level of service consistently.

A leading employer

Air Mauritius is an equal opportunities employer providing nearly 3,000 jobs most of which for Mauritians. Conditions of employment are in line with the best standards in Mauritius with rewarding jobs, sound pension schemes while catering for employees' health care and welfare.





Management Discussion And Analysis

Information And Communication Technology (ICT)

Information and Communication Technologies (ICT) continue to transform the airline industry and empower travellers as they want to be constantly connected, better informed and have more control on their travel experience. In this respect, Air Mauritius has consistently embraced new advancements in technology, implemented new systems and upgraded existing ones to support and drive new business initiatives whilst ensuring that optimal value is derived from its ICT investments.

Enterprise ICT Infrastructure

Throughout the year 2012/13, Air Mauritius has upgraded its enterprise technology architecture and reinforced its ICT infrastructure to integrate the growing information systems and data requirements of its business and provide greater integration across systems. In this respect, the company has migrated most of its core applications to its new data centre at Ebene for higher performance, enhanced resiliency and scalability. It has consolidated its core servers, storage and backup systems into a centralised IT environment with improved manageability and recoverability. It has also centralised its network and internet connectivity to bring more cost efficiencies and easier IT infrastructure and security management.

Furthermore, the upgrade of the company's telecommunication facilities is being carried out to enhance both intra-company and external communication. This encompassed the recent migration of the current Cisco IP Telephony system to the latest platform, implementation of an enterprise-wide network performance monitoring solution to optimise bandwidth utilisation, the extension of WiFi facilities in key locations of the company and the reinforcement of telecommunication networks linking the company's offices located abroad to the corporate systems that are hosted in Mauritius.

Information Systems as a Business enabler

To further maximise the value that IT adds to the business and achieve further efficiencies through integrated IT solutions, several new systems have been deployed and current applications upgraded as follows:

Enterprise Resource Management

The company's Enterprise Resource Planning (ERP) system has undergone a major upgrade to provide more business functionalities for managing its financial and Human Resources (HR) and to provide a robust Governance, Risk and Compliance (GRC) platform that is aligned with International Financial Reporting Standards (IFRS). In this respect, the Oracle E-Business Suite system has been extended to reinforce payment processes, enhance inventory management for lounge operations in Mauritius and stock positioning processes in outstations for inflight services.

The HR system has also been upgraded with new capabilities to better service the employees of the company and improve staff productivity. This includes the streamlining of HR recruitment activities, enhancement of online leave application and approval processes, better control of overtime as part of the company's cost containment programme as well as the archiving of attendance records to improve system performance. Furthermore, new HR modules are being implemented during the second phase of the Oracle upgrade project and these encompass the setting up of a Performance Management System, the automation of external recruitment processes and the possibility for staff to consult their payslips online.

Aircraft and Flight Operations

The upgrade of several systems to enhance the operational efficiency of the company's aircraft and flight operations is an on-going process. The aircraft maintenance & engineering system 'Maintenix' is being upgraded to provide new functionalities and greater productivity with role-based user interfaces. This new version will provide a more integrated platform for the engineering, planning, materials management and heavy line maintenance activities related to the company's aircraft. Similarly, the Crew Management System 'Sabre Air Center' has been reconfigured to enhance the administration of crew flight requests whilst the SITA Graflite system has been reviewed to enable flight dispatchers better support flight planning.

Moreover, in line with Step 3 of the 7 Step Plan on cost containment, the company implemented a Fuel Management System (Osys FMS) to better monitor and manage fuel efficiency and conservation.

Management Discussion And Analysis

Information And Communication Technology (ICT) (Cont'd)

Cargo operations

Cargo transportation is an integral part of Air Mauritius business and the use of Information Systems and Technologies is essential to support and drive business operations along the entire cargo value chain. A new cargo revenue accounting system (RAPID Cargo) has been implemented to provide higher efficiencies and control in the revenue accounting processes of cargo activities, from initial sales to financial reporting. The system also meets IATA's mandatory requirements for Simplified Interline Settlement for streamlining the interline settlement process and in improving cash flow of the company.

Furthermore, the company is implementing a new system (CargoSpot) which will support the cargo automation cycle from inventory management, booking, pricing, documentation and airport handling. The modern and flexible technical architecture of this new application make it easy to integrate with existing or new third party systems such as accounting, Cargo Accounting Settlement System (CASS), local warehousing and improves the speed and accuracy of management information.

Counter Invoicing System

The in-house developed Counter Invoicing System which integrates the ticketing and invoicing functions conducted in Amadeus with the Oracle Financial system is currently being used in the company's sales offices located in Port Louis, Ebene and the airport as well as at counters in several Air Mauritius offices abroad. With the introduction of Electronic Miscellaneous Documents (EMDs), the system has been enhanced to allow automatic capture of EMD transactions from Amadeus so as to improve the efficiency of billing processes.

Enhancing customer experience through ICT

Customer Relationship Management

Air Mauritius reckons that building, maintaining and strengthening successful relationships with its customers is important to create sustainable shareholder value. The company is therefore continuously enhancing its Customer Relationship

Management (CRM) enterprise applications to better manage the entire life cycle of a customer. The Siebel and Amadeus reservation systems are used to assist the company in delivering a consistent and personalised cross-channel buying experience across all points of interaction. Development has been carried out on the Siebel CRM application to enable business processes linked to the tie-up between Air Mauritius Kestrel Flyer and Air France Flying Blue Loyalty Programmes and also to allow the registration of Kestrel Flyer members as Golf members who can then benefit from free carriage of a golf bag on the Mauritius-Paris route.

E-Business

The Air Mauritius website has been redesigned and redeveloped using latest development and page optimisation techniques to improve the website ergonomics and page rendering. The hosting services of the website have also been migrated to a more robust and resilient platform (Rackspace) with improved security and response time. Furthermore, in its quest to reach a wider audience, the website is being localised in market languages where English and French are not so prevalent. With the launching of direct flights to China and an increase in seat capacity on that destination, a Chinese website version was launched in January 2013.

As part of the company's strategy to derive additional revenues from ancillary products, the website now features the possibility to buy other travel components such as insurance and car. Another ancillary revenue initiative encompassed IT development to interface the Amadeus reservation system with the Plusgrade application so as to give the possibility for passengers to bid for upgrades to business class on selected flights.

With the consumerization of IT and the increasing use of smartphones and tablet devices, passengers want to access airline services, manage their own journeys and share their travel experiences through these devices. In this respect, the company is working on a mobile and social media strategy geared towards informing and interacting with customers in a more engaged manner. This includes inter-alia the implementation of a mobile website and downloadable flight related applications, development of an application to send SMS notifications proactively to passengers in case of flight disruptions and the implementation of a social media environment to better service our customers.

Management Discussion And Analysis

Information And Communication Technology (ICT) (Cont'd)

Passenger System Services

The year 2012/13 has been a year of consolidation and evolution for the Amadeus Altea suite of systems used in the company. The new Altea Departure Control System has been deployed at two new airports (Pierrefonds and Antananarivo) and more airports are scheduled for the next financial year. Additional functionalities are also being regularly implemented by Amadeus to cater for new business requirements, airline industry regulations or IATA led initiatives. A new web-based application has been implemented in Mauritius and in some selected countries to empower the company's sales representatives in responding faster to requests for group quotations. In line with IATA's eServices mandate to facilitate sales of ancillary services and track travel services purchased outside the passenger's ticket, Electronic Miscellaneous Document (EMD) capability was also developed and is being implemented across the company. Moreover, new interline electronic ticketing links and codeshares have been put in place.

IT also plays a critical role as an enabler for Air Mauritius strategy to generate additional revenue on the sale of ancillary services such as choice of seats, excess bags, or lounge access. In this respect, the company has started the implementation of an Amadeus solution to interactively manage and service requests for ancillary products which will be made available through its different sales channels.

Knowledge Management

The company has continued to leverage on the latest Business Intelligence (BI) technologies, systems and processes to transform the big amounts of data emanating from its core applications into meaningful, timely and action-oriented enterprise information. The IBM Cognos system environment has been upgraded to cater for a more agile BI architecture and to satisfy the ever growing demand for business analytics.

As part of the company's '7 Step Plan' to reinvigorate Commercial and Revenue Management, a reporting and monitoring BI system was implemented to provide more insight on passenger booking trends and on the impact of different pricing strategies so as to maximize revenue. In addition, the Cognos based Enterprise Budgeting and Planning platform has been re-engineered to assist the Commercial department in carrying out better analysis, forecasting and budgeting of passenger revenue.

Enhancing Staff Collaboration and Engagement

The company is also dedicated in continuously improving staff productivity and efficiency among its workforce through the judicious use of IT tools and systems. In this respect, the company has standardised on Microsoft SharePoint technology platform to implement document management, department portals, intranets and workflows and these assist in automating business processes across the organisation, enhancing staff collaboration and facilitating knowledge sharing. The latest projects include the computerisation of procedures for examinations carried out by the technical training school so as to meet mandatory EASA requirements, automation of different processes in cabin operations and features to allow better tracking of projects and initiatives as part of the company's Stepping Up programme.

The company will pursue its commitment to leverage on and implement new innovative cost-effective technology solutions that will augment its capability to optimise the operations of its business, enhance its revenue generation potential, simplify passenger travel and improve the productivity and efficiency of its workforce.

Management Discussion And Analysis

Customer Experience

Engaging The Organisation Towards Best-In-Class Practices

Achieving Superior Service Education Programme

The ground work and thinking for the reinvention in service quality and level required started in May 2012. The process was designed to engage almost 3,000 team members from diverse functional areas, from various hierarchical levels, from the highest level of the company to the shop floor, to look in one direction, speak a common service language and build a common service culture. Ron Kaufman was selected as the external resource to assist Air Mauritius in the journey to Step Up our service.

In June 2012 Ron Kaufman conducted a series of Service Leadership Workshops to sensitise Leaders and Managers to the ingredients of the change programme.

Following from our strategy to permeate the fundamentals of a new service culture across the organisation, the next step was to initiate a comprehensive Education Programme. Twenty four Course Leaders were selected and trained by a Master Trainer from Ron Kaufman's Up Your Service organisation in August 12 to facilitate the Education Programme. The Course Leaders were then equipped to deliver the 'Achieving Superior Service' Course to all Air Mauritius and Airmate employees.

2,846 team members (in 143 classes) followed the Achieving Superior Service Programme conducted during periods July 2012 to March 2013. The 2-day course facilitated by the 24 certified in-house trainers comprises the following areas

- *A common understanding of the various levels of service and the use a common service language within Air Mauritius*
- *Perception Points and essential ingredients that are required or each Perception Point within an organisation to become a Moment of Truth.*
- *The realisation of the big picture for service success in an organisation requiring that the Organisation's Primary Product, Delivery Systems, Service Mindset and Ongoing Relationships are tuned in and all functioning at the highest levels required.*

- The conducive culture for service success requires that each and every Team Member needs to "Take Personal Responsibility"

Customer Experience

Air Mauritius has responded promptly to the growing trend in the airline industry by establishing Customer Experience as a dedicated function to make the customer pivotal to the financial, operational and commercial decision-making and strategy development. Through appropriate and responsible customer-led decision making, a customer centric culture across Air Mauritius will be achieved and enabling a seamless delightful customer experience. Actions are aligned towards Step 6 (Service Quality) of the 7 Step Plan and the aim is for Air Mauritius to better align with best-in-class practices (e.g. Skytrax).

The key outcomes of Customer Experience are to:

- Gather exact knowledge of our customers to design appropriate cost-effective product
- Provide a seamless delightful customer experience
- Engage frontline Team Members with the pride to deliver quality service to customers
- Innovate and differentiate the Air Mauritius product and service for competitive advantage
- Consistently enhance Customer Engagement with monitoring of key metrics
- Align with best in class practices in the Industry for continuous improvement

With the financial constraints, priority will be given in financial year 2013/14 for 'Onboard' and 'Airport' actions. The sustained efforts will then be extended to the remaining Customer Touch points during financial year 2014/15 and beyond.

There is a need for Air Mauritius to strike the right equilibrium between Step 6 (Service Quality) and Step 3 (Relentless Cost Reduction and Cash Improvement) by innovative and cost-effective solutions across the customer value chain.

Management Discussion And Analysis

Customer Experience (Cont'd)

Ideas were generated during the Education Programme and opportunities to implement quick fixes were seized to provide a momentum that crystallizes in a durable service culture change. These have been favourably welcomed by both internal and external customers e.g. *Inflight information from Captain; Using mobile phones after landing, Better assisting passengers during aircraft refueling.*

High impact Service Improvement Projects that will provide substantial gains in terms of Customer Engagement and alignment with best in class practices have been initiated for implementation across the Customer Value Chain by cross-functional teams. These Service Improvement Projects require in-depth analysis, broad project teams and often significant resources to implement. The on-going Projects cover the following cross-functional areas:

- On board product and service offerings customised by routes
- Seat Comfort
- Inflight Entertainment
- Layout and facilities at Ticketing Counters
- Enhanced Service Standards in Ground Services
- Onboard service recovery
- Delay Management at Airports
- Special Meals
- Passengers requiring special assistance
- Grooming and Image Management for front liners

An Optimal organisational structure will be implemented in order to increase the realisation of benefits for Air Mauritius and ensure long-term sustainability in the enhancement of the experience of our Customers.

Inflight Services

The Company's Inflight Services has successfully been audited for the Quality Management System (QMS) for the renewal of its ISO 9001-2008 Standards for the re Certification in April 2013. The QMS is an essential tool to support our Quality Standards to achieve our set objectives on all the Inflight Service and Products attributes.

On the other hand, the Company has solicited the professional assistance of a consultant to review our menu offerings out of Base, and at Air Mauritius Lounges, to ensure an alignment of menu products, their consistency, and an optimization of product offerings accordingly. He will also be responsible of the Quality Assurance with the respective Suppliers, and their contracts management with Service Level Agreements, to meet and sustain our corporate objective of enhancing Service Quality.

Our consultant Sommelier, who was Meilleur Sommelier de France 2002, has been solicited for the renewal of our wines and champagne offering in both classes onboard. The new products have been devolved early this year, and will soon be completed on the air mauritius network.

The new organisational structure at Inflight Services is also gradually being devolved to better ensure compliance towards relevant Authorities, to ensure zero stock disruptions on our network, whilst optimizing our stock value at the various stock locators worldwide.

The food & beverages activity will soon be completely audited for a gap analysis to ensure the Company has the adequate processes and resources in place to sustain our corporate ambitions in this respect. The Company is in the process to recruit an International Chef to cover our food & beverages activities, which is scheduled for implementation by the second quarter of this year.

The new duty free sales activity has been deployed. The new inflight entertainment offering is being enhanced and will be deployed as from 01 July 2013.

Several international tenders have been launched to reinforce our onboard products offering, and opportunity is being explored to improve the experience of our customers, whilst optimizing on our cost structures.

Management Discussion And Analysis

Customer Experience (Cont'd)

Ground Services

In addition to the handling its own flights in Mauritius, Ground Operations also provide ground handling services to 7 customer airlines operating into our island. The ground handling services which include passenger, baggage, ramp, cargo and cleaning services, aim at offering effective and efficient services with commitment to optimal satisfaction. As a result, the on-time performance for all flights handled out of Mauritius improved by 3% points over last year.

To ensure the achievement of its objectives, Ground Operations have been providing mandatory and recurrent training to be in conformity with the safety and security standards of the Department of Civil Aviation of Mauritius, the International Civil Aviation Organisation (ICAO) and International Air Transport Association (IATA). The service delivery standards are maintained through regular audits which have validated our status of IATA Operational Safety Audit (IOSA) and ISO 9001:2008 and confirm that the safety and quality management system in place are of international standards.

The new terminal at the Sir Seewoosagur International Airport welcomed its first flight in March 2013 when an A340 from Air Mauritius was the first flight to be docked. The new terminal will have the capacity to welcome more than 4 million passengers and is already being referred to as one of the leading Airports of the region.

However, in view of the challenging business environment, Ground Operations will remain flexible in deploying its resources and vigilant in maintaining cost discipline. The Company shall also continue to seek growth opportunities to position ourselves as the preferred ground handler and focus in improving the level of service and customer experience at the airport.

As regards Ground Services Worldwide, it went through a successful IOSA Audit in Ground Handling (GRH) and Cargo Handling (CGH) with no findings and no observations during the renewal process of our IATA –IOSA certification effective as from September 2012 until September 2014. Safety in our ground handling has been further enhanced with the structured implementation of Safety Risk Management (SRM) through the Safety Management System (SMS) methodology.

For the lounge at SSR International Airport, the Company introduced a new food and beverages concept in December 2012, customised by routes and adapted to different tastes. When Air Mauritius moves to the New Terminal Building, there will be a significant increase in the Lounge Area, with a substantial increase in seating capacity. Moreover, the new lounge décor and general ambience will match international airline lounges standards.

Security

The security of the Company's customers and employees is fundamental for the Company. Failure to prevent a major security incident would harm both the Company's operations and financial performance. Air Mauritius depends on the absolute assurance of secure operations, both in the air and on the ground and to this effect, it has in place an adequate security policy that ensures that necessary priority is given to this objective in order to assure the security our passengers, staff & aircraft.

Technical Services

Technical Services (TS) is a critical business unit that ensures continued airworthiness of all aircraft operated by Air Mauritius. It faces the challenge of providing the highest standard of maintenance and engineering services while optimizing cost. Furthermore it has the responsibility of ensuring that adequate technical support is available in all outstations for a smooth operation network-wide.

TS provides a wide range of aircraft maintenance services under the approval of the Department of Civil Aviation which is the regulatory authority for Mauritius and the European Aviation Safety Agency (EASA). The Company is also IOSA certified and is actively involved in complying with the requirements of Safety Management System (SMS).

Well trained, qualified and dedicated technical and support staff and the company's state-of-the-art aircraft maintenance, avionics, cabin and mechanical workshop facilities have earned the company an international reputation for engineering excellence. This has enabled Air Mauritius Technical Services to provide consistent high quality aircraft maintenance, engineering and support services to the airline and the Maritime Air Squadron of the Mauritius National Coast Guard. Line Maintenance support is also provided to a number of large carriers operating to Mauritius, namely Air France, Condor, Air Seychelles and South African Airways.

Management Discussion And Analysis

Technical Services (Cont'd)

The maintenance facilities are located at the SSR International airport where all the line checks are performed to cater for the day to day operation. Air Mauritius has invested in a state of the art warehouse for flammable goods and chemicals during this financial year to meet local and international regulations.

Major overhaul and refurbishment are outsourced to internationally recognized maintenance organizations. All works performed by these organizations are under the supervision of Technical Services, the sole technical representative of Air Mauritius.

The airline has a dedicated Technical Training School and conducts various technical training programmes aimed primarily at developing the company's capability to carry out a significant portion of its maintenance activities in Mauritius in-house. Over 170 Training Sessions have been delivered to over 1090 participants of the Technical Services department, customers and other departments of the company during the last financial year. All trainings are either DCA approved or DCA and EASA approved.

Technical Services had embarked on the "Perfecting the Basics" improvement programme since November 2011 with the aim of improving operational stability and gaining on efficiency to reduce cost. The first and second phases have been completed on time and overall technical dispatch reliability has improved from 97% to 98%. The third and last phase is planned to be completed by end of 2013. This phase aims at consolidating the organization to keep stepping up the services provided by Technical Services.

Helicopter

Helicopter services continue to play a supporting role in Air Mauritius' core passenger business whilst contributing positively to the company's bottom line over the years. During the year 2012/13, Air Mauritius operated a fleet of two Bell 207 single-engine helicopters.

Air Mauritius views its helicopter business as a viable one with buoyant growth opportunities. However, with the Air Mauritius business model review whereby it has been decided to focus on the core business of carrying traffic into and out of Mauritius, the company has embarked on

an exercise of looking for a strategic partnership for the helicopter business. The exercise is in its final phase and is expected to be completed during 2013. The objective is to ensure long-term added value to the company consolidating our market presence, widen our customer base, renew our fleet and extend our distribution channels.

Harnessing Our Human Capital

1. Resourcing

In the course of the year, external recruitment has been limited essentially to Pilots, Aircraft Maintenance and engineering personnel and IT staff.

Staff has been fully optimized through reskilling and redeployment to productive jobs.

As at 31 March 2013, Air Mauritius had a total workforce of 2341 of whom 167 were pilots and 195 were staff in the Outstations.

2. Developing a Performance Culture

To successfully execute the Company's strategy, the development of a culture of performance and accountability is critical. Accordingly, HR has designed and started to roll out a new Performance Management System (PMS) which will ensure alignment of operational and corporate strategic objectives. The PMS has been implemented for the leadership and Senior Management team; it will be rolled out to the whole organization in phases.

3. Learning and Development

The Company believes that no sustainable growth can be achieved without investing in its people.

Operating in a highly regulated environment, the Company has to ensure that its team members have and maintain the required standard of technical competencies on an on-going basis and there is no compromise as regards to regulatory standards and safety.

The Company has continued to invest in the development of its talent pool not only to meet mandatory training requirements for technical crew and technical services staff but also and importantly to ensure that staff have the right skills and competencies to deliver their tasks effectively and efficiently.

Management Discussion And Analysis

Harnessing Our Human Capital (Cont'd)

Accordingly, very important learning and development investment has been effected in areas where mandatory and technical training are required. A total of 3700 hours of training have been dispensed. Pilots and employees of Technical Services, Ground Operations and Cabin Operations have followed at least 3 mandatory courses during the year.

Over and above mandatory and technical training, the Company has during the period invested in the enhancement of customer service across the organisation.

In its quest to improve service delivery at all levels of the organization, the Company launched the **Stepping Up Together** programme with the support of the renowned international consultant, Mr Ron Kaufman.

All employees including with the leadership team have gone through the 2-day intensive and interactive Achieving Superior Service course. The course has been delivered by 24 Air Mauritius Management cadres from different backgrounds who were initially trained by Ron Kaufman himself.

4. Health and Safety

The Company is fully committed to protect and promote the health and safety of all employees at the workplace. The Company has continued to focus on developing a safety culture across the organization to control risks of injury and of contracting occupational diseases. Health and Safety policies have been reviewed and updated to reflect changes in legislation; risk assessments and on-going in all operational areas.

Health & Safety training courses have been delivered to 695 employees by in-house teams as well as external expert agencies in the following areas, Health & Safety Induction, Working in Fuel Tank Confined Space, Fire Fighting Techniques, Fire Evacuation Procedures, manual handling, Awareness on OHSAS 18001, Ramp Safety, Code of Practice for Electrical Installation.

All technical and cabin crew have undergone mandatory medical fitness assessment.

In our endeavour to ensure that our employees are medically fit, flight and cabin crew have undergone

their mandatory medical fitness assessment while staff including those from Rodrigues exposed to noise have been subject to audiometric assessment and employees handling substances hazardous to health have undergone spirometry and blood lead tests respectively.

In total, 770 employees have participated in non-communicable diseases medical screening at all work locations at base.

There has been no reportable accident or incident during the period.

Environmental Protection

Air Mauritius subscribes to environmental protection through sound and safe management of its hazardous wastes generated mostly in the Hangars at Technical Services. The Company has pursued its on-going environmental protection actions with respect to disposal of nickel cadmium batteries, used oils and petrol and used tyres.

5. Employee Relations and Welfare

The Company believes that providing and maintaining sound, trustworthy employee relations are important dimensions conducive to achieving business objectives. The Company has a large unionized workforce. Management has held regular consultations with the 8 recognized trade unions and has remained attentive to employees' expectations to ensure harmonious social relations.

Provisions under MOUs signed with all the recognized unions in 2011 have been implemented.

Besides, the Company has organized through the PEQ Social Club a number of social recreational and sports activities for the benefit of its employees. Some of these activities are:

Interdepartmental football tournament, petanque tournament, nature trail, visit to charity organisations, a charity night to raise funds to support community projects, Regional meeting with World Airline Clubs Association, Tourism Employee Welfare Fund leisure programme, Blood donation, Long Service Award Ceremony, Federation Mauricienne Sport Corporatifs Badminton tournament, Road Show.

Management Discussion And Analysis

Harnessing Our Human Capital (Cont'd)

In December 2012, the Company has recognized and rewarded 243 long serving and loyal employees.

Procurement

Air Mauritius has a reliable procurement system governed by the Policy and Procedures Manual approved by the Board. A Standing Tender Committee whose members including the Chairman, are nominated by the Chief Executive Officer. The Tender Committee is the supreme body to decide on the mechanism for the allocation of contracts. The Procurement Department ensures value for money in the purchase of goods and services for the Company. This is conducted while maintaining process excellence and supplier relationships in a timely and cost effective manner.

The Procurement function being centralized is, however, partially devolved to support and collaborate with the two major internal customers namely Maintenance and Engineering and Customer Experiences. The implementation of the 7 Step Plan has set new challenges on Procurement during the course of this year. A new organization structure was put in place as from 01 October 2012 to help achieve the set objectives of the Company.

Procurement supports the daily requirements of the airline on the day to day purchase of aircraft spare parts and operates on a shift system on a daily basis with a hotline to attend to urgent requests outside office hours and in particular to source critical aircraft spare parts in the event of unplanned grounding of fleet.

With a view to providing a better service to its internal service partners, a rigorous procurement planning process has been implemented to improve the procurement cycle and thus provide a more optimum service to the various user departments. The current Procurement Policy and Procedures Manual will be reviewed in the course of this year to meet the business needs of our internal stakeholders in alignment with the corporate objectives of the Company.

Flight Operations

Safety First

Flight Operations is governed by International Civil Aviation Organization (ICAO) standards and the Civil Aviation Regulations of Mauritius. This department is headed by the Executive Vice President-Flight Operation as AOC Post holder for Flight Operations and a Management team comprising of Management Pilots and Operations Managers. Safety of our Customers remains the prime objective and this has led Air Mauritius to IATA OPERATIONAL SAFETY AUDIT (IOSA) Certification.

The Flight Operations Inspector of the Department of Civil Aviation carries our annual audits on Flight Operations before renewal of the Air Operator's Certificate.

Air Mauritius flights are operated by a total of 167 Pilots which includes 12 Management and 4 Helicopter Pilots.

Our Flight Operations Support team, is responsible to provide the logistics for all destination and alternate airports where we operate to while ensuring that the relevant permits are obtained from the different States which we overfly.

Crew Training is organized and carried out under the aegis of the Chief training Captain, AOC Post Holder for Training and his team. In addition to the Initial type Rating, recurrent Simulator training and ground courses are carried out at regular intervals to maintain the validity of Flight Crew licenses and Cabin Crew Member Certificates in accordance with the Mauritius Civil Aviation Regulations.

The Operations Control Center, bearing in mind the legal parameters coupled with Customer requirements, overviews the daily operations in terms of dispatch services relating to Fuel Flight Plans and Crew briefing whilst Crew Tracking ensures that all flights are properly crewed.

The Crew Planning Unit, in consultation with the Fleet Managers and Cabin Operations Management, prepares the optimized Crew patterns for the proposed schedules to calculate the required manpower and produces the monthly rosters for the Crew to operate within the legal framework. Consideration is also given to the Industrial agreements with the Crew Unions.

Management Discussion And Analysis

Safety Management

The Safety Management System (SMS), introduced last year, has redefined in numerous ways the management of safety in the Company. In areas where the SMS has unfolded significantly, policy, procedures and process changes are the subject of increased risk analysis before any changes are made. In addition, the SMS which relies heavily on data collection for the establishment of predictive measures (Safety Key Performance Indicators), led to the establishment of a new profile of competencies in the Corporate Safety Office. As such, Safety Data Analysts have been recruited with strong expertise in statistical analysis. Following the introductory months of SMS during which the Corporate Safety Office led SAG meetings for the sake of induction and training, this role is gradually being transferred to operational and technical management; the Corporate Safety Office will, as the SMS matures in the Company, focus increasingly on the Safety Assurance component of the SMS, the purpose of which is to ensure adherence to SMS policy and to the achievement of safety objectives. Finally and worthy of note, the IATA Operational Safety Audit (IOSA) was conducted in June 2012 leading to the successful renewal of IOSA registration till September 2014.

Fuel Efficiency At Air Mauritius

Fuel Efficiency has become a matter of great importance for airlines due to the evolution of fuel prices in the last years and increasing pressure to limit the environmental impact of aviation. Aware of our corporate responsibility and in view of reducing our fuel burn, Air Mauritius has responded positively during past years through the implementations of various initiatives some dating back to 2006. The creation of the Fuel Management Office last year under the responsibility of a Fuel Manager is another step in that direction to consolidate our Fuel Efficiency program. To assist in our Fuel efficiency Programme, we are now making use of the OSYS data analysis tool. This tool is going to enable us monitor and manage the progress of the efficiency programme.

Fuel Conservation

Fuel represents one of the largest cost components for Air Mauritius. An effective and efficient way of reducing costs is to use less fuel. Works are being carried out not only across all departments but also with industry partners such as Air Traffic service

providers and Airport Authorities to reduce the our fuel consumption. The aim is to ensure that the company has a robust internal “fuel conservation program” and consolidate our fuel efficiency. The following areas are being monitored for efficiency opportunities:

- **Route Optimization**

Our Flight Dispatch is on a continuous look out for new and more fuel efficient routes. New more direct flight routes enable reduction in fuel requirements and reduce harmful emissions. Hence the routing to London, Paris and Johannesburg has been reworked and achieved savings of 100Kg per flight. This has resulted in an annual fuel savings to the tune of 75,000 Kg.

- **Improved Airport Traffic Flows**

Improvements to ground, departure & arrival traffic flows and rationalization of existing Standard Departure and Arrival routes can further reduce fuel consumption. We have started discussions with our local Air Traffic Service Provider for this project which is in line with ICAO Action plan towards improving efficiency and reducing CO₂ emissions. This will not only benefit Air Mauritius but also all other operators serving Mauritius and ultimately the country by reducing emissions such as CO₂ and NO_x in our atmosphere.

- **Efficient Operating Procedures**

A 1% improvement in fuel efficiency can have a significant impact on the fuel costs. Refinements to existing operating procedures and investment in latest equipment can help achieve this. We are compiling industry best practices, and using published guidance material and consolidated our training programs to improve existing fuel conservation measures.

Management Discussion And Analysis

Fuel Efficiency At Air Mauritius (Cont'd)

Fuel Efficiency: an interdepartmental activity

The Fuel management office has set up working groups involving various stakeholders from all departments within Air Mauritius to contribute towards the fuel efficiency programme. This provides the Airline with more support in addressing fuel efficiency issues by getting everyone involved. Participants discuss best practice in areas such as

- Flight Dispatch and Planning
- Flight Operations
- Maintenance and Engineering
- Ground Operations
- Cabin-related items

Protecting the environment is our first priority whilst reducing cost.

Air Mauritius flight operations central objective is to use fuel as efficiently as possible whilst ensuring safety and security of our passengers and crew. There is a direct interlink between ecological and economic necessities: by reducing its Fuel Consumption the Airline makes a positive action towards environmental effects and benefits from cost savings.

In line with ICAO CO₂ reduction action plan and IATA objective, the aviation industry has embarked on the project of climate protection and set itself ambitious goals. It plans to improve average fuel efficiency by 1.5 percent per year up to 2020 and thus to slow down the increase in CO₂ emissions accordingly. From 2020, CO₂-neutral growth should then be achieved. In the long term, aviation's net CO₂ emissions are to be reduced by half by 2050, compared with 2005. The basis for realizing climate-neutral growth by 2020 is the industry's established four-pillar strategy, which interlinks an array of diverse environmental measures. Its scope comprises technical progress, improved infrastructure, operational measures and economic measures. These are guiding pillars on which Air Mauritius is also relying to accomplish its Fuel Efficiency program to reduce Fuel Costs and Fuel Consumption and hence reduce emissions.

Communications and Corporate Affairs

The Communications and Corporate Affairs function protects and enhances the Air Mauritius corporate image and reputation. This involves building and maintaining sound relationships with key stakeholders like the media, the public, government, regulatory organisations, customers, business partners, financiers as well as the public in general.

The special conjuncture of the airline industry and the financial status of Air Mauritius have attracted the attention of stakeholders given the importance of the industry for the island. Through regular communications, the Company ensures that stakeholders understand the company's position so as to create alignment around company objectives.

The Company closely monitors its various communities and the media, advising senior management on reputation issues while keeping the organisation abreast with latest local and international airline news as well as industry trends. The Communications and Corporate Affairs Team also manages internal communications, ensuring colleagues in Mauritius and across the network understand company values and strategic objectives while having access to the latest news about Air Mauritius.

Through its Branding function the department is instrumental in leading the elaboration and dissemination of a strong and consistent corporate identity that is expressed in the company's products and all forms of messages sent towards both internal and external stakeholders. Investment in advertising and reinforcing the brand continues as these are crucial in expressing the unique selling proposition of Air Mauritius in the fiercely competitive environment in which it is operating.

As crisis situations can have far reaching impacts on the company's reputation and legal liability, Communications and Corporate Affairs works closely with the Security Department to ensure a perpetual state of preparedness for a broad range of crisis situations.

Management Discussion And Analysis

Communications and Corporate Affairs (Cont'd)

Balancing its economic activities with the social and environmental upliftment of the community in which it operates is an integral part of the way Air Mauritius conducts its business. One of the pillars of Air Mauritius's involvement is its commitment to the environment. The company is fully aligned to the objectives of IATA for the environment aimed at reducing carbon emissions. In addition its 'One take-off one tree programme' enables the Mauritius Wild Life Foundation grow thousands of plants in its nurseries and plant them all over the Mauritian territory including Rodrigues. Over 6000 trees are thus being planted every year under the patronage of Air Mauritius corresponding to its total number of take-offs. Air Mauritius also sponsors the conservation of the Rodrigues Warbler, the Rodrigues Fody and the Red-tailed tropic bird (*Paille en queue*).



Holidays

Nature

Exchange

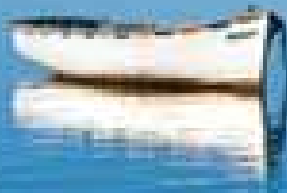
Leisure

New horizons

Island

Quality

Exotism



Service

Comfort

Beauty

Culture

Offering Mauritius

Air Mauritius's service is designed from the characteristics that make up the Mauritian DNA.

Hospitality

Diversity

Smile

Reliability



Management Discussion And Analysis

Performance and Development of the Business

Financial Performance

Loss of the Group for the financial year was Euro 2.5 million compared to a loss of Euro 29.4 million achieved in the previous year. Group Operating loss was Euro 1.3 million for the financial year 2012/13 compared to a loss of Euro 22.6 million for 2011/12.

Business Segments

Airline business

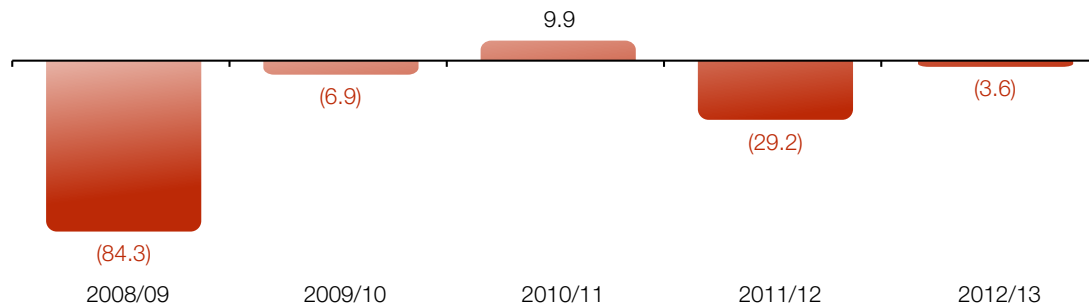
The airline business segment result for the financial year 2012/13 was a loss of Euro 3.6 million compared to a loss of Euro 29.2 million in 2011/12. The operating

loss for the financial year under review was Euro 2.3 million compared to a loss of Euro 23.3 million in 2011/12

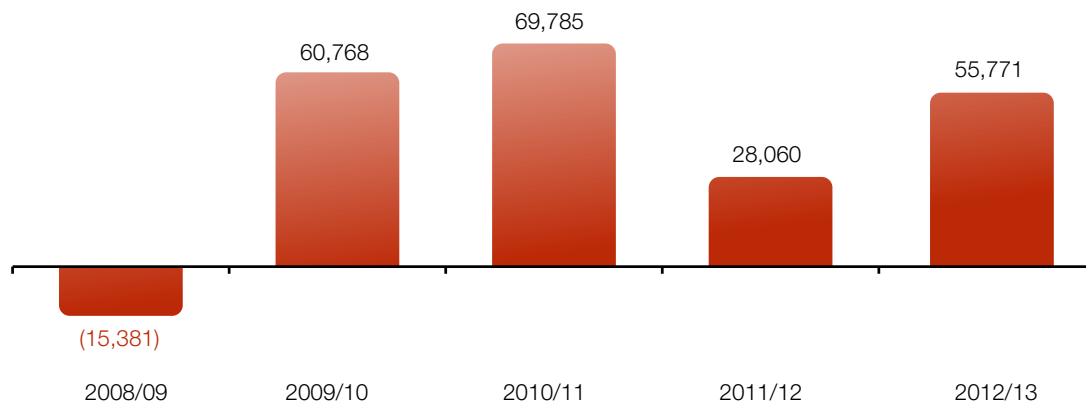
During the year, the Company started implementing its announced 7 Step Plan which saw a realignment of its network. The direct significant loss making flights were suspended, whereas additional frequencies were added on routes with greater potential for growth.

The operating revenue decreased marginally from EUR 450.9 million to EUR 450.0 million whereas the operating cost witness a larger decrease from EUR 450.4 million to EUR 430.7 million as planned.

Net (Loss) / Profit for the Company (Eur m)



EBITDA for the Company



■ EBITDA (EUR '000)

Management Discussion And Analysis

Segmental Information

1. By Product

(a) Aircraft Operations

| Revenue Composition | 2012/13 EUR million | 2011/12 EUR million | % Change |
|--|------------------------|------------------------|--------------|
| Passenger Revenue * | 265.4 | 283.0 | (6.2) |
| Freight * | 27.3 | 30.0 | (9.0) |
| Other Passenger related & Helicopter Revenue | 18.4 | 14.3 | 28.7 |
| Lease Receivable & Sundry Revenue | 11.8 | 4.8 | 145.8 |
| Excess Baggage, Mail & Courier | 4.8 | 5.5 | (12.7) |
| Total | 327.7 | 337.6 | (2.9) |

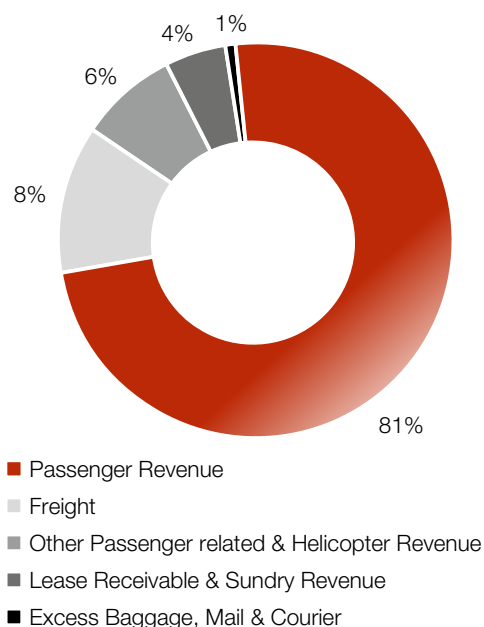
* Excluding fuel surcharge

The implementation of the 7 Step Plan resulted in a concentrated network whereby six routes were suspended during the financial year. With fewer touch points, revenue derived from aircraft operations dropped by 2.9% from Eur 337.6 million in 2011/12 to Eur 327.7 million this year. Passenger revenue registered a fall of 6.2% compared to the previous financial year. Freight revenue was down by Eur 2.7 million representing a decrease of 9% over 2011/12 this year.

Revenue earned from the carriage of Excess Baggage, Mail and Courier was also affected and it recorded a fall of 12.7% compared to the preceding financial year. On the other hand, Other Passenger related and Helicopter revenue went up by 28.7% from Eur 14.3 million in 2011/12 to Eur 18.4 million.

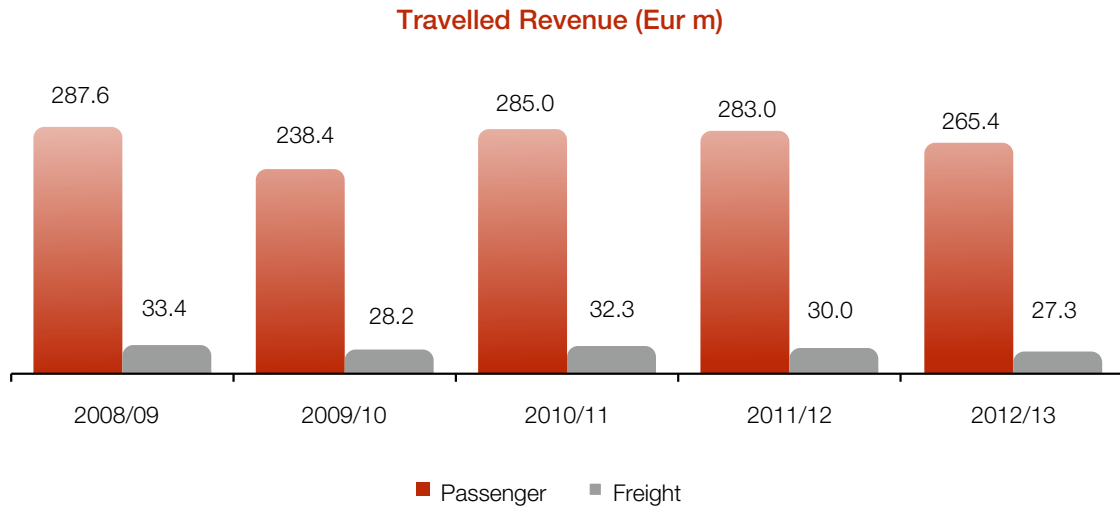
Lease receivable and Sundry revenue went up significantly by Eur 7 million mainly due to increased lease operations.

Revenue Composition



Management Discussion And Analysis

Segmental Information (Cont'd)



(b) Ground Operations

Traffic and Technical handling services are provided by the Ground Operations and Technical departments to foreign airlines operating to Mauritius. It represents an additional source of revenue to the Company. The income earned from these services represented 1.6% of the total revenue for the financial year ended 31 March 2013.



Management Discussion And Analysis

Segmental Information (Cont'd)

2. Geographical

(i) Geographical by Route

Travelled Revenue breakdown by route *

| Operating Region | EUR million | % |
|-------------------------------------|--------------|------------|
| Europe | 127.9 | 43 |
| Asia | 74.3 | 25 |
| Africa/Middle East/ Indian Ocean | 77.6 | 26 |
| Australia | 18.5 | 6 |
| Total | 298.3 | 100 |

* Excluding Helicopter Revenue, Lease Receivable & Sundry Revenue

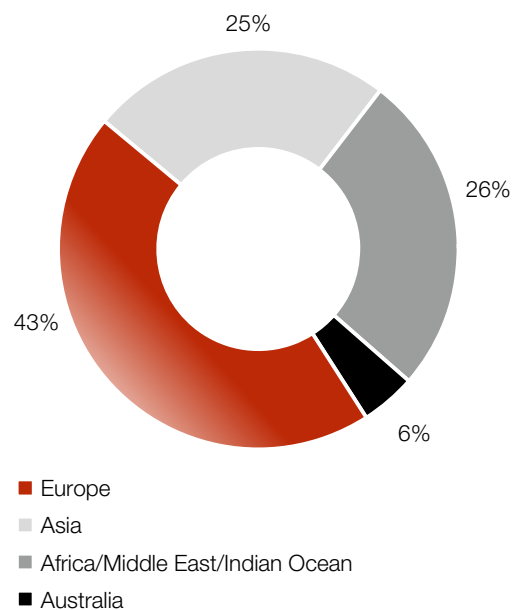
Europe - 43%

The share of revenue of Europe went down from 51% in 2011/12 to 43% this year as a result of the suspension of services to Germany, Italy and Switzerland. Both Available Tonne Kilometres and Revenue Tonne Kilometres went down by 27.7% and 19% respectively.

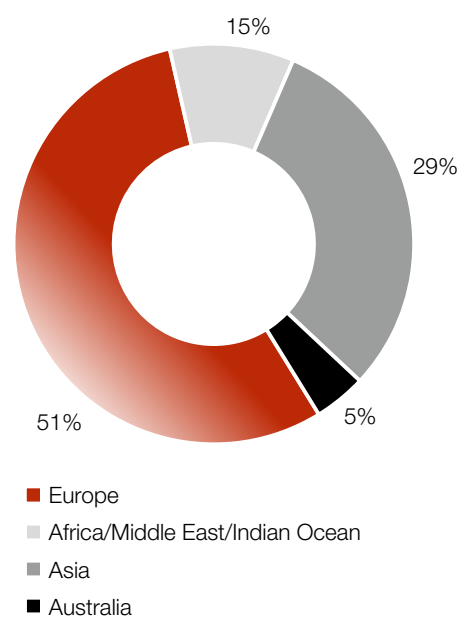
Asia - 25%

The Asian region includes all routes operated to India, China (including Hong Kong), Singapore and Malaysia. The share of revenue of this region witnessed an increase of 4 points from 21% to reach 25% at the end of the financial year 2012/13. Available Tonne Kilometres registered an increase of 3.7% and Revenue Tonne Kilometres rose by 6.4%.

Travelled Revenue by Route



Available Tonne Kilometres (ATK)



Management Discussion And Analysis

Segmental Information (Cont'd)

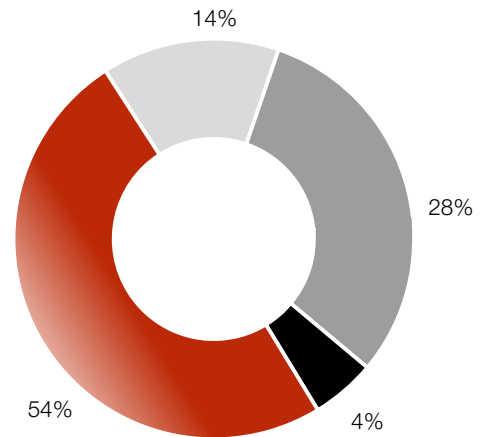
Africa / Middle East / Indian Ocean - 26%

These segments which include South Africa, Kenya, Dubai, Madagascar, Reunion, Rodrigues and Comores registered an improvement in their share of revenue from 22% in 2011/12 to 26% this year. Both Available Tonne Kilometres and Revenue Tonne Kilometres recorded increases of 7.6% and 9.0% respectively.

Australia - 6%

Australia maintained its share of revenue at 6%. The suspension of services to Sydney and Melbourne had a direct impact on Available Tonne Kilometres which went down by 18.3% and Revenue Tonne Kilometres decreased by 20.9%.

Revenue Tonne Kilometres (RTK)



- Europe
- Africa/Middle East/Indian Ocean
- Asia
- Australia



Management Discussion And Analysis

Segmental Information (Cont'd)

2. Geographical

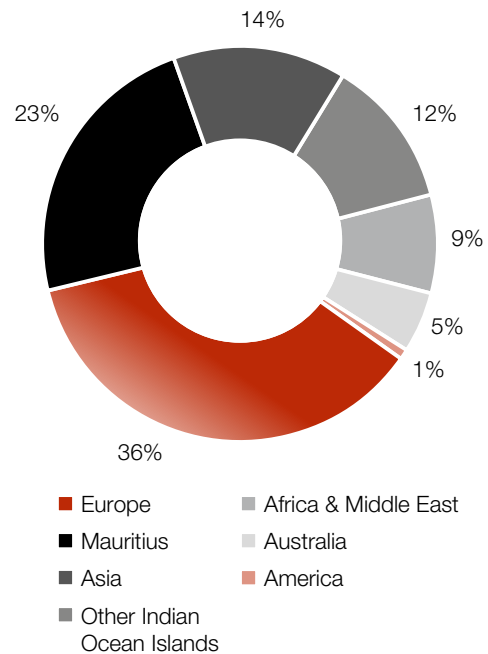
(ii) Geographical by Destination

Travelled Revenue breakdown by destination *

| Destination | EUR million | % |
|----------------------------|--------------|------------|
| Europe | 108.5 | 36 |
| Mauritius | 67.8 | 23 |
| Asia | 42.0 | 14 |
| Other Indian Ocean Islands | 36.7 | 12 |
| Africa & Middle East | 26.6 | 9 |
| Australia | 13.5 | 5 |
| America | 3.2 | 1 |
| Total | 298.3 | 100 |

* Excluding Helicopter Revenue, Lease Receivable & Sundry Revenue

Travelled Revenue by destination



Revenue by destination is defined as the income generated from the original point of sale, i.e. market contribution to the network.

The European arena comprises of online markets (with direct connections) such as France and United Kingdom and offline markets (with indirect connections) such as Germany, Italy, Switzerland and Spain saw its share of revenue to total travelled revenue going down by 7 percentage points from 43% to 36% this financial year.

Sales revenue originating from Mauritius retained its position as the second highest revenue earner for the Company. Its share of revenue grew by 1 point from 22% in 2011/12 to 23% this year.

The sales revenue generated from Asia which is composed mainly of India, China, Malaysia, Singapore and Hong Kong improved its share of revenue by 3 points to 14%.

Sales revenue from the Other Indian Ocean islands comprising of Madagascar, Reunion and Seychelles improved its share of revenue by 1 point to 12%

Africa and Middle East group mainly countries such as South Africa, Kenya and United Arab Emirates. The share of revenue of these segments stood at 9% for 2012/13 compared to 8% for the previous financial year.

Sales revenue derived from Australia registered an increase in its share of revenue from 4% in 2011/12 to 5% this year.

America which includes mainly the northern countries of USA and Canada saw its share of revenue remaining at 1%.

Management Discussion And Analysis

Segmental Information (Cont'd)

Geographical by Routes (Passenger only)

| Operating Region | Number | % Change over Last Year | EUR million | % Change over Last Year |
|----------------------|------------------|-------------------------|--------------|-------------------------|
| Europe | 316,106 | (22.3) | 112.7 | (21.2) |
| Africa & Middle East | 181,740 | 5.6 | 40.4 | 10.7 |
| Asia | 297,379 | 6.9 | 65.9 | 10.6 |
| Australia | 45,623 | 5.0 | 17.6 | 7.3 |
| Indian Ocean | 455,694 | 7.5 | 28.8 | 4.7 |
| Total | 1,296,542 | (2.1) | 265.4 | (6.2) |

Network

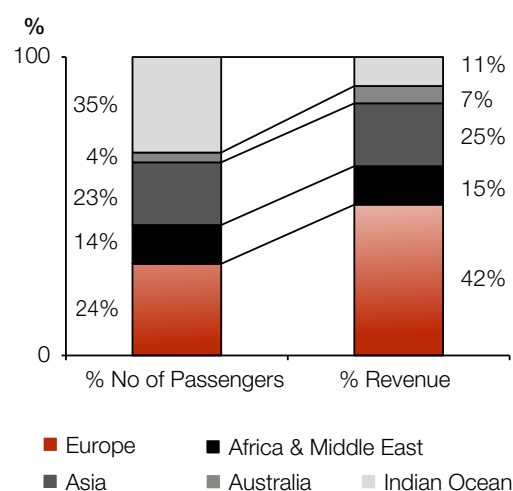
The year 2012 was another challenging year for the airline industry characterised with a slowing world economy and high fuel prices. During the financial year 2012/13, Air Mauritius implemented its 7 Step Plan which advocated a network concentration whereby it rebalanced its traffic from Europe to emerging economies in a phased approach.

Seat capacity offered on the network was marginally down by 0.3% from 1,841,372 in 2011/12 to 1,836,086 this year. The number of passengers carried went down by 2.1% to 1,296,542 as compared to 1,324,613 in the previous financial year. Accordingly, Passenger Revenue went down by 6.2% coupled with a fall of 4.3% in yield. Passenger Load Factor grew from 77.1% in 2011/12 to 78.9% this year.

Europe

With only 2 touch points in Europe, namely Paris Charles de Gaulle and London Heathrow during the major part of 2012/13, Seats offered decreased to 386,986 (-24.4%). The number of passengers dropped by 90,729 from 406,835 in 2011/12 to 316,106 this year.

Contribution by Operating Regions



Management Discussion And Analysis

Segmental Information (Cont'd)

Consequently, passenger revenue registered a decrease of 21.2% over the preceding year. On the other hand, an improvement of 1.2% in Passenger yield was noted in this region. Passenger Load Factor improved by 2.2 points to 81.7% as the drop of 22.3% in passenger volume was offset by a more significant reduction in capacity (-24.4%).

Africa & Middle East

These two regions witnessed an increase of 7.2% in seat capacity which stood at 269,352 this year as compared to 251,146 for 2011/12. The number of passenger uplifts went up by 9,586 or 5.6% to reach 181,740. An improvement of 4.8% in passenger yield impacted positively on passenger revenue which went up by 10.7% to reach Eur 40.4 million. On the other hand, Passenger Load Factor slipped by 0.9 point from 70.1% to 69.2% this year.

Asia

Asia which comprises of routes operating to India, China and the Far East witnessed a growth of 4.5% in seats offered to attain 373,368 in 2012/13. Shanghai was serviced with two weekly direct flights as from 24th January 2013 replacing the once weekly flight in combination with Kuala Lumpur. The number of passengers increased by 6.9% from 278,217 in 2011/12 to 297,379 this year. Accordingly, revenue went up by 10.6% owing to the combination of an increase in traffic and an improvement of 3.4% in passenger yield. The Asian routes achieved a passenger load factor of 80.7%, representing an increase of 2.2 points over the previous financial year as a result of an increase in passengers carried (+6.9%).

Australia

Australia was serviced with two weekly direct flights to Perth after the suspension of the once weekly Melbourne/Sydney at the end of May 2012. Overall capacity was reduced by 4,520 seats or 7.2% on this continent. However, 45,623 coupons were uplifted representing an increase of 5% over 2011/12. Passenger revenue went up by 7.3% to Eur 17.6 million attributable to an increase in the number of passengers carried and an improvement of 2.4% in passenger yield. Passenger Load Factor grew significantly by 9.7 points from 68.4% to 78.1% on account of an increase in traffic of 5% and a reduction in capacity offered by 7.2%.

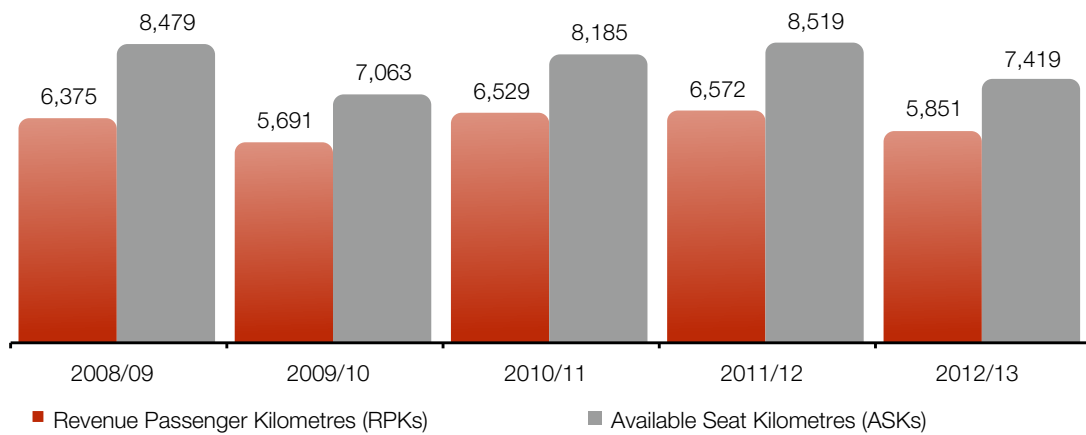
Indian Ocean

The injection of additional capacity on the Indian Ocean routes led to an increase in seat capacity by 13.7%. Consequently, traffic grew by 7.5% from 423,969 in 2011/12 to 455,694 this year. However, revenue went up only by 4.7% due to a fall of 2.7% in passenger yield. Passenger Load Factor marginally went up to 62.2% compared to 62.1% achieved in the previous financial year.

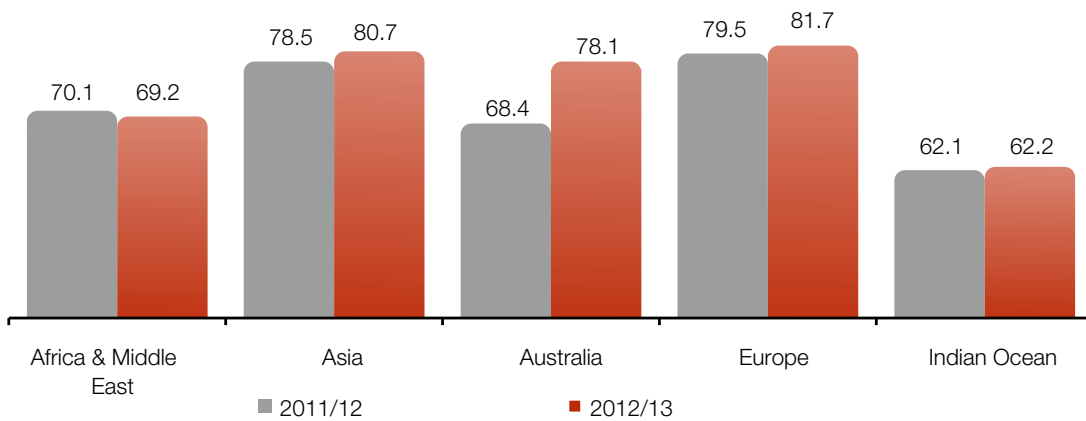
Management Discussion And Analysis

Segmental Information (Cont'd)

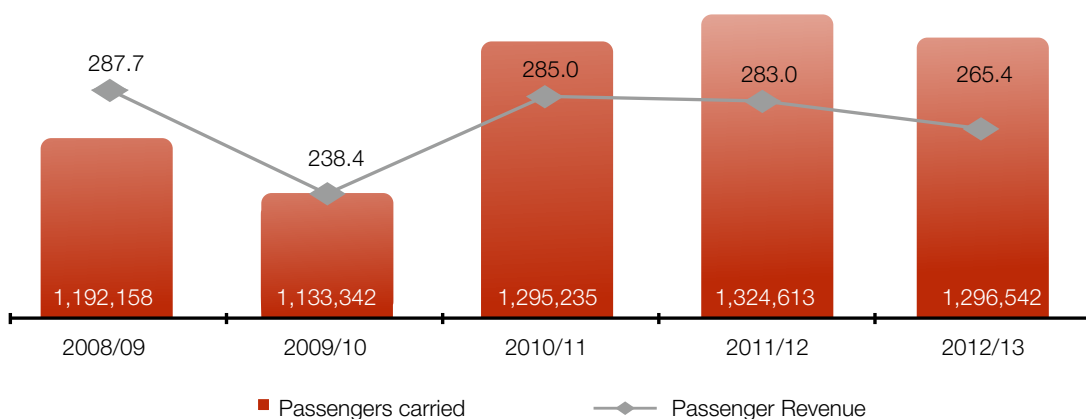
Passenger Capacity and Output (Million)



Load Factor (%) by region



Passengers Carried (Number) & Revenue (EUR m)



Management Discussion And Analysis

Segmental Information (Cont'd)

Cargo Analysis

Geographical by Routes

| Operating Region | Tonnes | % Change over Last Year | EUR million | % Change over Last Year |
|---------------------------------|---------------|-------------------------|-------------|-------------------------|
| Europe | 11,033 | (11.3) | 11.5 | (20.1) |
| Africa/Middle East/Indian Ocean | 12,062 | (0.1) | 7.6 | 7.0 |
| Asia | 6,689 | 5.3 | 7.6 | 1.3 |
| Australia | 708 | (33.8) | 0.6 | (40.0) |
| Total | 30,492 | (4.5) | 27.3 | (9.0) |

Network

With a reduced belly capacity, total Cargo uplifted stood at 30,492 tonnes compared to 31,940 in 2011/12.

Europe

Cargo tonnage carried on the European routes was down by 11.3% and with the combined effect of a deterioration in yield of 10%, cargo revenue dropped by 20.1%.

Africa / Middle East / Indian Ocean

The cargo tonnage carried in these regions was almost comparable to the preceding financial year with a slight fall of 0.1%. On the other hand, Cargo revenue reported an increase of 7% attributable to an improvement in yield by 7.2%.

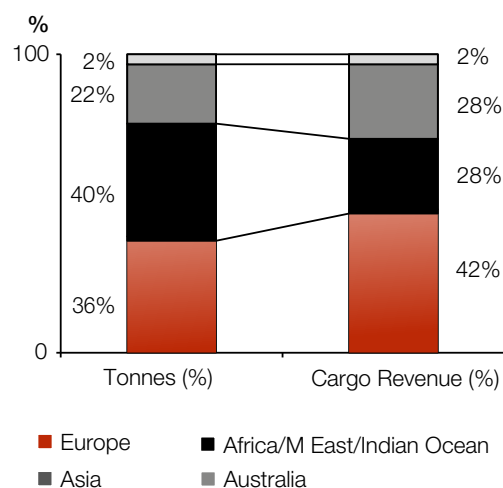
Asia

Asia witnessed increases in both cargo tonnage and revenue by 5.3% and 1.3% respectively.

Australia

Cargo tonnage carried on the Australian continent dropped by 33.8% to 708 tonnes resulting in cargo revenue decreasing from Eur 1 million to Eur 0.6 million.

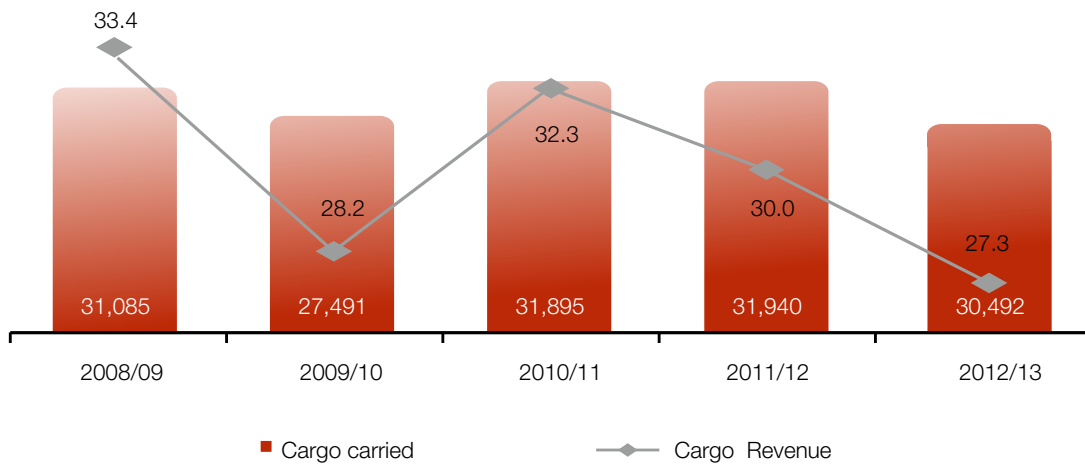
Contribution by Operating Regions



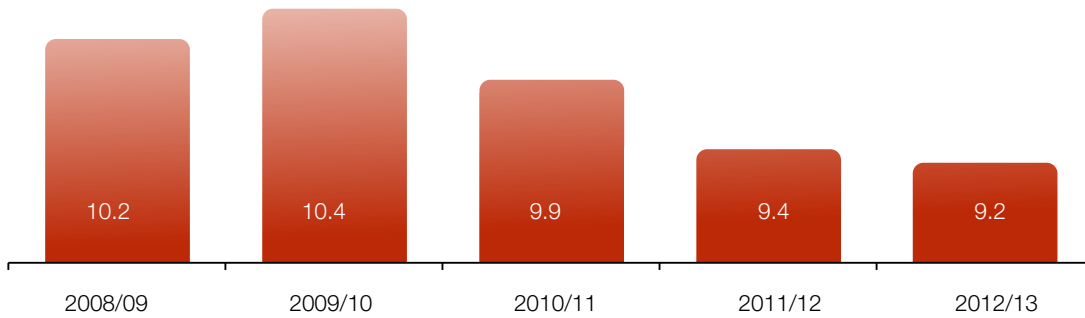
Management Discussion And Analysis

Segmental Information (Cont'd)

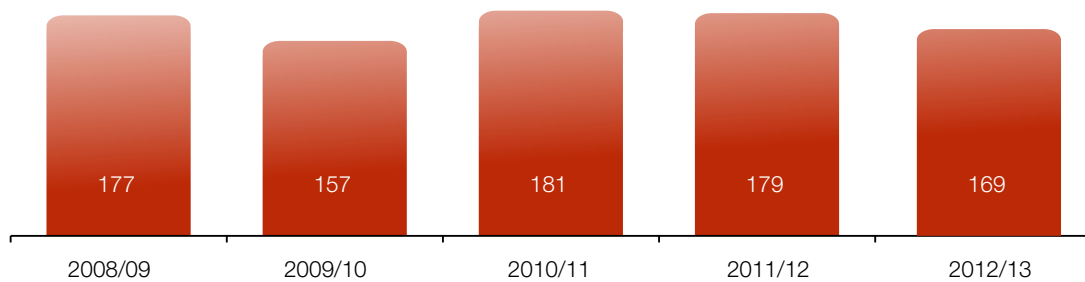
Cargo carried (Tonnes) & Revenue (Eur m)



Percentage Contribution of Cargo to Gross Travelled Revenue



Cargo Revenue Tonne Kilometres (Million)



Management Discussion And Analysis

Revenue

Group revenue for the year decreased from Euro 453.2 million in 2011/12 to Euro 452.1 million this year.

Passenger revenue went down by 6.2% to Euro 265.4 million. Passenger yield declined by 4.3% compared to the previous financial year and Load factor improved by 1.8 points to 78.9%. Capacity in terms of ASKs' went down by 12.9% compared to last year.

Cargo revenue went down by 9% from Euro 30 million to Euro 27.3 million as compared to last year largely attributable to a fall in cargo uplift and to a decrease in yield.

Revenue on fuel surcharge registered an increase of 7.8% as compared to last year.

Expenditure

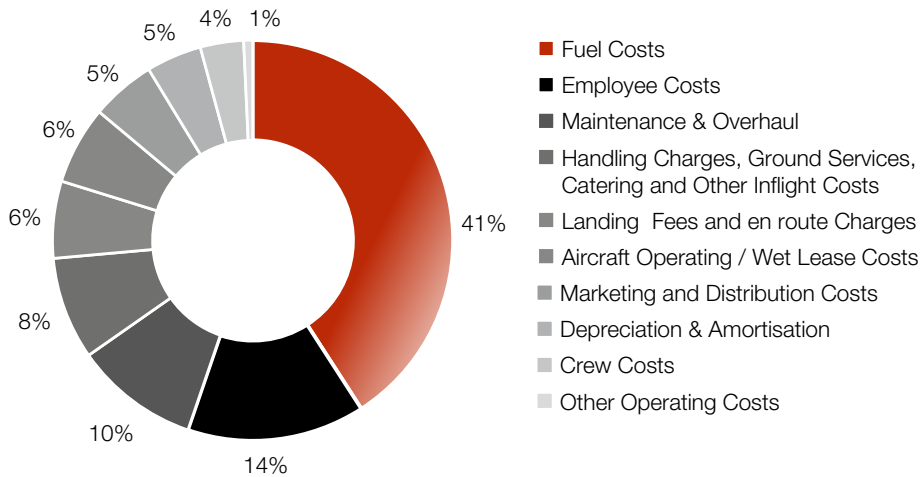
Total operating costs for the year went down by 4.4 per cent as compared to last year mainly attributable to a decrease in level of operations. Fuel cost was down by 7.6% to reach Eur 176.3 million. The fuel price was marginally down by 0.8% as compared to last year.

Most operating costs were down mainly on account of the decrease in the level of operations.

| Operating Expenditure | 2012/13 | 2011/12 | Increase/(Decrease) |
|--|--------------|--------------|---------------------|
| | Euro m | Euro m | % |
| Fuel Costs | 176.3 | 190.8 | (7.6) |
| Employee Costs | 62.0 | 61.0 | 1.6 |
| Maintenance & Overhaul | 43.3 | 41.2 | 5.1 |
| Handling Charges, Ground Services, Catering and Other Inflight Costs | 35.7 | 40.6 | (12.1) |
| Landing Fees and en route Charges | 26.8 | 29.5 | (9.2) |
| Aircraft Operating/Wet Lease Costs | 27.0 | 25.6 | 5.5 |
| Marketing and Distribution Costs | 22.5 | 24.8 | (9.3) |
| Depreciation & Amortisation | 19.3 | 19.5 | (1.0) |
| Crew Costs | 15.1 | 16.9 | (10.7) |
| Other Operating Costs | 3.2 | 1.2 | 166.7 |
| Total Group Operating Expenditure | 431.2 | 451.1 | (4.4) |

Management Discussion And Analysis

Cost Composition - 2012/13



Earnings per Share

Loss attributable to shareholders for the year was Euro 2.5 million. This is equivalent to a loss of Euro 0.02 cent per share or Rupees 0.78 cent per share.

Working Capital

At March 31, 2013, net current liabilities were Euro 83 million as compared to Euro 98 million at 31 March 2012. The current liabilities include an amount of Euro 64.1 million for the financial year 2012/13 compared to Euro 71.8 million for last year in respect of sales in advance of carriage for tickets issued but not yet utilised.

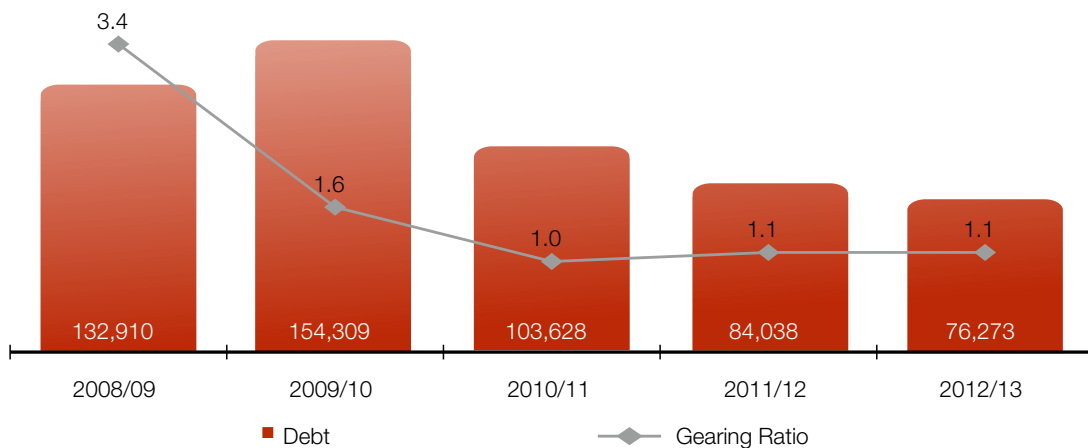
Cash Flow

The cash & cash equivalents (after bank overdrafts) of the Group at 31 March 2013 showed a negative balance of Euro 5.3 million (Mur 211 million) compared to a positive amount of Euro 5.4 million (Mur 209 million) at 31 March 2012.

Gearing ratio

The gearing ratio at 31 March 2013 was comparable to last year at 1.1:1.

Debt (EUR '000) and Gearing Ratio



Management Discussion And Analysis

Operating and Financial Statistics for the five years ended 31 March.

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|--------|--------|--------|--------|--------|
| Traffic and Capacity | | | | | |
| Revenue passenger km (RPK) m | 5,851 | 6,572 | 6,529 | 5,691 | 6,375 |
| Available seat km (ASK) m | 7,419 | 8,519 | 8,185 | 7,063 | 8,479 |
| Passenger load factor (%) | 78.9 | 77.1 | 79.8 | 80.6 | 74.9 |
| Cargo tonne km (CTK) m | 169 | 179 | 181 | 157 | 177 |
| Total revenue tonne kilometres (RTK) m | 707 | 785 | 783 | 680 | 751 |
| Total available tonne kilometres (ATK) m | 1,073 | 1,271 | 1,224 | 1,064 | 1,267 |
| Overall load factor (%) | 65.9 | 61.8 | 64.0 | 63.9 | 59.3 |
| Passengers carried ('000) | 1,297 | 1,325 | 1,295 | 1,133 | 1,192 |
| Tonnes of cargo carried | 30,492 | 31,940 | 31,895 | 27,491 | 31,085 |
| Revenue flights | 10,080 | 10,434 | 10,089 | 9,213 | 9,803 |
| Financial | | | | | |
| Net (loss)/profit margin (%) | (0.8) | (6.5) | 2.1 | (1.9) | (19.0) |
| EBITDA m | 55.8 | 28.1 | 69.8 | 60.8 | (15.4) |
| Gearing Ratio | 1.1:1 | 1.1:1 | 0.9:1 | 1.6:1 | 2.8:1 |
| Total traffic revenue per RTK eur | 0.42 | 0.41 | 0.41 | 0.40 | 0.43 |
| Total traffic revenue per ATK eur | 0.28 | 0.25 | 0.26 | 0.25 | 0.26 |
| Total expenditure on operations per RTK eur | 0.60 | 0.56 | 0.48 | 0.44 | 0.53 |
| Total expenditure on operations per ATK eur | 0.39 | 0.35 | 0.31 | 0.28 | 0.31 |
| Passenger revenue per RPK eur | 0.05 | 0.04 | 0.04 | 0.04 | 0.05 |
| Passenger revenue per ASK eur | 0.04 | 0.03 | 0.03 | 0.03 | 0.03 |
| Revenue per ASK (RASK) eur cents | 6.72 | 5.89 | 5.81 | 5.76 | 5.67 |
| Cost per ASK (CASK) eur cents | 6.85 | 6.25 | 5.63 | 5.27 | 5.62 |
| Cargo revenue per CTK eur | 0.16 | 0.17 | 0.18 | 0.18 | 0.19 |
| Average fuel price (us cents / us gallon) | 334.0 | 337.0 | 256.0 | 207.0 | 297.4 |
| Operations | | | | | |
| Aircraft in service at year end | 12 | 12 | 12 | 12 | 12 |
| Punctuality - within 15 minutes (%) | 84.7 | 78.3 | 72.9 | 77.6 | 76.1 |
| Dispatch Reliability overall (%) | 98.3 | 98.6 | 96.8 | 96.9 | 96.2 |





Connecting Rodrigues

Air Mauritius has been a partner of the economic development of Rodrigues for 40 years, connecting it to mainland Mauritius and through it to the rest of the world. It offers special discounts that have helped boost tourism from Mauritius to Rodrigues.

Air Mauritius also participates in the promotion of Rodrigues as a tourist destination and assists in the transportation of crucial goods like medical supplies.



Certificate from the Company Secretary

I certify that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 in terms of Section 166(d).



Mr Foad Nooraully
Company Secretary

June 2013

Directors' Disclosure Statement

The directors who are members of the Board at the time of approving the Directors' Report and Business Review are listed on page 18. Having made enquiries of fellow directors and of the Company's independent external auditors, each of these directors confirms that:

- a) to the best of each director's knowledge and belief there is no information relevant to the preparation of their report to which the Company's auditors is unaware; and
- b) each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors is aware of that information.

Approved by the Board and signed on its behalf by:



Mr Appalsamy Thomas, GOSK
Chairman



Mr Raj Ringadoo
Director

June 2013

Statement Of Compliance

(Section 75 (3) of the Financial Reporting Act)

We, the Directors of Air Mauritius Limited, confirm that to the best of our knowledge that Air Mauritius Limited has complied with all of its obligations and requirements under the Code of Corporate Governance.



Mr Appalsamy Thomas, GOSK
Chairman



Mr Raj Ringadoo
Director

June 2013

Directors' Responsibility Statement

The responsibilities of the Directors of Air Mauritius Limited in respect of the operations of the Group and the Company are set out below:

Financial Statements

The Directors are required by the Companies Act 2001 to prepare financial statements for the Group and the Company that provide a true and fair view of the financial position as at the end of the financial year and of the results of their operations for the year then ended. The Directors are responsible for the integrity of these annual financial statements and for the objectivity of any other information presented therein.

The Directors confirm that, in preparing these financial statements, they have: kept proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company; safeguarded the assets of the Group and the Company by maintaining appropriate internal control systems and procedures; taken reasonable steps for the prevention and detection of fraud and other irregularities; prepared the financial statements on a going concern basis; made judgements and estimates that are reasonable and prudent; and, selected suitable accounting policies, in compliance with International Financial Reporting Standards, and have applied them consistently.

Internal Control

The Directors have an 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. The Group's internal control systems have been designed to provide the Directors with such reasonable assurance.

Such systems should ensure that all transactions are authorised and recorded and that any material irregularities are detected and rectified within a reasonable time-frame. The Group has an established Internal Audit function which assists management in effectively discharging its responsibilities. Internal Audit is an independent function that reports directly to the Audit Committee. Business controls are reviewed on an on-going basis by Internal Audit using a cycle-based risk approach.

Risk Management

Through the Risk Management Steering Committee ("RMSC"), it is ensured that the Directors are made fully aware of the various issues and risks affecting the Group's business activities. The Directors are responsible for taking appropriate action to mitigate these risks using such measures, policies and procedures and other controls that they deem fit.

Governance

The Directors endeavour to apply principles of good governance at the level of the Group as well as within the Company.



Mr Appalsamy Thomas, GOSK

Chairman



Mr Raj Ringadoo

Director

Independent Auditors' Report

To The Members Of Air Mauritius Limited

Report on the Financial Statements

We have audited the financial statements of Air Mauritius Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position as at March 31, 2013 and the statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company at March 31, 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001 and Financial Reporting Act 2004.

Independent Auditors' Report

To The Members Of Air Mauritius Limited

Report on the Financial Statements (Cont'd)

Other matter

This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacities as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Financial Reporting Act 2004

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

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



ERNST & YOUNG
Ebène,
Mauritius



ROGER DE CHAZAL, A.C.A
Licensed by FRC

13 June 2013

Statements Of Financial Position

As At March 31, 2013

| | Notes | THE GROUP | | THE COMPANY | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2013 €'000 | 2012 €'000 | 2013 €'000 | 2012 €'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 6 | 251,547 | 264,522 | 245,423 | 259,613 |
| Investment property | 7 | 10,050 | 9,856 | - | - |
| Intangible assets | 8 | 184 | 548 | 170 | 534 |
| Investment in subsidiaries | 9 | - | - | 27,155 | 27,155 |
| Investment in an associate | 10 | 157 | 167 | 102 | 102 |
| Available-for-sale investments | 11 | 611 | 603 | 611 | 603 |
| Long term deposits | 12 | 8,984 | 8,692 | 8,984 | 8,692 |
| Long term receivables | 13 | 133 | 132 | 133 | 132 |
| Deferred tax asset | 14 | 20 | 27 | - | - |
| | | 271,686 | 284,547 | 282,578 | 296,831 |
| Current assets | | | | | |
| Inventories | 15 | 15,736 | 17,098 | 15,672 | 17,038 |
| Trade and other receivables | 16 | 47,880 | 44,986 | 47,351 | 44,852 |
| Other financial assets | 20 | 1,909 | 45 | 1,909 | 45 |
| Cash and short-term deposits | 17 | 11,434 | 13,479 | 10,093 | 11,256 |
| | | 76,959 | 75,608 | 75,025 | 73,191 |
| Total assets | | 348,645 | 360,155 | 357,603 | 370,022 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 18 | 41,724 | 41,724 | 41,724 | 41,724 |
| Share premium | | 18,869 | 18,869 | 18,869 | 18,869 |
| Other reserves | | (9,182) | (9,872) | 1,492 | 181 |
| Retained earnings | | 20,026 | 26,985 | 14,990 | 22,974 |
| Equity attributable to equity holders of the parent | | 71,437 | 77,706 | 77,075 | 83,748 |
| Non-controlling interests | | 2,480 | 2,457 | - | - |
| Total equity | | 73,917 | 80,163 | 77,075 | 83,748 |
| Non-current liabilities | | | | | |
| Interest-bearing loans and borrowings | 19 | 48,473 | 59,701 | 48,473 | 59,701 |
| Provisions | 21 | 66,484 | 46,875 | 66,227 | 46,677 |
| | | 114,957 | 106,576 | 114,700 | 106,378 |
| Current liabilities | | | | | |
| Trade and other payables | 22 | 131,364 | 149,066 | 130,911 | 148,816 |
| Interest-bearing loans and borrowings | 19 | 27,832 | 24,337 | 34,342 | 31,067 |
| Other financial liabilities | 20 | 575 | 13 | 575 | 13 |
| | | 159,771 | 173,416 | 165,828 | 179,896 |
| Total liabilities | | 274,728 | 279,992 | 280,528 | 286,274 |
| Total equity and liabilities | | 348,645 | 360,155 | 357,603 | 370,022 |

These financial statements were approved by the Board of Directors on June 13 2013



Mr Appalsamy Thomas, GOSK
(Chairman)



Mr Raj Ringadoo
(Director)

The notes on pages 100 to 158 form an integral part of these financial statements.
Auditors' report on pages 92 and 93.

Statements Of Comprehensive Income

For The Year Ended March 31, 2013

| | Notes | THE GROUP | | THE COMPANY | |
|--|-------|------------------|---------------|------------------|---------------|
| | | 2013 €'000 | 2012 €'000 | 2013 €'000 | 2012 €'000 |
| Revenue | 23 | 452,129 | 453,218 | 450,011 | 450,869 |
| Cost of sales | 23 | (431,203) | (450,924) | (430,696) | (450,402) |
| Gross profit | | 20,926 | 2,294 | 19,315 | 467 |
| Administrative expenses | 23 | (26,661) | (29,066) | (25,514) | (27,965) |
| Other operating income | 23 | 4,056 | 4,302 | 3,861 | 4,169 |
| Fair value gain / (loss) on investment property | 7 | 395 | (96) | - | - |
| Operating loss | 24 | (1,284) | (22,566) | (2,338) | (23,329) |
| Share of results of an associate | 10(c) | (10) | 12 | - | - |
| Finance revenue | 25 | 1,478 | 437 | 1,427 | 1,447 |
| Finance costs | 26 | (2,500) | (7,156) | (2,710) | (7,347) |
| Loss before tax | | (2,316) | (29,273) | (3,621) | (29,229) |
| Income tax expense | 27 | (187) | (157) | - | - |
| Loss for the year | | (2,503) | (29,430) | (3,621) | (29,229) |
| Other comprehensive income for the year, net of tax | | | | | |
| Fair value movement in available-for-sale investments * | 11 | 8 | (25) | 8 | (25) |
| Movement in cash flow hedges * | | 1,303 | 1,861 | 1,303 | 1,861 |
| Actuarial gains and losses on defined benefit plans * | | (4,389) | (4,513) | (4,363) | (4,535) |
| Exchange differences on consolidation * | | (665) | 1,205 | - | - |
| | | (3,743) | (1,472) | (3,052) | (2,699) |
| Total comprehensive income for the year, net of tax | | (6,246) | (30,902) | (6,673) | (31,928) |
| Loss for the year attributable to: | | | | | |
| - Equity holders of the parent | | (2,575) | (29,598) | | |
| - Non-controlling interests | | 72 | 168 | | |
| | | (2,503) | (29,430) | | |
| Total comprehensive income attributable to: | | | | | |
| - Equity holders of the parent | | (6,269) | (31,170) | | |
| - Non-controlling interests | | 23 | 268 | | |
| | | (6,246) | (30,902) | | |
| Loss per share (EUR) | 28 | (0.02) | (0.29) | | |

* There is no tax effect on the components of other comprehensive income.

The notes on pages 100 to 158 form an integral part of these financial statements.
Auditors' report on pages 92 and 93.

Statements Of Changes In Equity

For The Year Ended March 31, 2013

| | Share capital | Share premium | Other reserves | | | | Retained earnings | Total shareholders' interest | Non-controlling interests | Total equity |
|------------------------------|---------------|---------------|--------------------|--------------------------------------|----------------------|----------------------|-------------------|------------------------------|---------------------------|---------------|
| | | | Fair value reserve | Translation reserve on consolidation | Hedge equity reserve | Total other reserves | | | | |
| The Group | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | |
| At April 01, 2011 | 41,724 | 18,869 | 1,073 | (11,141) | (1,829) | (11,897) | 61,451 | 110,147 | 2,263 | 112,410 |
| (Loss) / profit for the year | - | - | - | - | - | - | (29,598) | (29,598) | 168 | (29,430) |
| Other comprehensive income | - | - | (25) | 1,079 | 1,861 | 2,915 | (4,487) | (1,572) | 100 | (1,472) |
| Total comprehensive income | - | - | (25) | 1,079 | 1,861 | 2,915 | (34,085) | (31,170) | 268 | (30,902) |
| Transfers | - | - | (890) | - | - | (890) | 890 | - | - | - |
| Dividend | - | - | - | - | - | - | (1,271) | (1,271) | (74) | (1,345) |
| At March 31, 2012 | 41,724 | 18,869 | 158 | (10,062) | 32 | (9,872) | 26,985 | 77,706 | 2,457 | 80,163 |
| At April 01, 2012 | 41,724 | 18,869 | 158 | (10,062) | 32 | (9,872) | 26,985 | 77,706 | 2,457 | 80,163 |
| (Loss) / profit for the year | - | - | - | - | - | - | (2,575) | (2,575) | 72 | (2,503) |
| Other comprehensive income | - | - | 8 | (621) | 1,303 | 690 | (4,384) | (3,694) | (49) | (3,743) |
| Total comprehensive income | - | - | 8 | (621) | 1,303 | 690 | (6,959) | (6,269) | 23 | (6,246) |
| At March 31, 2013 | 41,724 | 18,869 | 166 | (10,683) | 1,335 | (9,182) | 20,026 | 71,437 | 2,480 | 73,917 |

Other reserves in the statements of financial position include:

* Fair value reserve records unrealised gains or losses arising from changes in fair value of available-for-sale investments.

Transfers represent difference on exchange existing when the Group initially changed its functional currency to Euro in the year ended March 31, 2001. The difference on exchange has been transferred to retained earnings.

** Translation reserve on consolidation is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*** Hedge equity reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

**** Actuarial gains and losses arising on defined benefit pension plans are recognised outside profit or loss in other comprehensive income. As they will never be recognised in profit or loss, they are immediately recorded in retained earnings. No separate presentation of this component is required in the statement of changes in equity.

The notes on pages 100 to 158 form an integral part of these financial statements.
Auditors' report on pages 92 and 93.

Statements Of Changes In Equity

For The Year Ended March 31, 2013

| | Share capital | Share premium | Other reserves | | | | Retained earnings | Total |
|----------------------------|---------------|---------------|--------------------|----------------------|----------------------|---------------|-------------------|-------|
| | | | Fair value reserve | Hedge Equity reserve | Total other reserves | | | |
| Note | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | |
| The Company | | | | | | | | |
| At April 01, 2011 | 41,724 | 18,869 | 1,064 | (1,829) | (765) | 57,119 | 116,947 | |
| Loss for the year | - | - | - | - | - | (29,229) | (29,229) | |
| Other comprehensive income | - | - | (25) | 1,861 | 1,836 | (4,535) | (2,699) | |
| Total comprehensive income | - | - | (25) | 1,861 | 1,836 | (31,984) | (31,928) | |
| Transfers | - | - | (890) | - | (890) | 890 | - | |
| Dividend | - | - | - | - | - | (1,271) | (1,271) | |
| At March 31, 2012 | 41,724 | 18,869 | 149 | 32 | 181 | 22,974 | 83,748 | |
| At April 01, 2012 | 41,724 | 18,869 | 149 | 32 | 181 | 22,974 | 83,748 | |
| Loss for the year | - | - | - | - | - | (3,621) | (3,621) | |
| Other comprehensive income | - | - | 8 | 1,303 | 1,311 | (4,363) | (3,052) | |
| Total comprehensive income | - | - | 8 | 1,303 | 1,311 | (7,984) | (6,673) | |
| At March 31, 2013 | 41,724 | 18,869 | 157 | 1,335 | 1,492 | 14,990 | 77,075 | |

Other reserves in the statements of financial position include:

- * Fair value reserve records unrealised gains or losses arising from changes in fair value of available-for-sale investments. Transfers represent difference on exchange existing when the Company initially changed its functional currency to Euro in year ended March 31, 2001. The difference on exchange has been transferred to retained earnings.
- ** Hedge equity reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
- *** Actuarial gains and losses arising on defined benefit pension plans are recognised outside profit or loss in other comprehensive income. As they will never be recognised in profit or loss, they are immediately recorded in retained earnings. No separate presentation of this component is required in the statement of changes in equity.

The notes on pages 100 to 158 form an integral part of these financial statements. Auditors' report on pages 92 and 93.

Statements Of Cash Flows

For The Year Ended March 31, 2013

| | Notes | THE GROUP | | THE COMPANY | |
|---|-------|-----------------|-----------------|-----------------|-----------------|
| | | 2013 | 2012 | 2013 | 2012 |
| | | €'000 | €'000 | €'000 | €'000 |
| Operating activities | | | | | |
| Loss before tax | | (2,316) | (29,273) | (3,621) | (29,229) |
| <i>Non-cash adjustment to reconcile loss before tax to net cash flows:</i> | | | | | |
| Depreciation on property, plant and equipment | 6 | 34,345 | 33,485 | 34,059 | 33,204 |
| Amortisation of intangible assets | 8 | 495 | 544 | 495 | 544 |
| Fair value (gain) / loss on investment property | 7 | (395) | 96 | - | - |
| Gain on sale of property, plant and equipment | | (160) | (262) | (157) | (56) |
| Employee benefit liability | 21 | 1,288 | 938 | 1,237 | 911 |
| End of contract gratuity | | - | 1,201 | - | 1,201 |
| Maintenance cost | | 9,302 | 3,729 | 9,302 | 3,729 |
| Unrealised foreign exchange (gain) / loss | | (102) | 4,707 | (102) | 4,707 |
| Interest and investment income | 25 | (257) | (437) | (206) | (1,447) |
| Interest expense | 26 | 2,500 | 2,984 | 2,710 | 3,175 |
| Share of loss / (profit) after tax of associate | 10 | 10 | (12) | - | - |
| Cash flows from operating activities before changes in working capital | | 44,710 | 17,700 | 43,717 | 16,739 |
| Working capital adjustments: | | | | | |
| Inventories | | 1,691 | (2,202) | 1,700 | (2,182) |
| Trade and other receivables | | 3,167 | (1,735) | 3,101 | (1,564) |
| Trade and other payables | | (19,055) | 19,563 | (18,785) | 19,099 |
| | | 30,513 | 33,326 | 29,733 | 32,092 |
| Interest received | | 286 | 487 | 182 | 398 |
| Interest paid | | (2,246) | (2,913) | (2,426) | (3,042) |
| Tax paid | | (107) | (185) | - | - |
| Net cash flows from operating activities | | 28,446 | 30,715 | 27,489 | 29,448 |
| Investing activities | | | | | |
| Purchase of property, plant and equipment | 6 | (21,679) | (17,553) | (19,932) | (17,362) |
| Purchase of intangible assets | 8 | (131) | (136) | (131) | (136) |
| Proceeds on sale of property, plant and equipment | | 185 | 343 | 185 | 98 |
| Deposits paid | | - | (8) | - | (8) |
| Dividends received | | 24 | 22 | 24 | 1,221 |
| Net cash flows used in investing activities | | (21,601) | (17,332) | (19,854) | (16,187) |
| Net cash flows from operating and investing activities | | 6,845 | 13,383 | 7,635 | 13,261 |

Statements Of Cash Flows

For The Year Ended March 31, 2013

| | Note | THE GROUP | | THE COMPANY | |
|---|------|-----------------|---------------|-----------------|---------------|
| | | 2013 €'000 | 2012 €'000 | 2013 €'000 | 2012 €'000 |
| Net cash flows from operating and investing activities | | 6,840 | 13,377 | 7,635 | 13,261 |
| Financing activities | | | | | |
| Payments on borrowings | | (56,670) | (23,575) | (56,617) | (23,597) |
| Proceeds from borrowings | | 40,761 | 83 | 40,762 | 1,037 |
| Dividends paid | | - | (1,412) | - | (1,271) |
| Net cash flows used in financing activities | | (15,909) | (24,904) | (15,855) | (23,831) |
| Net decrease in cash and cash equivalents | | (9,064) | (11,521) | (8,220) | (10,570) |
| Movement in cash and cash equivalents | | | | | |
| At April 01, | | 5,365 | 17,986 | 3,142 | 14,926 |
| Exchange loss | | (1,581) | (1,094) | (1,516) | (1,214) |
| Net decrease in cash and cash equivalents | | (9,064) | (11,521) | (8,220) | (10,570) |
| At March 31, | 17 | (5,285) | 5,365 | (6,594) | 3,142 |

The notes on pages 100 to 158 form an integral part of these financial statements.
Auditors' report on pages 92 and 93.

Notes To The Financial Statements

For The Year Ended March 31, 2013

1. Corporate Information

Air Mauritius Limited (the “Company”) is a company limited by shares incorporated and domiciled in Mauritius whose shares are publicly traded and is listed on the official market of the Stock Exchange of Mauritius. Its registered office is situated on the 19th Floor of Air Mauritius Centre, John Kennedy Street, Port Louis.

The Group’s and the Company’s financial statements for the year ended March 31, 2013 were authorised for issue by the Board of Directors on June 13, 2013 and the statements of financial position were signed on the Board’s behalf by Messrs Appalsamy Thomas, GOSK and Raj Ringadoo. The financial statements will be submitted to the shareholders for approval at the annual meeting.

2. Principal Activities

The principal activities of Air Mauritius Limited and its subsidiaries (the “Group”) are:

- the operation of international air services for the carriage of passengers and cargo and the provision of ancillary services;
- the operation of a hotel in Rodrigues;
- the owning and operating of an investment property for rentals; and
- the operation of a call centre.

There have been no changes in the above activities during the year.

3. Basis Of Preparation

The financial statements of the Group and the Company are presented in Euros and all values were rounded to the nearest thousand (Euro’000) except when otherwise stated.

The financial statements have been prepared under the historical cost convention except for investment properties, derivative financial instruments and available-for-sale investments that have been measured at fair value.

Statement of Compliance

The financial statements of the Group and the Company have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at March 31, each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

Notes To The Financial Statements

For The Year Ended March 31, 2013

3. Basis Of Preparation (Cont'd)

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- IFRS 7 Financial Instruments : Disclosures Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after January 01, 2012 and has no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after July 01, 2011. The amendment had no impact to the Group.

4. Accounting Policies

4.1 Changes In Accounting Policy And Disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following IFRS and IFRIC interpretations as of April 01, 2012.

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of April 01, 2012:

- IAS 12 Income Taxes (Amendment) Deferred Taxes: Recovery of Underlying Assets

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.1 Changes In Accounting Policy And Disclosures (Cont'd)

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with,

such involvement. The amendment is effective for annual periods beginning on or after July 01, 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

4.2 Accounting Standards And Interpretations Issued But Not Yet Effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

| | Effective for accounting period beginning on or after |
|--|---|
| - IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 | July 01, 2012 |
| - IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) | January 01, 2013 |
| - IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities | January 01, 2014 |
| - IFRS 1 Government Loans – Amendments to IFRS 1 | January 01, 2013 |
| - IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7 | January 01, 2013 |
| - IFRS 9 Financial Instruments: Classification and Measurement | January 01, 2015 |
| - IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements | January 01, 2013 |
| - IFRS 11 Joint Arrangements | January 01, 2013 |
| - IFRS 12 Disclosures of Interests in Other Entities | January 01, 2013 |
| - IFRS 13 Fair Value Measurement | January 01, 2013 |
| - IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine | January 01, 2013 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.2 Accounting Standards And Interpretations Issued But Not Yet Effective (Cont'd)

The effects of these standards have been described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that will never be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that could be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. These amendments are not expected to impact the Group's financial position or performance.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest but does not impact the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 01, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 01, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.2 Accounting Standards And Interpretations Issued But Not Yet Effective (Cont'd)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 is not expected to have any impact on the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required, but there will be no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The new interpretation will not have an impact on the Group.

No early adoption of these standards and interpretations is intended by the Board of directors.

Annual Improvements May 2012

These improvements, which are listed below, will not have an impact on the Group:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.2 Accounting Standards And Interpretations Issued But Not Yet Effective (Cont'd)

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after January 01, 2013.

4.3 Significant Accounting Judgements, Estimates And Assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and other information disclosed in certain notes at the reporting date. Air Mauritius Limited regularly revises its estimates and assessments to take account of past experience and other factors deemed relevant in view of the economic circumstances. If changes in these assumptions or circumstances are not as anticipated, the figures reported in Air Mauritius Limited's future financial statements could differ from the current estimates.

In preparing these financial statements the directors have used their best judgement and made estimates and assumptions about the future

which are based on the current economic situation which is however highly volatile. In particular, these assumptions have had a significant impact on the following account balances in the financial statements:

- Property, plant and equipment : estimation of recoverable value, economic useful life and residual value of assets;
- Employee benefit liability : estimation of discount rates, expected return on plan assets, future salary increases and future pension increases;
- Fair value of derivative financial assets and liabilities : the volatility of the following underlying:
 - foreign exchange;
 - oil prices; and
 - future interest rates
- Investment property : estimation of fair value of property;
- Deferred revenue for customer loyalty program: estimation of fair value of loyalty points;
- Contractual maintenance expenses: estimation and timing of future maintenance costs.

These are discussed below:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.3 Significant Accounting Judgements, Estimates And Assumptions (Cont'd)

Judgements (Cont'd)

(i) Determination of hedging relationship

The determination of the accounting treatment of the Group's hedging relationships is critical since the recording of gains or losses on remeasurement of hedging instruments to fair value at the reporting date gives rise to adjustments directly in profit or loss or other comprehensive income where such relationship is treated as fair value hedge or cash flow hedge respectively. As described in note 4.4 (j), there are criteria that need to be considered in determining the nature of hedging relationship. Hedging has only been undertaken by the Group due to the significant volume of transactions involving the purchase of jet fuel and financial commitments involving varying currencies. The directors have determined that the criteria for cash flow hedging have been adequately met to justify their judgement in the application of cash flow hedge accounting.

(ii) Segmental reporting

The Group's operating segments are disclosed in the same format as the business segments presented in prior years. The management team, which has been identified as the chief operating decision-maker as it is responsible for resource allocation and assessing performance of the operating segments, has concluded that such a presentation is consistent with the Group's internal reporting. Details of the operating segments are set out in note 23.

(iii) Functional currency

The Group has exercised significant judgement in determining the functional currency of the Company and each of its subsidiaries. In making this judgement, the Group has considered the primary economic environment in which each entity operates; the geographical location whose competitive forces mainly determine the sales prices of the entity's goods and services; the currency that mainly influences the determination

of costs of providing goods and services; the currency in which funds from financing activities are generated; and, the currency in which proceeds from operating activities are usually retained.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that 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. Certain property, plant and equipment of the Group, such as aircraft, are separated into their significant parts and estimates of the useful lives and residual values thereof are made for the purpose of calculating depreciation (refer to note 4.4(c)). The estimates of useful lives and residual values carry a degree of uncertainty. The directors have used historical information relating to the Group and the relevant industries in which the Group's entities operate in order to best determine the useful lives and residual values of property, plant and equipment.

(ii) Employee benefit liability

The determination of employee benefit costs and related provisions, as described in note 4.4(p) and as detailed in note 21 to the financial statements, requires the use of actuarial calculations or other assumptions that include significant estimates in respect of, inter alia, the discount rate, the expected return on plan assets, future salary increases, future medical cost increases and future pension increases.

These significant estimates are assessed annually by the directors with the actuaries where applicable. Differences between actual and estimates are recorded as actuarial gains or losses in the year in which they occur in total.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.3 Significant Accounting Judgements, Estimates And Assumptions (Cont'd)

(iii) *Deferred revenue for customer loyalty programme*

The provision for deferred revenue in respect of the redemption under the customer loyalty programme, Kestrelflyer Programme, is determined using various assumptions concerning the future behaviour of the participants. These include the following assumptions:

The fair value attributable to the awarded mileage credit has been calculated based on the lowest applicable fare price of the Company; and

The ratio of the level of free travel to overall traffic is insignificant.

The carrying amount of the deferred revenue for the Kestrelflyer Programme was estimated at €6M (2012:€5.7M).

(iv) *Fair value of derivative financial assets and liabilities*

The Group enters into derivative financial contracts including currency forward contracts for hedging purposes and measures these instruments at fair value at the reporting date. The fair values of such contracts are determined using valuation techniques including discounted cash flows models. The input to those models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of these financial instruments. Further details on these derivative financial instruments are provided in note 20.

(v) *Contractual maintenance expenses*

Contractual maintenance expenses are provided for in accordance with the terms of maintenance agreements on aircraft on operating lease. The provisions are generally based on the number of hours flown by each aircraft/engine and an estimated rate. The long term portion of the provision is not

discounted to its present value due to uncertainties with respect to the final maintenance costs to be incurred when compared to the estimated rate applied. Further details are given in note 21.

(vi) *Fair valuation of investment property*

In preparing these financial statements, the directors have obtained from an independent professional valuer the estimated fair value of the Group's investment property which is disclosed in the notes to the financial statements. These estimates have been based on market data regarding current yield on similar properties. The actual recoverable amount of the investment property could therefore differ significantly from the estimates. Further details are given in note 7.

4.4 Summary Of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Group during the year.

(a) **Functional and presentation currency**

The functional currency of each entity within the Group has been determined by reference to, inter alia: the primary economic environment in which the entity operates; the geographical location whose competitive forces mainly determine the sales prices of the Group's goods and services; the currency that mainly influences the determination of costs of providing goods and services; the currency in which funds from financing activities are generated; and, the currency in which proceeds from operating activities are usually retained.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(a) Functional and presentation currency (Cont'd)

For the purpose of the consolidated financial statements the results and financial position of each entity are expressed in Euro, which

is the functional currency of the Company, and the presentation currency used for the Group financial statements. For those entities in the Group whose functional currencies differ from the presentation currency, the following exchange rates were applicable:

| | 2013 | | 2012 | |
|----------|---------|---------|---------|---------|
| | Closing | Average | Closing | Average |
| EUR /ZAR | 11.832 | 10.920 | 10.290 | 10.235 |
| EUR /USD | 1.280 | 1.286 | 1.335 | 1.379 |
| EUR /AUD | 1.228 | 1.248 | 1.284 | 1.320 |
| EUR /GBP | 0.845 | 0.815 | 0.836 | 0.864 |
| EUR /MUR | 39.740 | 39.233 | 38.635 | 39.406 |

(b) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated into the entity's functional currency at the rate of exchange prevailing on the reporting date.

Exchange differences arising on the settlement and the retranslation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

In order to hedge its exposure to certain foreign exchange risks, the Group entered into forward contracts and options, for which the Group applies hedge accounting if appropriate, see note 4.4(j).

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are expressed in Euro using exchange rates prevailing on the reporting date. Their results for the year are translated into Euro at the average exchange rate for the year. The exchange differences arising from the translation of the foreign operations are recognised in other comprehensive income and taken to the Group's translation reserve. The cumulative translation differences recognised in other comprehensive income are recognised in profit or loss in the year in which the foreign operation is disposed of.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such costs include the cost of replacing part of an asset when that cost is incurred, if recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed on an aircraft or its engines, its cost is recognised in the carrying amount of the asset as a replacement if recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life. Residual value is the estimated amount that the Group would currently obtain from disposal of the asset after deducting the estimated cost of disposal as if the asset were already of the age and in the condition expected at the end of its useful life.

The useful lives and residual values of all property, plant and equipment are reviewed and prospectively adjusted if appropriate at each financial year end.

The principal annual rates of depreciation are:

| | Rate (%) |
|---|----------------|
| Aircraft on lease | 5 - 6.67 |
| Aircraft and accessories: | |
| - Aircraft | 5 |
| - Galley equipment | 9 - 18 |
| - In-flight entertainment equipment | 9 - 18 |
| - Cabin interior and seating | 9 - 18 |
| - Aircraft rotables spares | 5 - 50 |
| Buildings and hangars on leasehold land | 2 - 10 |
| Plant and equipment | 20 - 33.33 |
| Furniture and fittings | 10 |
| Computer and office equipment | 10 - 33 |
| Motor vehicles | 20 |
| Sundry assets | 10 - 33 |
| Improvement to building | 10 |
| Airframe and engine overhaul | See note below |

Leasehold land is not capitalised and the lease payments are charged to profit or loss on an accrual basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss of the year the asset is derecognised.

Airframe and engine overhaul

Costs incurred in respect of heavy maintenance and overhaul of aircraft engines and airframes are capitalised and depreciated over the period to the next scheduled maintenance ranging from 1.5 to 5 years. Other non-heavy maintenance and overhaul costs are charged to profit or loss on consumption or as incurred.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(d) Investment property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment property.

(e) Investments in subsidiaries and in an associate

Subsidiaries

The accounting policy of the Group in respect of the consolidation of subsidiaries is presented in the basis of consolidation in note 3 above. In the separate company financial statements,

investments in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Associate

An associate is an entity in which the Group has significant influence.

In the Group financial statements, the Group's investment in its associate is accounted for using the equity method. In the separate company financial statements, the investment in the associate is carried at cost less any impairment losses.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the results of operations of the associate is shown in profit or loss. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated in the extent of the interest in the associate.

The share of profit of the associate is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

(f) Investments and other financial assets

Initial recognition and measurement

Financial assets in scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, long term deposits, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss.

The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

Subsequent measurement (Cont'd)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. The Group did not have any held-to-maturity investments during the years ended March 31, 2013 and 2012.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. After initial measurement, such assets are carried at amortised cost using effective interest rate (EIR) method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income and accumulated in the available-for-sale reserve in equity until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or determined to be impaired, at which time the cumulative loss is recognised in profit or loss and removed from the available-for-sale reserve.

The Group evaluates its available-for-sale investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold until the financial asset accordingly.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(iv) Available-for-sale investments (Cont'd)

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired then the amount recorded in other comprehensive income is reclassified to profit or loss.

(v) Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the assets has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(g) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of the financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment

loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale investments

For available-for-sale investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from the available-for-sale reserve and recognised through other comprehensive income into profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(h) Cash and cash equivalents

Cash and short term deposits in the statements of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

(i) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the statement of comprehensive income.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(j) Hedge accounting

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting year; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The treatment of any resultant gains and losses is set out below.

(i) Fair value hedge

The change in the fair value of an interest rate hedging derivative is recognised in the statement of comprehensive income in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the statement of comprehensive income in finance costs.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

(ii) Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income and accumulated in the cash flow hedge reserve in equity, while any ineffective portion is recognised immediately in the statements of comprehensive income in finance costs.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the fuel prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income. Refer to Note 20 for more details.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(ii) Cash flow hedge (Cont'd)

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in cash flow hedge reserve remains in the cash flow hedge reserve until the forecast transaction or firm commitment affects profit or loss.

(k) Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ii) Maintenance reserve

The Group has an obligation to maintain the aircrafts and engines leased under operating leases in accordance with the provisions stipulated in the agreements with the lessors. Accordingly, the Group makes a provision for maintenance costs based on hours flown and anticipated rates per hour. Such provision is reduced by the amounts paid into a maintenance reserve account with the lessors which

are reimbursed to the Group when the agreed maintenance is carried out.

(l) Power by the hour

The Group has entered into maintenance arrangements (known as power by the hour) for aircraft engines with technical service providers whereby the Group makes monthly fixed payments in return for total care maintenance service at predetermined rates per hour flown. The accounting treatment for these arrangements depends on whether the aircraft engine is owned / finance leased by the Group or rented under an operating lease.

(i) Routine maintenance

For routine maintenance, the expenditures are recognised as they fall due.

(ii) Major overhauls

Assets owned or finance leased by the Group

The Group accounts for the monthly payments as prepaid expenditure until such time as the engines are overhauled at which time the maintenance costs incurred are capitalised in property, plant and equipment and amortised until the next overhaul is due.

Assets rented under operating leases

A provision is made for the maintenance of each engine based on the number of hours flown and the rate per hour as per the power by the hour contracts. The monthly payments made under the contracts are debited against the provisions.

(m) Intangible assets

Intangible assets which comprise computer software and goodwill on acquisition are initially recorded at cost. Computer software is amortised using the straight-line method over its estimated useful life of 3 years. Goodwill acquired in a business combination is not amortised and is assessed for impairment every year and the carrying amount is reviewed annually and adjusted for impairment where it is considered necessary.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(m) Intangible assets (Cont'd)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(n) Inventories

Inventory items are valued at the lower of cost and net realisable value. Cost comprises purchase cost from suppliers and any other costs incurred in bringing such inventory to its present condition and location. In general, cost is determined on a weighted average basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Redundant and slow-moving inventories are identified on a regular basis and written down to their realisable values. Consumables are written down with regards to their age, condition and utility.

(o) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All the other leases are classified as operating leases.

Assets held under finance leases are recognised at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the lease term and useful life of the asset. Payments made under operating leases are charged to profit or loss on a straight-line basis over the terms of the leases.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(p) Employee benefit liability

(i) Defined benefit plans

The Company contributes to a pension scheme, which is a 'Defined Benefit' plan. Under this plan the qualifying employees are entitled to retirement benefits up to a maximum of 66.6% of final salary on attainment of a retirement age of 60. The assets of the fund are held and administered by a trust specifically created for that purpose.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. For the year ended March 31, 2013 the valuation exercise was carried out by Hewitt LY, Actuaries and Consultants. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent period.

Unvested past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Past service costs are recognised immediately if the benefits have already vested immediately following the introduction of, or changes to, a pension plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds, as explained in Note 4.3), less unrecognised past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value is based on market price information and, in the case of quoted securities, it is the published bid price. The value of any defined benefit asset recognised is restricted

to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

(ii) Defined contribution plans

The Company operates a defined contribution scheme, created in April 2002, the assets of which are held separately from the Group and are administered by an independent fund administrator. All new employees of the Company from that date become members of the defined contribution plan. Payments by the Company to the defined contribution retirement plan are charged as an expense as they fall due.

(iii) Other post-retirement benefits

Other post-retirement benefits include accumulated sick leave benefits that are refunded to employees on retirement and the severance allowance payable to employees of its subsidiaries in accordance with Labour Laws. The net present value of benefits payable is calculated by a qualified actuary and provided for. The severance allowance payable and the accumulated sick leaves are unfunded.

(iv) End of contract gratuity for pilots

The terms of the employment contracts of all expatriate pilots contain a condition for the payment of gratuity which is calculated based on a percentage of the total basic salary paid to the pilots annually over the period of the contract.

(q) Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax is recognised in correlation to underlying transactions either in profit and loss or, other comprehensive income or directly in equity.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(q) Taxes (Cont'd)

(ii) Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date that are expected to apply in the year when the asset is realised or the liability is settled.

Current tax items are recognised in correlation to underlying transactions either in profit and loss, other comprehensive income or directly in equity.

Under this method the Group is required to make provision for deferred income taxes on the revaluation of certain non-current assets and, in relation to an acquisition, on the difference between the fair values of the net assets acquired and their tax base.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, tax losses carried forward, employee benefit liability and on provisions.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxation authority.

(iii) Value added taxes

Revenues, expenses and assets are recognised net of the amount of value added taxes except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

(iv) Corporate Social Responsibility

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within the statement of comprehensive income and the income tax liability on the statement of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

(r) Impairment of non-financial assets

The Group reviews the carrying amounts of its assets at each reporting date 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). An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(r) Impairment of non-financial assets (Cont'd)

of those from other assets or groups of assets. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

(s) Customer loyalty programme

The Company operates a customer loyalty programme, Kestrelflyer Programme that entitles customers to accumulate mileage credits that entitle them to a choice of various awards, primarily free travel. The fair value attributed to the awarded mileage credits is deferred as a liability and recognised as revenue on redemption of the miles by the participants to whom the miles are issued.

The deferred revenue is reduced to reflect the outstanding obligation as participants redeem award credits or as their entitlement expires after 3 years.

(t) EU Emissions Trading Scheme and renewable obligations certificates

Granted carbon dioxide emissions allowances received in a year are recognised initially at nominal value (nil value). Purchased carbon dioxide emissions allowances are recognised initially at cost (purchase price) within intangible assets.

A liability is recognised when the level of emissions exceed the level of allowances granted. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held, and then at the market price of allowances ruling at the reporting date, with movements in the liability recognised in operating profit.

The intangible asset is surrendered and the liability is utilised at the end of the compliance year (30 April) to reflect the consumption of economic benefits.

Forward contracts for the purchase or sale of carbon dioxide emissions allowances are measured at fair value with gains and losses arising from changes in fair value recognised in finance costs in the Statement of Comprehensive Income.

(u) Revenue recognition

(i) Passenger and cargo sales

Passenger ticket and cargo airway bills, net of discounts are recorded as current liabilities in the 'Sales In Advance of Carriage' account until recognised as revenue when the transportation service is provided. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses. Unused tickets are recognised as revenue on a systematic basis.

(ii) Room revenue, sale of food and beverages and income from other normal hotel services

Revenue is recognised upon amounts invoiced and customers' acceptance, net of Value Added Tax and discounts.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment has been established.

(iv) Interest income

Interest is recognised as it accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(v) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

Notes To The Financial Statements

For The Year Ended March 31, 2013

4. Accounting Policies (Cont'd)

4.4 Summary Of Significant Accounting Policies (Cont'd)

(u) Revenue recognition (Cont'd)

(vi) *Redemption of miles on Customer Loyalty Programme (Kestrelflyer)*

Redemption revenue received for the issuance of points is deferred as a liability (sales in advance on carriage) until the miles are redeemed or the passenger is uplifted in the case of flights redemptions. Redemption revenue is measured based on management's estimate of the fair value of the expected awards for which the miles will be redeemed. The fair value of the awards is reduced to take into account the proportion of miles that are expected to expire (purged).

(v) Operating segment

For management purposes, the Group is organised into business units based on their services and the operating segments are aircraft operations, ground operations, investment property, hotel and restaurant services and call centre.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

5. Financial Risk Management Objectives And Policies

The Group's principal financial liabilities, other than derivatives, comprise bank loans, finance leases and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, cash and short-term deposits,

available-for-sale investments, loans and receivable and derivative financial assets which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk, credit risk and fuel price risk. The Board of directors reviews and agrees policies for managing each of these risks which are summarised below.

The Group enters into derivative transactions, primarily forward currency contracts, corridors, collars, options and swaps. The purpose is to manage the currency risks and jet fuel price risk arising from the Group's operations and its sources of finance.

(i) *Credit risk*

The Group's sales are made principally through International Air Transport Association (IATA), Cargo Accounts Settlement System (CASS) and Billing Settlement Plan (BSP) settlement systems. As such, the credit risk arising from defaults from travel agents, other airlines, forwarding agents and tour operators are considerably reduced. The Group also trades directly with recognised credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 16. For transactions that do not occur in the country of the relevant operating unit, the Group provides credit facilities as per its policy. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalent, available-for-sale investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

Notes To The Financial Statements

For The Year Ended March 31, 2013

5. Financial Risk Management Objectives And Policies (Cont'd)

(ii) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial obligations and projected cash flows from operations.

Management also carries out a regular review of the facilities it has in place with its banking partners.

The table below summarises the maturity profile of the Group's financial liabilities at March 31, based on contractual undiscounted payments.

The Group

| At March 31, 2013 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Above 5 years | Total |
|---------------------------------------|---------------|--------------------|----------------|---------------|---------------|----------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Interest bearing loans and borrowings | 16,687 | 4,780 | 14,341 | 28,869 | 25,430 | 90,107 |
| Other financial liabilities | 575 | - | - | - | - | 575 |
| Trade and other payables | 685 | 126,360 | 4,319 | - | - | 131,364 |
| | 17,947 | 131,140 | 18,660 | 28,869 | 25,430 | 222,046 |
| At March 31, 2012 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Above 5 years | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Interest bearing loans and borrowings | 8,179 | 13,925 | 7,709 | 35,348 | 31,105 | 96,266 |
| Other financial liabilities | 13 | - | - | - | - | 13 |
| Trade and other payables | 3,478 | 133,308 | 12,280 | - | - | 149,066 |
| | 11,670 | 147,233 | 19,989 | 35,348 | 31,105 | 245,345 |

The Company

| At March 31, 2013 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Above 5 years | Total |
|---------------------------------------|---------------|--------------------|----------------|---------------|---------------|----------------|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Interest bearing loans and borrowings | 16,687 | 4,780 | 14,341 | 28,869 | 25,430 | 90,107 |
| Other financial liabilities | 575 | - | - | - | - | 575 |
| Trade and other payables | 685 | 125,996 | 4,230 | - | - | 130,911 |
| | 17,947 | 130,776 | 18,571 | 28,869 | 25,430 | 221,593 |
| At March 31, 2012 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Above 5 years | Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Interest bearing loans and borrowings | 8,179 | 13,925 | 7,709 | 35,348 | 31,605 | 96,766 |
| Other financial liabilities | 13 | - | - | - | - | 13 |
| Trade and other payables | 931 | 135,570 | 12,315 | - | - | 148,816 |
| | 9,123 | 149,495 | 20,024 | 35,348 | 31,605 | 245,595 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

5. Financial Risk Management Objectives And Policies (Cont'd)

(iii) Interest rate risk

The Group finances its aircraft principally in Euro and US dollars. Changes in interest rates of the Euro zone and US will therefore impact on the cash flows and profits of the Group. The Group mitigates this risk by investing cash surpluses in floating rate instruments as a hedge against increases in interest rates. As at March 31, 2013, none of the Group's borrowings were at a fixed rate of interest (2012: Nil).

The Group and the Company

| | Increase/ decrease in basis points | Effect on profit before tax |
|-------------|------------------------------------|-----------------------------|
| | | €'000 |
| 2013 | | |
| Euro | +15 | 191 |
| US dollar | +20 | (254) |
| Euro | -10 | 76 |
| US dollar | -15 | 115 |
| 2012 | | |
| Euro | +15 | (102) |
| US dollar | +20 | 256 |
| Euro | -10 | 68 |
| US dollar | -15 | 192 |

(iv) Commodity price risk

One of the Group's principal variable cost components is jet fuel. The price of jet fuel is indexed according to international commodity prices and accordingly the Group's profitability is exposed to commodity price risk. The risk associated to fluctuations in the price of jet fuel is managed by various hedging techniques as well as the use of a fuel surcharge, whereby some of the cost is passed on to the customer.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity.

The following table demonstrates the sensitivity to a reasonably possible change in fuel price, with all other variables held constant, of the Group's and the Company's profit before tax and equity. As at March 31, 2013, the fair value of the Group's derivative financial assets relating to commodity hedges was €458k (2012: Liability €13k).

Notes To The Financial Statements

For The Year Ended March 31, 2013

5. Financial Risk Management Objectives And Policies (Cont'd)

The Group and the Company

| | Increase/ decrease in USD | Effect on profit before tax | Effect on equity |
|------------------------|------------------------------|--------------------------------|---------------------|
| | | €'000 | €'000 |
| 2013 | | | |
| Increase in fuel price | +10 | (14,342) | (194,491) |
| Decrease in fuel price | -10 | 14,342 | 194,491 |
| 2012 | | | |
| Increase in fuel price | +10 | (15,991) | - |
| Decrease in fuel price | -10 | 15,986 | - |

(v) Foreign currency risk

Revenue is generated principally in Euro while USD mainly influences the determination of costs. Therefore, the prospective cost in non-euro operations will be hedged in this manner to a level of between 30% and 70%.

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 39% of the Group's sales are denominated in the functional currency of the operating unit making the sale, whilst almost 45% of costs are denominated in USD. The forward currency contracts must be in the same currency as the hedged item.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the term of the hedged item to maximise hedge effectiveness.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts).

The Group and the Company

| | Increase/ decrease in US dollar rate | Effect on profit before tax | Effect on equity |
|-------------|--|--------------------------------|---------------------|
| | | €'000 | €'000 |
| 2013 | +5% | (7,047) | (6,865) |
| | -5% | 7,047 | 6,865 |
| 2012 | +5% | (8,603) | (531) |
| | -5% | 8,603 | 718 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

5. Financial Risk Management Objectives And Policies (Cont'd)

(vi) Hedging by the Company

The Risk Management Steering Committee sets out the objectives and policies for hedging transactions in order to mitigate exposure on changes in foreign exchange rates and fuel prices. The Company's hedging policies are risk averse. As such, derivatives are not used to generate profits but to hedge against anticipated exposures.

As derivatives are only used for the purposes of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged.

Foreign currency risks in relation to disbursements made by the Company denominated in USD are hedged by using forward contracts and options based on the budgeted USD cash outflow in the future. These forward contracts and options are rarely taken for a period of more than one year.

Fuel-hedging instruments are used to protect the Company against sudden and significant increases in fuel prices while ensuring that the Company is not significantly affected in the event of a substantial fall in the price of fuel.

These fuel and foreign exchange derivative instruments are both accounted for as "cash flow hedges" as per IAS 39.

The movement in derivative financial instruments are as follows:

| | 2013 | | 2012 | |
|---------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | Currency derivatives | Commodity derivatives | Currency derivatives | Commodity derivatives |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, | 45 | (13) | (1,829) | - |
| Movement during the year | | | | |
| Hedge (receipts)/payouts | (1,119) | (312) | 443 | - |
| Fair value movement | 1,950 | 783 | 1,431 | (13) |
| At March 31, | 876 | 458 | 45 | (13) |

(vii) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the

objectives, policies or processes during the years ended March 31, 2013 and March 31, 2012.

The Group monitors capital using a gearing ratio, which is interest bearing loans and borrowings divided by equity. The Group's policy is to keep the gearing ratio at a reasonable level which is 1:1. Interest bearing loans and borrowings exclude derivatives and collaterals. Capital comprises equity attributable to the equity holders of the parent.

Notes To The Financial Statements

For The Year Ended March 31, 2013

5. Financial Risk Management Objectives And Policies (Cont'd)

| | The Group | | The Company | |
|---------------------------------------|-----------|--------|-------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Interest bearing loans and borrowings | 76,305 | 84,038 | 82,815 | 90,768 |
| Equity | 73,917 | 80,163 | 77,075 | 83,748 |
| Debt to equity ratio | 103% | 105% | 107% | 108% |

The Group did not pledge any financial assets as collateral for liabilities or contingent liabilities as at March 31, 2013 (March 31, 2012: Nil).

(viii) Financial instruments

Set out below is a comparison by category and class of carrying amounts and fair values of all of the Group's financial instruments, which are carried in the financial statements:

| The Group | Category | Carrying amount | | Fair value | |
|--|-----------|-----------------|-----------|------------|-----------|
| | | 2013 | 2012 | 2013 | 2012 |
| | | €'000 | €'000 | €'000 | €'000 |
| Financial assets | | | | | |
| Cash and short-term deposits | L.R | 11,434 | 13,479 | 11,434 | 13,479 |
| Available-for-sale investments | A.F.S | 611 | 603 | 611 | 603 |
| Trade and other receivables | L.R | 47,880 | 44,986 | 47,880 | 44,986 |
| Other financial assets | F.V.T.P.L | 1,909 | 45 | 1,909 | 45 |
| Financial liabilities | | | | | |
| Bank overdraft | L.B | (16,719) | (8,114) | (16,719) | (8,114) |
| Interest-bearing-loans and borrowings: | | | | | |
| - Obligations under finance lease | L.B | 59,586 | (71,335) | 59,586 | (71,335) |
| - Floating rate borrowings | L.B | - | (4,588) | - | (4,588) |
| Other financial liabilities | F.V.T.P.L | 575 | (13) | 575 | (13) |
| Trade and other payables | L.B | 131,364 | (149,066) | 131,364 | (149,066) |

Notes To The Financial Statements

For The Year Ended March 31, 2013

5. Financial Risk Management Objectives And Policies (Cont'd)

(viii) Financial instruments (Cont'd)

| The Company | Category | Carrying amount | | Fair value | |
|--|----------|-----------------|-----------|------------|-----------|
| | | 2013 | 2012 | 2013 | 2012 |
| | | €'000 | €'000 | €'000 | €'000 |
| Financial assets | | | | | |
| Cash and short-term deposits | L.R | 10,093 | 11,256 | 10,093 | 11,256 |
| Available-for-sale investments | A.F.S | 611 | 603 | 611 | 603 |
| Trade and other receivables | L.R | 47,351 | 44,852 | 47,351 | 44,852 |
| Other financial assets | F.V.T.PL | 1,909 | 45 | 1,909 | 45 |
| Financial liabilities | | | | | |
| Bank overdraft | L.B | (16,687) | (8,114) | (16,687) | (8,114) |
| Interest-bearing-loans and borrowings: | | | | | |
| - Obligations under finance lease | L.B | 59,586 | (71,335) | 59,586 | (71,335) |
| - Other loans | L.B | 6,542 | (6,731) | 6,542 | (6,731) |
| Other financial liabilities | F.V.T.PL | 575 | (13) | 575 | (13) |
| Trade and other payables | L.B | 130,911 | (148,816) | 130,911 | (148,816) |

Market values have been used to determine the fair value of listed available-for-sale financial assets. The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rate. The fair value of other financial assets has been calculated using market interest rates.

L.R-Loans and receivables

A.F.S-Available-for-sale

H.T.M-Held-to-maturity

F.V.T.PL-Fair value through profit or loss

L.B-Loans and borrowings

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group has cash flow hedges which are classified under level 1.

Notes To The Financial Statements

For The Year Ended March 31, 2013

6. Property, Plant And Equipment

| The Group | Aircraft on lease | Aircraft accessories | Aircraft & spares | Airframe & engine overhaul | Buildings & hangars on leasehold land | Plant & equipment | Furniture & fittings | Computer & office equipment | Motor vehicles | | Total |
|--|-------------------|----------------------|-------------------|----------------------------|---------------------------------------|-------------------|----------------------|-----------------------------|----------------|------------|----------------|
| | | | | | | | | | Owned | Leased | |
| Cost | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| At April 01, 2011 | 318,889 | 142,582 | 27,235 | 41,291 | 34,607 | 18,441 | 6,443 | 8,871 | 4,383 | 150 | 602,892 |
| Reclassified to investment property (note 7) | - | - | - | - | 373 | - | - | - | - | - | 373 |
| Transfer | (184,212) | 184,212 | - | - | - | - | - | - | - | - | - |
| Additions | - | - | 682 | 13,802 | 84 | 1,337 | 353 | 680 | 490 | 125 | 17,553 |
| Disposals | - | (254) | (399) | (17,398) | (185) | (295) | (57) | (245) | (502) | - | (19,335) |
| Exchange differences | - | - | - | - | 141 | 47 | 20 | 7 | 6 | - | 221 |
| At March 31, 2012 | 134,677 | 326,540 | 27,518 | 37,695 | 35,020 | 19,530 | 6,759 | 9,313 | 4,377 | 275 | 601,704 |
| Reclassified to investment property (note 7) | - | - | - | - | (188) | - | - | - | - | - | (188) |
| Additions | - | - | 288 | 17,280 | 1,234 | 1,891 | 208 | 688 | 90 | - | 21,679 |
| Disposals | - | - | (410) | (5,635) | - | (71) | (68) | (210) | (755) | - | (7,149) |
| Exchange differences | - | - | - | - | (77) | (56) | (16) | (9) | (3) | - | (161) |
| At March 31, 2013 | 134,677 | 326,540 | 27,396 | 49,340 | 35,989 | 21,294 | 6,883 | 9,782 | 3,709 | 275 | 615,885 |
| Depreciation | | | | | | | | | | | |
| At April 01, 2011 | 136,276 | 87,956 | 18,775 | 23,197 | 21,031 | 17,396 | 5,989 | 8,052 | 3,875 | 117 | 322,664 |
| Transfer | (106,257) | 106,257 | - | - | - | - | - | - | - | - | - |
| Charge for the year | 10,095 | 8,797 | 1,465 | 10,012 | 1,098 | 632 | 262 | 871 | 203 | 50 | 33,485 |
| Disposals | - | (254) | (280) | (17,377) | (135) | (294) | (57) | (240) | (499) | - | (19,136) |
| Exchange differences | - | - | - | - | 100 | 43 | 14 | 8 | 4 | - | 169 |
| At March 31, 2012 | 40,114 | 202,756 | 19,960 | 15,832 | 22,094 | 17,777 | 6,208 | 8,691 | 3,583 | 167 | 337,182 |
| Charge for the year | 5,597 | 13,150 | 1,394 | 11,597 | 1,034 | 570 | 192 | 510 | 263 | 38 | 34,345 |
| Disposals | - | - | (376) | (5,634) | - | (45) | (67) | (208) | (755) | - | (7,085) |
| Exchange differences | - | - | - | - | (60) | (23) | (10) | (9) | (2) | - | (104) |
| At March 31, 2013 | 45,711 | 215,906 | 20,978 | 21,795 | 23,068 | 18,279 | 6,323 | 8,984 | 3,089 | 205 | 364,338 |
| Net book value | | | | | | | | | | | |
| At March 31, 2013 | 88,966 | 110,634 | 6,418 | 27,545 | 12,921 | 3,015 | 560 | 798 | 620 | 70 | 251,547 |
| At March 31, 2012 | 94,563 | 123,784 | 7,558 | 21,863 | 12,926 | 1,753 | 551 | 622 | 794 | 108 | 264,522 |
| At April 01, 2011 | 182,613 | 54,626 | 8,460 | 18,094 | 13,576 | 1,045 | 454 | 819 | 508 | 33 | 280,228 |

Certain aircraft and accessories have been pledged as security against borrowings of the Group.

The reclassification from investment property is in respect of a property previously rented out, now occupied by the Group.

The transfer is in respect of aircraft previously held under finance lease which were transferred from owned assets upon final payment of the lease.

Notes To The Financial Statements

For The Year Ended March 31, 2013

6. Property, Plant And Equipment (Cont'd)

| The Company | Aircraft on lease | Aircraft accessories | Aircraft spares | Airframe & engine overhaul | Buildings & hangars on leasehold land | Plant & equipment | Furniture & fittings | Computer & office equipment | Motor vehicles | | Total |
|--------------------------|-------------------|----------------------|-----------------|----------------------------|---------------------------------------|-------------------|----------------------|-----------------------------|----------------|------------|----------------|
| | | | | | | | | | Owned | Leased | |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Cost | | | | | | | | | | | |
| At April 01, 2011 | 318,889 | 142,582 | 27,235 | 41,291 | 28,511 | 17,621 | 6,047 | 8,640 | 4,284 | 150 | 595,250 |
| Transfer | (184,212) | 184,212 | - | - | - | - | - | - | - | - | - |
| Additions | - | - | 682 | 13,802 | 84 | 1,228 | 283 | 668 | 490 | 125 | 17,362 |
| Disposals | - | (254) | (399) | (17,398) | (147) | (295) | (52) | (245) | (502) | - | (19,292) |
| At March 31, 2012 | 134,677 | 326,540 | 27,518 | 37,695 | 28,448 | 18,554 | 6,278 | 9,063 | 4,272 | 275 | 593,320 |
| Additions | - | - | 288 | 17,280 | 1,142 | 316 | 155 | 682 | 69 | - | 19,932 |
| Disposals | - | - | (410) | (5,635) | - | (71) | (68) | (210) | (755) | - | (7,149) |
| At March 31, 2013 | 134,677 | 326,540 | 27,396 | 49,340 | 29,590 | 18,799 | 6,365 | 9,535 | 3,586 | 275 | 606,103 |
| Depreciation | | | | | | | | | | | |
| At April 01, 2011 | 136,276 | 87,956 | 18,775 | 23,197 | 19,281 | 16,641 | 5,738 | 7,840 | 3,813 | 117 | 319,634 |
| Transfer | (106,257) | 106,257 | - | - | - | - | - | - | - | - | - |
| Charge for the year | 10,095 | 8,797 | 1,465 | 10,012 | 899 | 613 | 225 | 860 | 188 | 50 | 33,204 |
| Disposals | - | (254) | (280) | (17,377) | (135) | (294) | (52) | (240) | (499) | - | (19,131) |
| At March 31, 2012 | 40,114 | 202,756 | 19,960 | 15,832 | 20,045 | 16,960 | 5,911 | 8,460 | 3,502 | 167 | 333,707 |
| Charge for the year | 5,597 | 13,150 | 1,394 | 11,598 | 845 | 540 | 147 | 499 | 251 | 38 | 34,059 |
| Disposals | - | - | (376) | (5,635) | - | (45) | (67) | (208) | (755) | - | (7,086) |
| At March 31, 2013 | 45,711 | 215,906 | 20,978 | 21,795 | 20,890 | 17,455 | 5,991 | 8,751 | 2,998 | 205 | 360,680 |
| Net book value | | | | | | | | | | | |
| At March 31, 2013 | 88,966 | 110,634 | 6,418 | 27,545 | 8,700 | 1,344 | 374 | 784 | 588 | 70 | 245,423 |
| At March 31, 2012 | 94,563 | 123,784 | 7,558 | 21,863 | 8,403 | 1,594 | 367 | 603 | 770 | 108 | 259,613 |
| At April 01, 2011 | 182,613 | 54,626 | 8,460 | 18,094 | 9,230 | 980 | 309 | 800 | 471 | 33 | 275,616 |

Certain aircraft and accessories have been pledged as security against borrowings of the Company. The transfer is in respect of aircraft previously held under finance lease which were transferred to owned assets upon final payment of the lease.

Notes To The Financial Statements

For The Year Ended March 31, 2013

7. Investment Property

| | 2013 | 2012 |
|---|---------------|-------|
| The Group | €'000 | €'000 |
| At April 01, | 9,856 | 9,599 |
| Transfer from / (to) property, plant and equipment (note 6) | 188 | (373) |
| Exchange differences | (389) | 726 |
| Fair value gain / (loss) | 395 | (96) |
| At March 31, | 10,050 | 9,856 |

The investment property is held by Mauritius Estate Development Corporation Limited ("MEDCOR"), a subsidiary of the Company. The investment property is stated at fair value, which has been determined based on a valuation performed by an independent valuer, Property and Assets Valuation Ltd, Chartered Valuer, at March 31, 2013, which has experience in the valuation of investment property of the same nature and location. The basis used for the valuation is the open market value approach.

The reclassification to property, plant and equipment is in respect of property previously rented out and now occupied by the Group.

| | 2013 | 2012 |
|---|--------------|-------|
| | €'000 | €'000 |
| (a) Rental income from the investment property | 1,196 | 1,147 |
| (b) Operating expenses arising on the investment property: | | |
| - that generated rental income during the year | 434 | 571 |
| - that did not generated rental income during the year | 159 | 76 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

8. Intangible Assets

| | THE GROUP | | THE COMPANY | |
|---------------------------------------|--------------|-------|--------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Carrying amount | €'000 | €'000 | €'000 | €'000 |
| Computer software (see below) | 170 | 534 | 170 | 534 |
| Goodwill on acquisition of subsidiary | 14 | 14 | - | - |
| | 184 | 548 | 170 | 534 |
| Computer software | | | | |
| Cost | | | | |
| At April 01, | 6,301 | 6,161 | 6,229 | 6,093 |
| Additions | 131 | 136 | 131 | 136 |
| Exchange differences | (2) | 4 | - | - |
| At March 31, | 6,430 | 6,301 | 6,360 | 6,229 |
| Amortisation | | | | |
| At April 01, | 5,767 | 5,219 | 5,695 | 5,151 |
| Charge for the year | 495 | 544 | 495 | 544 |
| Exchange differences | (2) | 4 | - | - |
| At March 31, | 6,260 | 5,767 | 6,190 | 5,695 |
| Net book value | | | | |
| At March 31, | 170 | 534 | 170 | 534 |

Management has reviewed the carrying amount of goodwill and does not consider it to be impaired.

9. Investment In Subsidiaries

| | 2013 | 2012 |
|----------------------------|---------------|--------|
| The Company | €'000 | €'000 |
| Cost | | |
| At April 01, and March 31, | 27,155 | 27,155 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

9. Investment In Subsidiaries (Cont'd)

Details of the subsidiaries included in the Group financial statements are as follows:

| Name of companies and activities | Country of incorporation | Class of shares held | Nominal value of investment | | Percentage holding | |
|--|--------------------------|----------------------|-----------------------------|--------|--------------------|--------|
| | | | 2013 | 2012 | 2013 | 2012 |
| | | | €'000 | €'000 | | |
| Management company | | | | | | |
| Air Mauritius (S.A.) (Proprietary) Limited | South Africa | Ordinary | 0.1 | 0.1 | 100% | 100% |
| Air Mauritius Holidays (Pty) Limited (Dormant) | Australia | Ordinary | 14.0 | 14.0 | 100% | 100% |
| Mauritian Holidays Ltd (Dormant) | England | Ordinary | 0.1 | 0.1 | 100% | 100% |
| Investment property | | | | | | |
| Mauritius Estate Development Corporation Limited | Mauritius | Ordinary | 25,707 | 25,707 | 93.70% | 93.70% |
| Hotel and restaurant | | | | | | |
| Pointe Coton Resort Hotel Company Limited | Mauritius | Ordinary | 1,263 | 1,263 | 54.19% | 54.19% |
| Call Centre | | | | | | |
| Airmate Ltd | Mauritius | Ordinary | 171 | 171 | 100% | 100% |
| Helicopter operations | | | | | | |
| Mauritius Helicopter Ltd (Dormant) | Mauritius | Ordinary | 0.1 | 0.1 | 100% | 100% |
| Air Mauritius Holidays Limited * | Mauritius | Ordinary | 252 | - | 100% | - |

*Air Mauritius Holidays Limited was incorporated in October 01, 2012 but shares are yet to be subscribed to the proposed shareholder Air Mauritius Limited.

10. Investment In An Associate

| | 2013 | 2012 |
|---|-------|-------|
| | €'000 | €'000 |
| (a) Carrying value of investment in associate | | |
| Cost | 102 | 102 |
| Share of post-acquisition profits, net of dividend received | 55 | 65 |
| Carrying value | 157 | 167 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

10. Investment In An Associate (Cont'd)

(b) Interest in an associate

The details on the associate, which is incorporated in Mauritius, are as follows:

| Name of company | Country of operation | Class of shares held | Nominal value of investment €'000 | Percentage holding | |
|---|----------------------|----------------------|--------------------------------------|--------------------|--------|
| | | | | 2013 | 2012 |
| The Mauritius Shopping Paradise Co. Ltd | Mauritius | Ordinary | 102 | 41.65% | 41.65% |

(c) Summarised financial information of the Group's associate is set out below:

| | 2013 €'000 | 2012 €'000 |
|---|---------------|---------------|
| Total assets | 724 | 741 |
| Total liabilities | (348) | (340) |
| Net assets | 376 | 401 |
| Group's share of associate's net assets | 157 | 167 |
| Revenue | - | - |
| (Loss) / profit after tax for the year | (24) | 28 |
| Group's share of result of associate | (10) | 12 |

11. Available-For-Sale Investments

| | 2013 €'000 | 2012 €'000 |
|----------------------------------|---------------|---------------|
| The Group and the Company | | |
| At April 01, | 603 | 628 |
| Fair value gain / (loss) | 8 | (25) |
| At March 31, | 611 | 603 |

Available-for-sale - quoted unit trust

The Group holds units in some unit trusts. The fair value of the units has been calculated based on the official valuation performed by the Fund administrator at year end. These investments amounting to €565k have been classified as Level 2 fair value hierarchy (2012: €557k).

Available-for-sale - unquoted equity share

The Group holds unquoted equity shares in private Company amounting to €46k whose fair value cannot be reliably measured and has been stated at cost. The fair value of this investment could not be reliably measured as the variability in the range of reasonable fair value estimates was too significant. The Group does not intend to dispose of the equity shares in the foreseeable future.

Notes To The Financial Statements

For The Year Ended March 31, 2013

12. Long Term Deposits

| | 2013 | 2012 |
|--|--------------|-------|
| The Group and the Company | €'000 | €'000 |
| Deposits on finance / operating leases | 8,984 | 8,692 |

The deposits bear no interest and is reimbursable at the end of the lease period.

13. Long Term Receivables

| | 2013 | 2012 |
|----------------------------------|--------------|-------|
| The Group and the Company | €'000 | €'000 |
| Loans | 133 | 132 |

The loans are unsecured, bears interest at rate of LIBOR+1% per annum and is repayable in terms ranging between 2 to 10 years.

14. Deferred Tax Asset

| | THE GROUP | |
|---|--------------|-------|
| | 2013 | 2012 |
| | €'000 | €'000 |
| At April 01, | 27 | 22 |
| Exchange differences | (14) | (9) |
| Charge to statement of comprehensive income (note 27) | 7 | 14 |
| At March 31, | 20 | 27 |

Deferred tax assets are attributable to the following items:

| | 2013 | 2012 |
|--------------------------|--------------|-------|
| | €'000 | €'000 |
| Provisions | 23 | 25 |
| Accelerated depreciation | (3) | 2 |
| | 20 | 27 |

The deferred tax asset relates to accelerated depreciation and provisions in Airmate Ltd and Mauritius Estate Development Corporation Limited and has been computed at the current tax rate of 15% (2012: 15%).

Tax exemption of the Company

The Company is not taxable by virtue of an agreement with the Government of Mauritius. As a result, no deferred tax has been provided for in the financial statements of the Company. No tax expense has been set off against other comprehensive income. Notwithstanding the tax exemption, the Company had unused tax losses of € 48.4m at 31 March 2013 (2012: € 64.2m) on which no deferred tax has been recognised.

Notes To The Financial Statements

For The Year Ended March 31, 2013

15. Inventories

| | THE GROUP | | THE COMPANY | |
|---|---------------|--------|---------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Aircraft spares - at net realisable value | 12,921 | 13,649 | 12,921 | 13,649 |
| Cabin services - at net realisable value | 1,514 | 1,819 | 1,514 | 1,819 |
| Others - at net realisable value | 1,301 | 1,630 | 1,237 | 1,570 |
| | 15,736 | 17,098 | 15,672 | 17,038 |

There was no inventory write down recognised as an expense during the year 2013 (2012: nil).

16. Trade And Other Receivables

| | THE GROUP | | THE COMPANY | |
|---------------------------------------|---------------|--------|---------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Trade receivables (net of allowances) | 34,210 | 34,723 | 33,759 | 34,544 |
| Receivable from subsidiary companies | - | - | 313 | 522 |
| Other receivables and prepayments | 13,670 | 10,263 | 13,279 | 9,786 |
| | 47,880 | 44,986 | 47,351 | 44,852 |

Outstanding balances receivable from related parties, identified in note 31, are included under trade and other receivables.

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

At March 31, 2013, trade receivables at nominal value of €4,147k (2012: €3,323k) for the Group and €4,055k (2012: €3,200k) for the Company were impaired and fully provided for. In assessing provision for impairment the Group considers the historical factors that debtors exceeding 90 days do not repay their debt.

Movements in the provision for impairment of receivables were as follows:

| | THE GROUP | THE COMPANY |
|----------------------------------|-----------------------|-----------------------|
| | Individually impaired | Individually impaired |
| | €'000 | €'000 |
| At April 01, 2011 | 3,074 | 2,930 |
| Charge for the year (note 24(a)) | 331 | 331 |
| Utilised | (82) | (61) |
| At March 31, 2012 | 3,323 | 3,200 |
| Charge for the year (note 24(a)) | 873 | 855 |
| Utilised | (49) | - |
| At March 31, 2013 | 4,147 | 4,055 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

16. Trade And Other Receivables (Cont'd)

At March 31, the ageing analysis of trade receivables is as follows:

| | Total | Neither past due nor impaired | Past due but not impaired | | |
|--------------------|---------------|----------------------------------|---------------------------|--------------|--------------|
| | | | <30 days | 31 - 90 days | >90 days |
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| The Group | | | | | |
| 2013 | 34,210 | 26,971 | 433 | 3,005 | 3,801 |
| 2012 | 34,723 | 34,077 | 133 | 170 | 343 |
| The Company | | | | | |
| 2013 | 33,759 | 32,056 | 355 | 270 | 1,078 |
| 2012 | 34,544 | 34,017 | 65 | 153 | 309 |

17. Cash And Short Term Deposits

| | THE GROUP | | THE COMPANY | |
|------------------------------|-----------|---------|-------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Cash and short-term deposits | 11,434 | 13,479 | 10,093 | 11,256 |
| Bank overdraft (note 19) | (16,719) | (8,114) | (16,687) | (8,114) |
| | (5,285) | 5,365 | (6,594) | 3,142 |

Cash resources include deposits totalling € 1.7M (2012: €6M) which earn interest at rates ranging between 0.1% and 4.90% per annum (2012: 0.1% and 5% per annum).

18. Share Capital

| The Group and the Company | 2013 | 2012 | 2013 | 2012 |
|-------------------------------|-------------|-------------|--------|--------|
| | Number | Number | €'000 | €'000 |
| Authorised | | | | |
| Ordinary shares of Rs 10 each | 200,000,000 | 200,000,000 | 81,566 | 81,566 |
| Issued and fully paid | | | | |
| Ordinary shares of Rs 10 each | 102,305,000 | 102,305,000 | 41,724 | 41,724 |

The ordinary shares are denominated in Mauritian rupees.

Notes To The Financial Statements

For The Year Ended March 31, 2013

19. Interest-Bearing Loans And Borrowings

| | THE GROUP | | THE COMPANY | |
|--|---------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Non-current | | | | |
| Obligations under finance leases [notes (c)] | 48,473 | 59,701 | 48,473 | 59,701 |
| Current | | | | |
| Bank overdraft (notes 17 & 34 (a)) | 16,719 | 8,114 | 16,687 | 8,114 |
| Bank loans [notes (b) & 34(a)] | - | 4,588 | - | 4,588 |
| Loan from subsidiary | - | - | 6,542 | 6,730 |
| Obligations under finance leases (note (c)) | 11,113 | 11,635 | 11,113 | 11,635 |
| | 27,832 | 24,337 | 34,342 | 31,067 |
| Total interest-bearing loans and borrowings | 76,305 | 84,038 | 82,815 | 90,768 |

(a) Details of the interest-bearing loans and borrowings are given in note 34(a).

| | THE GROUP | | THE COMPANY | |
|---------------------------|-----------|-------|-------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| (b) Bank loans | | | | |
| Repayable by instalments: | | | | |
| - within one year | - | 4,588 | - | 4,588 |
| | - | 4,588 | - | 4,588 |

(c) Obligations under finance leases

| The Group and the Company | Minimum lease payments | | Present value of minimum lease payments | |
|---|------------------------|----------|---|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Amounts payable under finance leases: | | | | |
| - within one year | 12,439 | 13,995 | 11,113 | 11,635 |
| - after one year and before two years | 9,058 | 13,187 | 7,905 | 11,132 |
| - after two years and before five years | 19,255 | 23,429 | 16,685 | 18,796 |
| - after five years | 26,125 | 32,954 | 23,883 | 29,773 |
| | 66,877 | 83,565 | 59,586 | 71,336 |
| Less: Future finance charges | (7,291) | (12,229) | - | - |
| Present value of lease obligations | 59,586 | 71,336 | 59,586 | 71,336 |
| Less: Amount due for settlement within 1 year | | | (11,113) | (11,635) |
| Amount due for settlement after 1 year | | | 48,473 | 59,701 |

The Company has acquired certain aircraft under finance leases. The average remaining lease terms for these contracts are 1 to 8 years (2012: 1 to 9 years). Borrowing rates vary according to LIBOR and EURIBOR on which the lease agreements have been negotiated.

Notes To The Financial Statements

For The Year Ended March 31, 2013

19. Interest-Bearing Loans And Borrowings (Cont'd)

(d) Guarantees and security

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The Company's borrowings are secured by fixed charges over all aircraft on lease and aircraft and accessories.

20. Other Financial Assets And Financial Liabilities

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities.

| The Group and the Company | 2013 | | 2012 | |
|-------------------------------------|--------------|--------------|--------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| | €'000 | €000 | €'000 | €'000 |
| <i>Cash flow hedge</i> | | | | |
| Forward foreign exchange agreements | 1,451 | (572) | 45 | - |
| Currency swaps | - | (3) | - | - |
| Commodity derivatives | 458 | - | - | (13) |
| | 1,909 | (575) | 45 | (13) |

Financial assets / liabilities at fair value through other comprehensive income reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases of USD .

Financial assets / liabilities at fair value through other comprehensive income also include the change in fair value of commodity forward contracts contracted in 2013. The Group is exposed to changes in the price of fuel on its forecast fuel purchases. The forward contracts do not result in physical delivery of fuel but are designated as cash flow hedges to offset the effect of price changes in fuel. The Group hedges approximately 30% of its expected fuel purchases in the next reporting period. The remaining volume of fuel purchase is exposed to price volatility.

Notes To The Financial Statements

For The Year Ended March 31, 2013

21. Provisions

| | THE GROUP | | THE COMPANY | |
|---|---------------|--------|---------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Amount of provisions recognised in the Statements of Financial Position: | €'000 | €'000 | €'000 | €'000 |
| Defined benefit pension schemes [note (a)] | 34,740 | 29,095 | 34,740 | 29,095 |
| Other post retirement benefits [note (b)] | 842 | 829 | 585 | 631 |
| End of contract gratuity for pilots [note (c)] | - | 2,623 | - | 2,623 |
| Contractual maintenance expenses [note (d)] | 34,846 | 26,608 | 34,846 | 26,608 |
| | 70,428 | 59,155 | 70,171 | 58,957 |
| Disclosed as: | | | | |
| Current | 3,944 | 12,280 | 3,944 | 12,280 |
| Non-current | 66,484 | 46,875 | 66,227 | 46,677 |
| | 70,428 | 59,155 | 70,171 | 58,957 |

(a) Defined benefit pension schemes

(i) Reconciliation of net defined benefit liability

| | THE GROUP | | THE COMPANY | |
|---|----------------|---------|----------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, 2012 | 29,095 | 23,766 | 29,095 | 23,766 |
| Amount recognised in profit or loss | 5,170 | 1,778 | 5,170 | 1,778 |
| Amount recognised in other comprehensive income | 4,483 | 4,513 | 4,483 | 4,535 |
| Employer contributions | (3,199) | (2,270) | (3,199) | (2,270) |
| Exchange differences | (809) | 1,308 | (809) | 1,286 |
| At March 31, 2013 | 34,740 | 29,095 | 34,740 | 29,095 |

The amounts recognised in the Statements of Financial Position are as follows:

| The Group and the Company | 2013 | 2012 |
|-------------------------------------|-----------------|----------|
| | €'000 | €'000 |
| Present value of funded obligations | 78,466 | 70,940 |
| Fair value of plan assets | (43,726) | (41,845) |
| At March 31, 2013 | 34,740 | 29,095 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

21. Provisions (Cont'd)

(a) Defined benefit pension schemes (Cont'd)

(ii) Reconciliation of fair value of plan assets

| | THE GROUP | | THE COMPANY | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, | 41,845 | 44,069 | 41,845 | 44,069 |
| Interest income | 3,893 | 4,672 | 3,893 | 4,672 |
| Employer contributions | 3,199 | 2,270 | 3,199 | 2,270 |
| Benefits paid | (2,583) | (7,119) | (2,583) | (7,119) |
| Exchange differences | (1,163) | 2,452 | (1,163) | 2,452 |
| Loss on plan asset excluding interest | (1,465) | (4,499) | (1,465) | (4,499) |
| At March 31, | 43,726 | 41,845 | 43,726 | 41,845 |

(iii) Reconciliation of present value of defined benefit obligation

| | THE GROUP | | THE COMPANY | |
|---|---------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, | 70,940 | 67,835 | 70,940 | 67,835 |
| Current service cost | 2,631 | 2,889 | 2,631 | 2,889 |
| Interest expense | 6,432 | 7,070 | 6,432 | 7,070 |
| Settlement gain | - | (3,509) | - | (3,509) |
| Benefits paid on settlement | - | (5,326) | - | (5,326) |
| Other benefits paid | (2,583) | (1,793) | (2,583) | (1,793) |
| Exchange differences | (1,972) | 3,774 | (1,972) | 3,774 |
| Liability loss due to change in financial assumptions | 3,018 | - | 3,018 | - |
| At March 31, | 78,466 | 70,940 | 78,466 | 70,940 |

(iv) Components of amounts recognised in Profit or Loss.

| | THE GROUP | | THE COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Current service cost | 2,631 | 2,889 | 2,631 | 2,889 |
| Settlement gain | - | (3,509) | - | (3,509) |
| Service cost | 2,631 | (620) | 2,631 | (620) |
| Net interest on net defined benefit liability | 2,539 | 2,398 | 2,539 | 2,398 |
| Total | 5,170 | 1,778 | 5,170 | 1,778 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

21. Provisions (Cont'd)

(a) Defined benefit pension schemes (Cont'd)

(v) Components of amount recognised in other comprehensive income

| | THE GROUP | | THE COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Return on plan assets below interest income | 1,465 | 4,499 | 1,465 | 4,499 |
| Liability loss due to change in financial assumptions | 3,018 | 14 | 3,018 | 36 |
| Total | 4,483 | 4,513 | 4,483 | 4,535 |

(vi) Distribution of plan assets at end of year

| The Group and the Company | 2013 | 2012 |
|--|------------|------------|
| Percentage of assets at March 31, | % | % |
| Equities - overseas | 51 | 45 |
| Equities - local | 7 | 7 |
| Fixed interest securities overseas | 5 | 5 |
| Fixed interest securities local | 15 | 6 |
| Property | 1 | 4 |
| Loan and fixed deposits | - | 11 |
| Cash and Other | 21 | 22 |
| Total | 100 | 100 |

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal actuarial assumptions (in Mauritian rupees terms) used for both the defined benefit pension schemes and the other post retirement benefits were:

| The Group and the Company | 2013 | 2012 |
|-------------------------------|------------|------------|
| Discount rate | 8.5% | 10.0% |
| Rate of return on plan assets | 8.5% | 10.0% |
| Future salary increases | 6.0% | 8.0% |
| Future pension increases | 3.5% | 4.0% |
| Average retirement age (ARA) | 62.5 | 62.5 |
| Average life expectancy for: | | |
| - Male at ARA | 17.7 years | 17.7 years |
| - Female at ARA | 22.1 years | 22.1 years |

Notes To The Financial Statements

For The Year Ended March 31, 2013

21. Provisions (Cont'd)

(a) Defined benefit pension schemes (Cont'd)

(vi) Distribution of plan assets at end of year (Cont'd)

Sensitivity analysis on defined benefit obligation at end of year

-Increase due to 1% decrease in discount rate : Eur 14,909,000

-Decrease due to 1% decrease in discount rate : Eur 11,770,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of year 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.

- Expected employer contribution for next year : Eur 4,564,000

- Weighted average duration of the defined benefit obligation : 20.2 years

Obligations, assets and experience adjustments for the current period and four previous periods:

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|----------------------------------|-----------------|----------|----------|----------|----------|
| | | | Restated | Restated | |
| The Group and the Company | €'000 | €'000 | €'000 | €'000 | €'000 |
| Defined benefit obligations | (78,466) | (70,940) | (67,835) | (64,336) | (53,352) |
| Fair value of plan assets | 43,726 | 41,845 | 44,069 | 42,579 | 35,487 |
| Deficit | (34,740) | (29,095) | (23,766) | (21,757) | (17,865) |

The restatement for 2011 and 2010 relates to the impact of the early adoption of IAS 19 revised in the year ended March 31, 2012.

(b) Other post retirement benefits

(i) Reconciliation of net defined benefit liability

| | THE GROUP | | THE COMPANY | |
|---|-------------|-------|--------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, | 829 | 678 | 631 | 514 |
| Amount recognised in profit or loss | 156 | 183 | 109 | 100 |
| Amount recognised in other comprehensive income | (99) | - | (120) | - |
| Less Employer contributions | (20) | (13) | (17) | (11) |
| Exchange differences | (24) | (19) | (18) | 28 |
| At March 31, | 842 | 829 | 585 | 631 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

21. Provisions (Cont'd)

(b) Other post retirement benefits (Cont'd)

(ii) Reconciliation of present value of defined benefit obligation

| | THE GROUP | | THE COMPANY | |
|---|------------|------------|-------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, | 829 | 678 | 631 | 514 |
| Current service cost | 76 | 111 | 48 | 46 |
| Interest expense | 80 | 72 | 61 | 54 |
| Other benefits paid | (20) | (13) | (17) | (11) |
| Exchange differences | (24) | (19) | (18) | 28 |
| Liability gain due to change in financial assumptions | (99) | - | (120) | - |
| At March 31, | 842 | 829 | 585 | 631 |

(iii) Components of amounts recognised in Statements of Comprehensive Income

| | THE GROUP | | THE COMPANY | |
|---|------------|------------|-------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Current service cost | 76 | 111 | 48 | 46 |
| Net interest on net defined benefit liability | 80 | 72 | 61 | 54 |
| Total | 156 | 183 | 109 | 100 |

(iv) Components of amount recognised in Profit or Loss.

| | THE GROUP | | THE COMPANY | |
|---|-------------|----------|--------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Liability gain due to change in financial assumptions | (99) | - | (120) | - |
| Total | (99) | - | (120) | - |

(v) The principal actuarial assumptions (in Mauritian rupees terms) used for both the defined benefit pension schemes and the other post retirement benefits were:

| The Group and the Company | 2013 | 2012 |
|-------------------------------|------------|------------|
| Discount rate | 8.5% | 10.0% |
| Rate of return on plan assets | 8.5% | 10.0% |
| Future salary increases | 6.0% | 8.0% |
| Future pension increases | 3.5% | 4.0% |
| Average retirement age (ARA) | 62.5 | 62.5 |
| Average life expectancy for: | | |
| - Male at ARA | 17.7 years | 17.7 years |
| - Female at ARA | 22.1 years | 22.1 years |

Notes To The Financial Statements

For The Year Ended March 31, 2013

21. Provisions (Cont'd)

(b) Other post retirement benefits (Cont'd)

Additional information

- (i) Retirement and other benefit obligations have been provided based on the report from Hewitt LY Ltd, Actuaries and Consultants.
- (ii) Post retirement mortality has been assumed to be in line with the UK standard table PA(90) rated down by one year.

Sensitivity analysis on defined benefit obligation at end of year

- Increase due to 1% decrease in discount rate : Eur 132,000
- Decrease due to 1% decrease in discount rate : Eur 108,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of year 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.
- Expected employer contribution for next year : Nil
- Weighted average duration of the defined benefit obligation : 12 years

Obligations, assets and experience adjustments for the current and four previous periods:

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|-----------------------------|--------------|-------|----------|----------|-------|
| | | | Restated | Restated | |
| The Group | €'000 | €'000 | €'000 | €'000 | €'000 |
| Defined benefit obligations | (842) | (829) | (678) | (604) | (507) |
| Fair value of plan assets | - | - | - | - | - |
| Deficit | (842) | (829) | (678) | (604) | (507) |
| The Company | | | | | |
| Defined benefit obligations | (585) | (631) | (514) | (462) | (400) |
| Fair value of plan assets | - | - | - | - | - |
| Deficit | (585) | (631) | (514) | (462) | (400) |

The restatement for 2011 and 2010 relates to the impact of the early adoption of IAS 19 Employee Benefits in the year ended March 31, 2012.

Notes To The Financial Statements

For The Year Ended March 31, 2013

21. Provisions (Cont'd)

(c) End of contract gratuity for pilots

The amounts recognised in the Statements of Financial Position are as follows:

| | THE GROUP | | THE COMPANY | |
|----------------------------------|-----------|--------------|-------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, | 2,623 | 1,422 | 2,623 | 1,422 |
| Charge for the year (note 24(b)) | - | 2,699 | - | 2,699 |
| Payments | (2,623) | (1,434) | (2,623) | (1,434) |
| Exchange differences | - | (64) | - | (64) |
| At March 31, | - | 2,623 | - | 2,623 |
| Provided as follows: | | | | |
| - less than one year (note 22) | - | 2,623 | - | 2,623 |

The Company's has changed its policy on payment of gratuity to pilots which is now payable annually instead of every four years.

(d) Contractual maintenance expenses

| | THE GROUP | | THE COMPANY | |
|---|---------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| At April 01, | 26,608 | 22,447 | 26,608 | 22,447 |
| Net accrued for the year | 9,302 | 4,707 | 9,302 | 4,707 |
| Payment | (2,290) | (1,535) | (2,290) | (1,535) |
| Exchange differences | 1,226 | 989 | 1,226 | 989 |
| At March 31, | 34,846 | 26,608 | 34,846 | 26,608 |
| Provided as follows: | | | | |
| - less than one year (note 22) | 3,944 | 9,657 | 3,944 | 9,657 |
| - after one year and before two years | 10,150 | 9,862 | 10,150 | 9,862 |
| - after two years and before five years | 16,502 | 3,589 | 16,502 | 3,589 |
| - after five years | 4,250 | 3,500 | 4,250 | 3,500 |
| | 30,902 | 16,951 | 30,902 | 16,951 |
| | 34,846 | 26,608 | 34,846 | 26,608 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

22. Trade And Other Payables

| | THE GROUP | | THE COMPANY | |
|--|----------------|---------|----------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Trade payables | 56,033 | 57,689 | 55,485 | 56,632 |
| Sales in advance of carriage (see note below) | 64,837 | 71,783 | 64,152 | 71,783 |
| Amounts due to subsidiary companies | - | - | 685 | 931 |
| Other payables and accruals | 6,550 | 7,314 | 6,645 | 7,190 |
| End of contract gratuity for pilots [note 21(c)] | - | 2,623 | - | 2,623 |
| Contractual maintenance expenses [note 21(d)] | 3,944 | 9,657 | 3,944 | 9,657 |
| | 131,364 | 149,066 | 130,911 | 148,816 |

Outstanding balances due to related parties, as detailed in note 31, are included under trade and other payables.

Sales in advance of carriage represent tickets issued but not yet utilised.

Trade payables are non-interest bearing and are normally settled on 30-60 days' term.

Notes To The Financial Statements

For The Year Ended March 31, 2013

23. Operating Segments

| | THE COMPANY | | | | THE COMPANY | | | | SUBSIDIARIES | | | | TOTAL | | | |
|---|---------------------|---------------|-------------------|--------------|----------------|-----------------|---------------------|------------|--------------------|--------------|-------------|------------|--------------------------|----------------|-----------------|-------|
| | Aircraft operations | | Ground operations | | THE COMPANY | | Investment property | | Hotel & restaurant | | Call centre | | Adjustment / Unallocated | | THE GROUP | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Operating revenue | 444,867 | 446,224 | 5,144 | 4,645 | 450,011 | 450,869 | 1,196 | 1,148 | 1,365 | 1,602 | 3,156 | 2,985 | (3,599) | 452,129 | 453,218 | |
| Operating expenses | (424,967) | (445,459) | (5,729) | (4,943) | (430,696) | (450,402) | (593) | (646) | (552) | (534) | (2,961) | (2,727) | 3,599 | (431,203) | (450,924) | |
| Segment results | 19,900 | 765 | (585) | (298) | 19,315 | 467 | 603 | 502 | 813 | 1,068 | 195 | 258 | - | 20,926 | 2,294 | |
| Administrative expenses | | | | | (25,514) | (27,965) | - | - | (948) | (912) | (199) | (187) | - | (26,661) | (29,066) | |
| Share of result of associate | | | | | - | - | - | - | - | - | - | - | (10) | (10) | 12 | |
| Other operating income | | | | | 3,861 | 4,169 | 82 | 2 | 107 | 118 | 6 | 13 | - | 4,056 | 4,302 | |
| Fair value gain / (loss) | | | | | - | - | 395 | (96) | - | - | - | - | - | 395 | (96) | |
| Finance revenue | | | | | 1,427 | 1,447 | 228 | 243 | 31 | 36 | 2 | 1 | (210) | 1,478 | 437 | |
| Finance cost | | | | | (2,710) | (7,347) | - | - | - | - | - | - | 210 | (2,500) | (7,156) | |
| (Loss) / profit before tax | | | | | (3,621) | (29,229) | 1,308 | 651 | 3 | 310 | 4 | 85 | (10) | (2,316) | (29,273) | |
| Income tax expense | | | | | - | - | (184) | (129) | - | (15) | (3) | (13) | - | (187) | (157) | |
| (Loss) / profit for the year | | | | | (3,621) | (29,229) | 1,124 | 522 | 3 | 295 | 1 | 72 | (10) | (2,503) | (29,430) | |
| (Loss) / profit attributable to: | | | | | | | | | | | | | | | | |
| - Equity holders of the parent | | | | | (3,621) | (29,229) | 1,053 | 489 | 2 | 160 | 1 | 72 | (10) | (2,575) | (29,598) | |
| - Non-controlling interests | | | | | - | - | 71 | 33 | 1 | 135 | - | - | - | 72 | 168 | |
| Assets | | | | | (3,621) | (29,229) | 1,124 | 522 | 3 | 295 | 1 | 72 | (10) | (2,503) | (29,430) | |
| Segment assets | 316,689 | 328,860 | 5,259 | 5,461 | 321,948 | 334,321 | 21,792 | 21,534 | 2,916 | 2,856 | 614 | 674 | - | 347,270 | 359,385 | |
| Investment in associate | - | - | - | - | - | - | - | - | - | - | - | - | 157 | 157 | 167 | |
| Unallocated corporate assets | - | - | - | - | - | - | - | - | - | - | - | - | 611 | 611 | 603 | |
| Equity and liabilities | | | | | | | | | | | | | | 348,038 | 360,155 | |
| Segment liabilities | 256,384 | 264,970 | 16,351 | 13,460 | 272,735 | 278,430 | 762 | 1,039 | 393 | 255 | 231 | 268 | - | 274,121 | 279,992 | |
| Capital and reserves | - | - | - | - | - | - | - | - | - | - | - | - | 71,437 | 71,437 | 77,706 | |
| Non-controlling interests | - | - | - | - | - | - | 1,325 | 1,291 | 1,155 | 1,166 | - | - | - | 2,480 | 2,457 | |
| Capital additions | 19,181 | 16,025 | 882 | 1,473 | 20,063 | 17,498 | 3 | 3 | 1,742 | 187 | 2 | 1 | - | 21,810 | 17,689 | |
| Depreciation and amortisation | 32,160 | 32,139 | 1,393 | 1,609 | 33,553 | 33,748 | 2 | 6 | 264 | 253 | 17 | 17 | 4 | 33,840 | 34,029 | |

Notes To The Financial Statements

For The Year Ended March 31, 2013

23. Operating Segments (Cont'd)

The Group and The Company

(b) Secondary reporting geographical segments

| | 2013 | 2012 |
|---------------------------------------|----------------|---------|
| Traffic revenue by destination | €'000 | €'000 |
| Africa and Middle East | 36,612 | 32,822 |
| America | 4,087 | 4,156 |
| Asia | 61,072 | 51,626 |
| Australia | 17,055 | 15,743 |
| Europe | 159,544 | 181,303 |
| Indian Ocean | 52,252 | 50,085 |
| Mauritius | 119,389 | 115,134 |
| At March 31, | 450,011 | 450,869 |

(c) Main analysis of traffic revenue

| | 2013 | | 2012 | |
|--|----------------|-------------|---------|------|
| | €'000 | % | €'000 | % |
| Passenger (including helicopter revenue) | 368,809 | 82% | 379,721 | 84% |
| Cargo | 42,147 | 9% | 43,119 | 10% |
| Others | 39,055 | 9% | 28,029 | 6% |
| Total traffic revenue | 450,011 | 100% | 450,869 | 100% |

24. Depreciation, Amortisation, Foreign Exchange Differences And Costs Of Inventories Included In The Statements Of Comprehensive Income

| | THE GROUP | | THE COMPANY | |
|---|--------------|-------|--------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| (a) Operating loss is arrived after: | €'000 | €'000 | €'000 | €'000 |
| Crediting: | | | | |
| Revenue from redemption of miles | 2,213 | 1,306 | 2,213 | 1,306 |
| Rental income | 1,276 | 939 | 102 | 100 |
| Gain on disposal of property, plant and equipment | 160 | 262 | 157 | 56 |
| Ticket cancellation and penalty fees | 1,078 | 1,210 | 1,078 | 1,210 |
| Service charges | 1,871 | 1,434 | 1,871 | 1,434 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

24. Depreciation, Amortisation, Foreign Exchange Differences And Costs Of Inventories Included In The Statements Of Comprehensive Income (Cont'd)

| | THE GROUP | | THE COMPANY | |
|---|--------------|--------|--------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| (a) Operating loss is arrived after: (Cont'd) | €'000 | €'000 | €'000 | €'000 |
| Charging: | | | | |
| Included in operating expenses | | | | |
| Depreciation of property, plant and equipment | 32,312 | 30,953 | 32,042 | 30,689 |
| Operating lease rental | 22,806 | 21,212 | 22,806 | 21,212 |
| Cost of inventories recognised as expenses | 9,230 | 9,915 | 9,230 | 9,915 |
| Increase / (decrease) in provision for stock obsolescence | 442 | (263) | 442 | (263) |
| Employee benefit expenses | 62,481 | 62,330 | 62,235 | 59,584 |
| Included in administrative expenses | | | | |
| Depreciation of property, plant and equipment | 2,033 | 2,532 | 2,016 | 2,515 |
| Increase in provision for impairment on trade receivables (note 16) | 873 | 331 | 855 | 331 |
| Amortisation of intangible assets (note 8) | 495 | 544 | 495 | 544 |
| Outside service costs | 2,644 | 2,694 | 2,644 | 2,694 |
| Company service fees | 2,897 | 4,763 | 2,897 | 4,763 |
| Motor vehicle running expenses | 2,594 | 2,514 | 2,490 | 2,514 |
| Communication cost services | 1,388 | 1,369 | 1,388 | 1,369 |
| Employee benefit expenses | 12,058 | 7,374 | 8,664 | 6,902 |

| | THE GROUP | | THE COMPANY | |
|--|---------------|--------|---------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| (b) Analysis of employee benefit expense | €'000 | €'000 | €'000 | €'000 |
| Salaries and wages | 66,287 | 62,187 | 62,828 | 59,230 |
| Social security costs | 2,379 | 2,392 | 2,245 | 2,189 |
| Defined benefit pension schemes (note 21(a)(ii)) | 5,170 | 1,778 | 5,170 | 1,778 |
| Other post retirement benefits (note 21(b)(ii)) | 156 | 158 | 109 | 100 |
| End of contract gratuity for pilots (note 21(c)) | - | 2,699 | - | 2,699 |
| Defined contribution pension scheme | 547 | 490 | 547 | 490 |
| | 74,539 | 69,704 | 70,899 | 66,486 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

25. Finance Revenue

| | THE GROUP | | THE COMPANY | |
|---|--------------|------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Other interest income | 233 | 391 | 182 | 302 |
| Unrealised gain on translation of monetary assets and liabilities | 102 | - | 102 | - |
| Gain on currency hedge | 1,119 | - | 1,119 | - |
| Dividend income - unquoted | 24 | 46 | 24 | 1,145 |
| | 1,478 | 437 | 1,427 | 1,447 |

26. Finance Costs

| | THE GROUP | | THE COMPANY | |
|---|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Foreign exchange: | | | | |
| Loss on currency hedging | - | 443 | - | 443 |
| Unrealised loss on translation of monetary assets and liabilities | - | 3,729 | - | 3,729 |
| | - | 4,172 | - | 4,172 |
| Interest expense: | | | | |
| Finance leases | 1,926 | 2,831 | 1,926 | 2,831 |
| Bank overdraft | 278 | 70 | 278 | 70 |
| Other loan | 268 | 12 | 478 | 203 |
| Bank loans | 28 | 71 | 28 | 71 |
| | 2,500 | 2,984 | 2,710 | 3,175 |
| Total | 2,500 | 7,156 | 2,710 | 7,347 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

27. Income Tax Expense

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------|----------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| (a) Income tax | | | | |
| Deferred tax charge for the year (note 12) | 20 | 27 | - | - |
| Current income tax charge | 167 | 130 | - | - |
| | 187 | 157 | - | - |
| (b) Tax reconciliation | | | | |
| Loss before tax | (2,316) | (29,273) | (3,621) | (29,229) |
| Tax at the rate of 15% (2012: 15%) | (347) | (4,391) | (543) | (4,384) |
| Corporate Social Responsibility | 36 | 42 | - | - |
| Expenses not allowable for tax purposes | 316 | 526 | 302 | 519 |
| Exempt income | (68) | (70) | (4) | (172) |
| Deferred tax under provided in previous year | - | 13 | - | - |
| Effect of tax exemptions | 250 | 4,037 | 245 | 4,037 |
| Tax charge for the year | 187 | 157 | - | - |

The Company is not taxable by virtue of an agreement with the Government of Mauritius.

28. Loss Per Share

| The Group | 2013 | 2012 |
|---|--------------------|-------------|
| | €'000 | €'000 |
| Loss per share is based on: | | |
| Loss for the year | (2,575) | (29,598) |
| Number of shares in issue during the year used in calculation | 102,305,000 | 102,305,000 |

Basic and diluted loss per share were the same for both years since there was no potential dilutive ordinary shares at year end.

Notes To The Financial Statements

For The Year Ended March 31, 2013

29. Commitments

(a) Operating lease commitments

(i) The Group as lessor

The Group has entered into leases on its property portfolio. The commercial property leases have lease terms between three and five years with renewable option of further periods of three years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

The future minimum rentals receivable under non-cancellable operating leases as at March 31, are as follows:

| | 2013 | 2012 |
|--|--------------|--------------|
| | €'000 | €'000 |
| Within 1 year | 1,059 | 789 |
| After 1 year, but not more than five years | 3,001 | 424 |
| | 4,060 | 1,213 |

(ii) The Group and Company as lessee

| | 2013 | 2012 |
|--|----------------|----------------|
| | €'000 | €'000 |
| The Group and the Company have the following commitments under non-cancellable operating leases: | | |
| - within one year | 22,297 | 22,278 |
| - after one year and before two years | 21,094 | 21,537 |
| - after two years and before five years | 65,751 | 63,252 |
| - after five years | 20,700 | 41,061 |
| | 129,842 | 148,128 |

The Group has entered into commercial leases on certain aircraft and accessories. The remaining lease duration period ranges from 1 to 9 years with a renewable option. The above commitments exclude costs to be incurred for the reconditioning of aircraft prior to return to lessor. The above lease rentals are subject to changes in market interest rates which are recognised when they arise.

30. Substantial Shareholders

At March 31, the following shareholders held more than 5% of the ordinary share capital of the Company.

| | 2013 & 2012 | | |
|----------------------------------|-------------|---------------|----------------|
| | Direct % | Indirect % | Effective % |
| Air Mauritius Holdings Limited | 51.00 | - | 51.00 |
| Government of Mauritius | 8.37 | 36.05 | 44.42 |
| State Investment Corporation Ltd | 4.54 | 9.19 | 13.73 |
| Rogers & Company Limited | 4.28 | 9.24 | 13.52 |
| Compagnie Nationale Air France | 2.78 | 5.72 | 8.50 |
| Air India | 2.56 | 4.50 | 7.06 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

31. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(i) Entities with significant influence over the Group

State-controlled entities

The Government of Mauritius has a 44.42% effective interest (including both direct and indirect holdings) in the share capital of Air Mauritius Limited. The amounts paid to and received from the Government of Mauritius and its state-controlled entities relate generally to taxes, civil aviation and related charges, utility costs and amounts relating to pension and pension administration.

| The Group | 2013 | 2012 |
|-----------------------------------|-------|-------|
| | €'000 | €'000 |
| Income for the year | 4,392 | 3,929 |
| Expenses for the year | 6,274 | 7,784 |
| Amount receivable as at March 31, | 1,258 | 933 |
| Amount payable as at March 31, | 3,952 | 1,744 |

(ii) Key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors.

| Compensation | THE GROUP | | THE COMPANY | |
|---------------------------|-----------|-------|-------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| | €'000 | €'000 | €'000 | €'000 |
| Short-term benefits | 1,882 | 1,204 | 1,856 | 1,194 |
| Post-employment benefits: | | | | |
| - Defined benefit | 135 | 126 | 135 | 126 |
| | 2,017 | 1,330 | 1,991 | 1,320 |

(iii) Other related parties

(1) Mr Philippe Espitalier-Noël who is a Director of the Company, is also directors of Rogers & Company Limited ("Rogers"). Rogers has a number of subsidiaries and these companies have transacted with the Group during the financial year. Transactions relating to these entities are as follows:

| The Group and the Company | 2013 | 2012 |
|-----------------------------------|--------|--------|
| | €'000 | €'000 |
| Income for the year | 22,364 | 25,481 |
| Expenses for the year | 985 | 872 |
| Amount receivable as at March 31, | 1,659 | 2,045 |
| Amount payable as at March 31, | 30 | 58 |

Notes To The Financial Statements

For The Year Ended March 31, 2013

31. Related Party Transactions (Cont'd)

(iii) Other related parties (Cont'd)

(2) Mr Rohit Nandan, who is a Director of the Company, is also the Chairman and Managing Director of Air India. Air India has transacted with the Group during the year and the summary of transactions are as follows:

| The Group and the Company | 2013 | 2012 |
|--------------------------------|-------|-------|
| | €'000 | €'000 |
| Expenses for the year | 820 | 970 |
| Amount payable as at March 31, | 17 | 17 |

(3) Mr Kremchand Beegoo, who is a Director of the Company, is also the Managing Director of Cargotech Ltd. Mr Francois Woo is also related to Cargotech Ltd. This company has transacted with the Group. Transactions relating to this entity are as follows:

| The Group and the Company | 2013 | 2012 |
|-----------------------------------|-------|-------|
| | €'000 | €'000 |
| Income for the year | 2,014 | 1,752 |
| Amount receivable as at March 31, | 104 | 205 |

(iv) Terms and conditions of transactions with related parties

Outstanding balances at year end are interest free and settlement occurs in cash. For the year ended March 31, 2013, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2012: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(v) Subsidiaries and associates

The Company holds investments in subsidiaries and in an associate as described in notes 9 and 10. The Company had no related party transactions with its associate. Transactions with subsidiaries are in respect of rent of office space from MEDCOR, revenue from cleaning services provided to MEDCOR, call centre services provided by Airmate Ltd and sale of tickets to Pointe Coton Resort Hotel Company Limited.

| | 2013 | 2012 |
|-----------------------------------|-------|-------|
| | €'000 | €'000 |
| Income for the year | 115 | 92 |
| Expenses for the year | 3,484 | 3,291 |
| Amount receivable as at March 31, | 313 | 522 |
| Amount payable as at March 31, | 586 | 931 |
| Loan from subsidiary (note 19) | 6,542 | 6,730 |

32. Holding Company And Ultimate Controlling Entity

Air Mauritius Holdings Limited, whose registered office is Air Mauritius Centre, President John Kennedy Street Port-Louis, is the holding company of Air Mauritius Limited. The ultimate controlling entity is the Government of Mauritius.

Notes To The Financial Statements

For The Year Ended March 31, 2013

33. Events Subsequent To Reporting Date

No material adjusting and non-adjusting events have arisen between the reporting date and the date the financial statements were approved.

34. Details Of Borrowings And Financial Derivatives

(a) Borrowings and financial derivatives

| Base currency | Interest rate % | 2013 | | 2012 | | Last repayment date |
|--|------------------------|---|---|---|---|----------------------------|
| | | Loans and obligations under finance leases €'000 | Fair value of financial derivative liability €'000 | Loans and obligations under finance leases €'000 | Fair value of financial derivative liability €'000 | |
| Leased aircraft under swap arrangements | | | | | | |
| Variable interest bearing loan | | | | | | |
| EUR | Libor + 0.06% to 0.95% | 9,277 | n/a | 16,400 | n/a | October 2007 to March 2015 |
| EUR | Euribor +1.2% | 41,406 | n/a | 45,160 | n/a | October 2021 |
| MUR | PLR + 2% | 8,903 | n/a | 9,775 | n/a | October 2021 |
| Bank loans | | | | | | |
| Variable interest bearing loan | | | | | | |
| USD | Libor + 0.4% | - | n/a | 4,588 | n/a | October 2012 |
| Other loans | | | | | | |
| MUR | 2.49% to 4.45% | 6,542 | n/a | 6,731 | n/a | March 2014 |
| Bank overdraft | | | | | | |
| MUR | 7.50% - 8.25% | 3,863 | n/a | 2,702 | n/a | On demand |
| GBP | | - | n/a | 57 | n/a | On demand |
| USD | | 12,824 | n/a | 5,355 | n/a | On demand |
| Other financial liabilities (note 20) | | - | 575 | - | 13 | |
| COMPANY TOTAL | | 82,815 | 575 | 90,768 | 13 | |
| Other loans | | | | | | |
| MUR | 2.49% to 4.45% | (6,542) | n/a | (6,731) | n/a | March 2014 |
| Bank overdraft | | | | | | |
| MUR | 7.50% to 8.25% | 32 | n/a | - | - | On demand |
| GROUP TOTAL | | 76,305 | 575 | 84,037 | 13 | |

Notes To The Financial Statements

For The Year Ended March 31, 2013

34. Details Of Borrowings And Financial Derivatives (Cont'd)

(b) Derivative financial instruments

| The Group and the Company | 2013 | 2012 |
|--------------------------------------|--------------|-----------|
| | €'000 | €'000 |
| Currency derivatives (notes (i)) | | |
| - Assets | 1,451 | 45 |
| - Liabilities | (575) | - |
| Fair value of commodity derivatives: | | |
| - Assets | 458 | - |
| - Liabilities (note (ii) and 20) | - | (13) |
| | 1,334 | 32 |

(i) Fair value of currency derivatives

| | Amount with remaining life | | Total |
|---|----------------------------|-----------------------------------|-------|
| | Less than three months | Between three months and one year | |
| | €'000 | €'000 | €'000 |
| OTC traded forward rate agreements | | | |
| At March 31, 2013 | 25 | 851 | 876 |
| At March 31, 2012 | (3) | 48 | 45 |

The currency derivatives have been classified as Level 1 of the fair value hierarchy in both 2013 and 2012.

(ii) Fair value of commodity derivatives

| | Amount with remaining life | | Total |
|----------------------------------|----------------------------|-----------------------------------|-------|
| | Less than three months | Between three months and one year | |
| | €'000 | €'000 | €'000 |
| At March 31, 2013 | | | |
| Assets - OTC Traded Swap | 101 | 357 | 458 |
| At March 31, 2012 | | | |
| Liabilities - OTC Traded Collars | - | (13) | (13) |

These derivative financial instruments have been accounted for as cash flow hedges and have been classified as Level 1 of the fair value hierarchy in both 2013 and 2012.

Notes To The Financial Statements

For The Year Ended March 31, 2013

35. Dividend

Dividends Paid And Proposed

| Declared and paid during the year: | 2013 | 2012 |
|--|-------|-------|
| | €'000 | €'000 |
| Dividends on ordinary shares: | | |
| Interim dividends for 2012: 50 cents per share | - | 1,271 |

36. Contingent Liabilities

Litigation

There are currently a number of lawsuits that have been filed against the Company for diverse reasons. The net estimated value of claims against the Company amounts to €6.2M (2012: €13.6M). The timing and outcome of these claims is dependent upon the judicial system and cannot be reliably assessed. The amount of liability recognised at March 31, 2013 with respect to those litigations amounts to €1M (2012: €1M).

Others

The Company has provided guarantees to various other parties in the normal course of business. The Company does not expect any liabilities to crystallise out of those guarantees.

Translation Of The Statements Of Financial Position

For The Year Ended March 31, 2013 - Appendix I

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2013 MUR 'm | 2012 MUR 'm | 2013 MUR 'm | 2012 MUR 'm |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 10,062 | 10,220 | 9,817 | 10,030 |
| Investment property | 402 | 381 | - | - |
| Intangible assets | 7 | 21 | 7 | 21 |
| Investment in subsidiaries | - | - | 1,086 | 1,049 |
| Investment in an associate | 6 | 6 | 4 | 4 |
| Available-for-sale investments | 24 | 23 | 24 | 23 |
| Deferred tax asset | 1 | 1 | - | - |
| Long term deposits | 359 | 336 | 359 | 336 |
| Long term receivable | 5 | 5 | 5 | 5 |
| | 10,866 | 10,993 | 11,302 | 11,468 |
| Current assets | | | | |
| Inventories | 629 | 661 | 627 | 658 |
| Trade and other receivables | 1,915 | 1,738 | 1,894 | 1,733 |
| Other financial asset | 76 | 2 | 53 | 2 |
| Cash and short-term deposits | 457 | 521 | 404 | 435 |
| | 3,077 | 2,922 | 2,978 | 2,828 |
| Total assets | 13,943 | 13,915 | 14,280 | 14,296 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 1,724 | 1,724 | 1,724 | 1,724 |
| Share premium | 780 | 780 | 780 | 780 |
| Other reserves | (367) | (545) | 60 | (156) |
| Retained earnings | 718 | 1,043 | 518 | 888 |
| | 2,855 | 3,002 | 3,082 | 3,236 |
| Equity attributable to equity holders of the parent | 2,855 | 3,002 | 3,082 | 3,236 |
| Non-controlling interests | 99 | 95 | - | - |
| Total equity | 2,954 | 3,097 | 3,082 | 3,236 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 1,939 | 2,307 | 1,939 | 2,307 |
| Provisions | 2,659 | 1,811 | 2,649 | 1,803 |
| | 4,598 | 4,118 | 4,588 | 4,110 |
| Current liabilities | | | | |
| Trade and other payables | 5,255 | 5,759 | 5,236 | 5,750 |
| Interest-bearing loans and borrowings | 1,113 | 940 | 1,374 | 1,200 |
| Financial derivative liabilities | 23 | 1 | - | - |
| | 6,391 | 6,700 | 6,610 | 6,950 |
| Total equity and liabilities | 13,943 | 13,915 | 14,280 | 14,296 |

The above Statements of Financial Position translated to Mauritian rupees using the Eur/Mur rates prevailing at each respective reporting date are provided for information purposes only and do not form part of the audited financial statements.

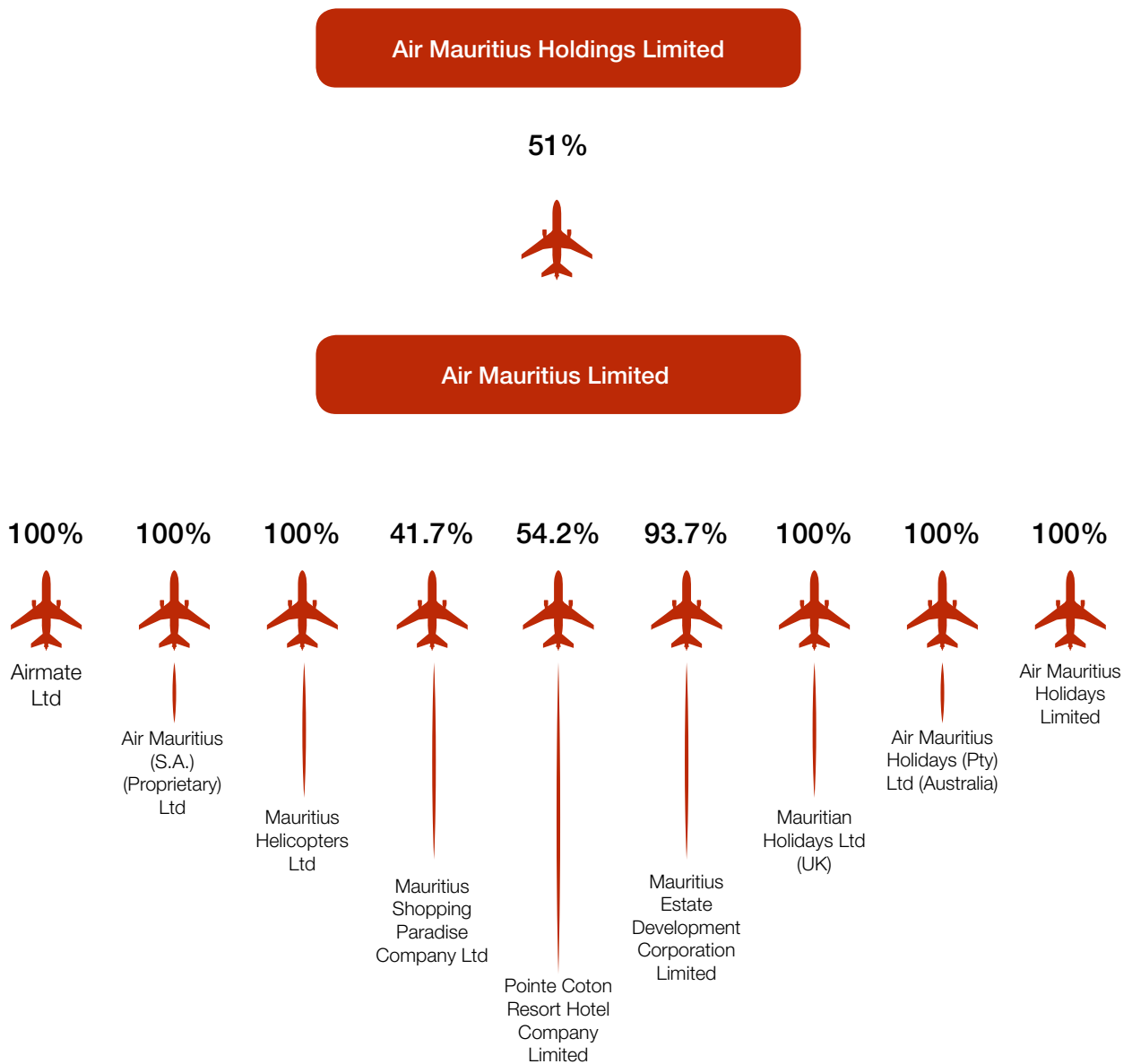


Supporting the environment

As a token of its commitment to the environment, Air Mauritius collaborates with the Mauritius Wildlife Foundation (MWF) on the 'One take-off one tree' programme. The company also supports MWF's conservation of endemic species programme. Additionally it is fully committed to IATA's programme for the reduction of the carbon footprint.



Cascade Holding Structure



| Shareholders of Air Mauritius Holdings Limited | % of Shareholding |
|--|-------------------|
| The Government of Mauritius | 43.83 |
| State Investment Corporation Ltd | 18.02 |
| Rogers & Company Limited | 18.12 |
| Compagnie Nationale Air France | 11.21 |
| Air India | 8.82 |



Directors in Subsidiary Companies

Mauritius Estate Development Corporation Limited (MEDCOR)

Air Mauritius Limited holds 93.7% of the shares of Mauritius Estate Development Corporation Limited (MEDCOR), a real estate company. The Board Directors of MEDCOR are:

- Appalsamy THOMAS, GOSK (Chairman as from 30 August 2012)
- Rajkamal TAPOSEEA (resigned on 26 July 2012)
- Ramapatee GUJADHUR, CSK
- Raj RINGADOO
- Andries VILJOEN
- Banoomatee VEERASAMY (alternate to Raj Ringadoo)
- Dindoyal SOOKUN

Secretary:

- Foad NOORAULLY

Pointe Coton Resort Hotel Company Limited

Air Mauritius Limited has a shareholding of 54.2% in Pointe Coton Resort Hotel Company Limited which owns a hotel in Rodrigues. The Board Directors of Pointe Coton Resort Hotel Company Limited are:

Board Directors:

- Appalsamy THOMAS, GOSK (Chairman)
- Mr Rajkamal Taposeea (resigned)
- Anista RAMPHUL-PUNCHOO
- Patrice LEAL
- Raj RINGADOO
- Andries VILJOEN
- Banoomatee VEERASAMY (Alternate to Raj Ringadoo)
- Gilbert Stephane LEAL (Alternate to Patrice Leal)
- Dindoyal SOOKUN

Secretary:

- Foad NOORAULLY

Air Mauritius (S.A.) (Proprietary) Limited

In South Africa, the company operates through a 100% owned subsidiary, Air Mauritius (S.A.) (Proprietary) Limited which acts as an agent for Air Mauritius Limited. This company operates on a cost reimbursement basis with its expenses being directly accounted for in the books of the parent company. The Board Directors of Air Mauritius (S.A.) (Proprietary) Limited are:

- Isidore BRONSTEIN
- Carla DA SILVA
- Donald PAYEN

Secretary:

- Scribe Holdings (Pty) Ltd South Africa

Airmate Ltd

The company is a 100% subsidiary, which provides call centre services to the airline. It became operational in June 2006. The Board members are as follows:

- Appalsamy THOMAS, GOSK (Chairman as from 30 August 2012)
- Rajkamal TAPOSEEA (resigned on 26 July 2012)
- Suresh SEEBALLUCK, GOSK
- Raj RINGADOO
- Andries VILJOEN

Secretary:

- Foad NOORAULLY

Mauritian Holidays Limited (UK)

The company was set up with the objective of conducting a tour operating business in the UK. The Board member is Iqbal BHAYAT.

Secretary:

- Dhanwantee BUCKTOWONSING

Activity of this dormant entity is limited to the preparation and filing of the Annual Statutory returns to the relevant authorities in the United Kingdom.

Directors in Subsidiary Companies

Air Mauritius Holidays (Pty) Limited (Australia)

This is a 100% owned subsidiary of the company. It is intended to operate the tour packaging business in these markets. The Board members are as follows:

- Steven PALOMBO
- Donald PAYEN

Secretary:

- Steven PALOMBO

Mauritius Helicopter Limited

This is a fully owned subsidiary and is not yet operational. The Board members are as follows:

- Suresh SEEBALLUCK, GOSK
- Pramil BANYMANDHUB

Secretary:

- Foad NOORAULLY

Air Mauritius Holidays Ltd

This is a fully owned subsidiary and was not in operation at the closure of the accounts. The Board member is Donald PAYEN.

Secretary:

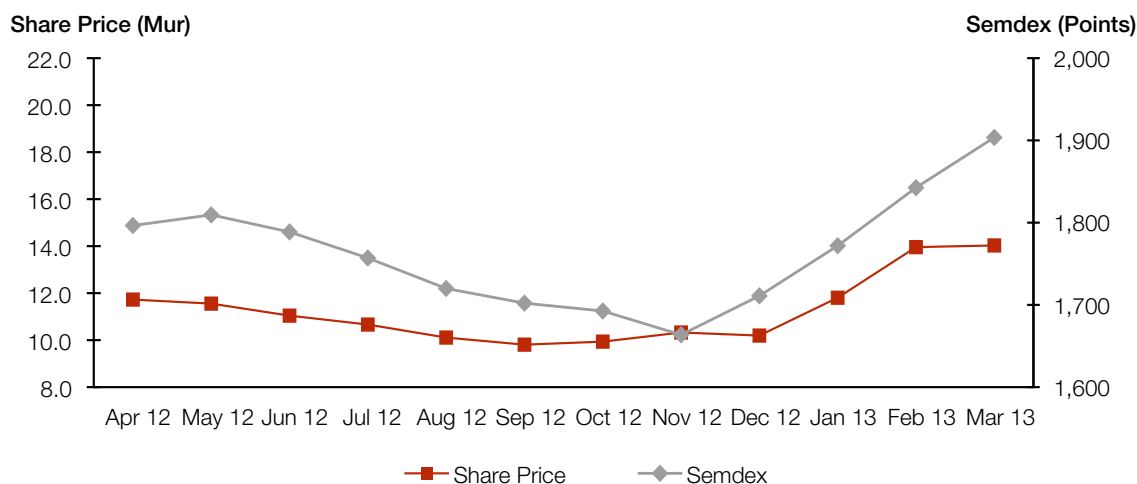
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Shareholders' Information

Key Data per Share

| | 2012/13 | 2011/12 |
|--|---------------|---------------|
| | Amount (MUR) | Amount (MUR) |
| Market Capitalisation | 1,411,809,000 | 1,217,429,500 |
| Highest Closing Price | 15.00 | 20.50 |
| Lowest Closing Price | 9.50 | 11.90 |
| Closing Price | 13.80 | 11.90 |
| Average Price | 11.25 | 16.57 |
| Value of Shares traded | 118,558,876 | 87,069,701 |
| Net worth per share | 27.75 | 29.35 |
| Share Price/Equity per share at year end | 49.7% | 40.6% |
| P/E ratio (average) | (14.42) | (1.45) |
| (Loss) / Earnings per share | (0.78) | (11.43) |
| No. of shares traded during the year | 9,979,305 | 4,959,836 |
| No. of shares at year end | 102,305,000 | 102,305,000 |

Air Mauritius Share Price v/s Semdex



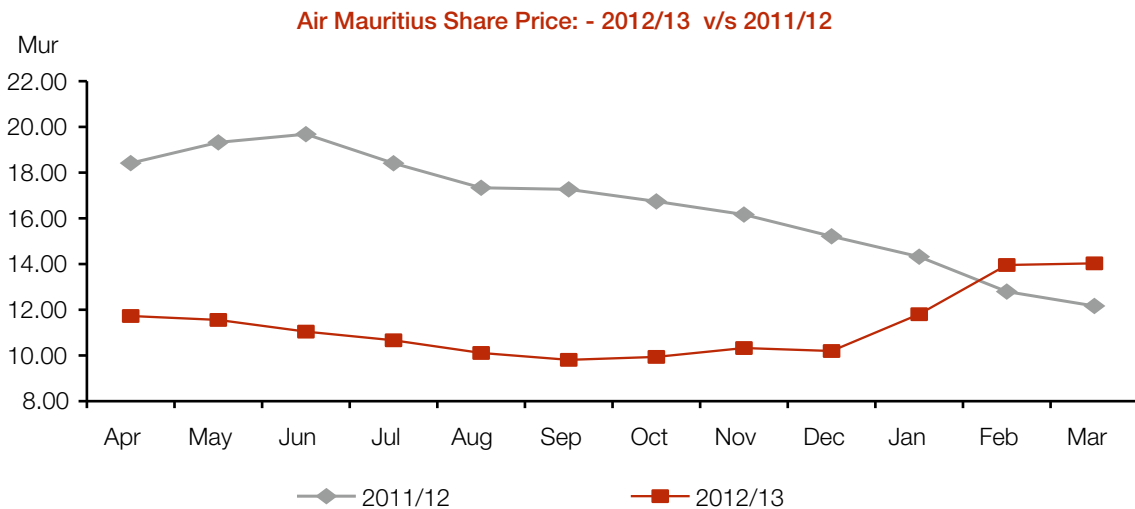
Shareholders' Information

Share Listing

Air Mauritius was the first company with a majority of shares owned by the state to offer its shares to the public. The company was granted listing in November 1994 and its partly-paid shares were first traded on the Stock Exchange of Mauritius in February 1995.

Share Price Development

The Company's share was valued at Mur 12.00 at the opening of the financial year 2012/13 on the Stock Exchange of Mauritius. It varied between Mur 10.00 and Mur 12.00 during a large part of the financial year under review. The share price gained value in the last quarter and peaked at Mur 15.00 during one trading session in March 2013. The highest number of shares traded in this financial year during one trading session was 2,103,820 for a value of Mur 25,102,720. A total number of 9,979,305 shares was exchanged in 2012/13 as compared to 4,959,836 in 2011/12. Market capitalisation stood at Mur 1,412 billion at 31st March 2013 in contrast with Mur 1,217 billion at the end of March 2012.



Shareholders' Information

Shareholders' Diary

| | |
|--------------------|---------------|
| Financial Year End | 31 March 2013 |
| Annual Meeting | 25 July 2013 |

Abridged Financial Statements

| | | |
|--------------------------------------|-----------|------------------|
| 1st Quarter April to June 2012 | Published | 10 August 2012 |
| Half Year Results | Published | 08 November 2012 |
| 3rd Quarter October to December 2012 | Published | 14 February 2013 |
| Annual Financial Statements | Published | 14 June 2013 |

Registered Office

Air Mauritius Limited

Air Mauritius Centre

President John Kennedy Street

Port Louis

Website: <http://www.airmauritius.com>

Company Information

For any information regarding Air Mauritius, please consult our website - <http://www.airmauritius.com>

A Glimpse Of Recognitions



- 1994/1997/1999 - Air Finance Journal Awards
- 1996 - Cargo Commercial Department certified to ISO 9001 Standards
- 1999 - Ground Operations Department certified to ISO 9001 Standards
- 2003 - Travel Oscar 2003 awarded by Austrian Travel Agency Chain
- 2003 - Gold Award for Excellence and Business Prestige by Business Initiative Directions
- 2003 - President of the Republic's Award for Family Values
- 2003 - Best Service Employee Award at National Quality Award 2004
- 2004 - National Excellence Award for Tourism
- 2004 - Cargo Commercial Department wins National Quality Award
- 2006 - External Customer Service Award at the National Quality Award
- 2006 - Wins "Best Airline to the Indian Ocean" by UK travel trade magazine "Selling Long Haul"
- 2007 - IATA Operational Safety Audit (IOSA) Certification Award
- 2007 - In-Flight services department certified to ISO 9001 Standards
- 2007 - Wins the "Indian Ocean Leading Airline" category at the 14th World Travel Awards
- 2008 - Top 5 airlines for cargo growth in Singapore
- 2008 - Wins the "Indian Ocean Leading Airline" category at the 15th World Travel Awards
- 2009 - Aviation Week's Leading Niche Airline
- 2009 - Wins the 'Indian Ocean Leading Airline' category at the 16th World Travel Awards
- 2010 - Wins the 'Indian Ocean Leading Airline' category at the 17th World Travel Awards
- 2010 - Best African Airline 2010 Award at the Hospitality India & Explore the World 6th Annual International Awards
- 2010 - Gold Award in the Best Airline category from Virgin Holidays, UK
- 2011 - Wins the 'Indian Ocean Leading Airline' category at the 18th World Travel Awards
- 2011 - Changi Airline Award for the Top Airline by Passenger Growth (Africa)
- 2011 - Silver Award for best airline at Virgin Holidays Awards
- 2012 - Air Mauritius awarded the Super Brand Award
- 2012 - Wins the 'Indian Ocean Leading Airline' category at the 19th World Travel Awards
- 2012 - Air Mauritius wins an award for the wine it serves

Highlights Of The Events For Financial Year 2012/13


May

- **12th May 12 - Royal Raid.**
Supporting the promotion of eco-tourism in Mauritius, Air Mauritius was a major sponsor of the Royal Raid which is the key event in nature trail running in Mauritius.



June

- **20th June 12 – New Website**

Air Mauritius launched its revamped website which is more user friendly and better reflect the Mauritian spirit.
- **30th June 12 – Miss Mauritius 2012**

Air Mauritius was a sponsor of Miss Mauritius 2012.

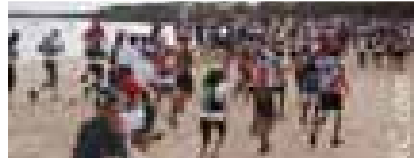
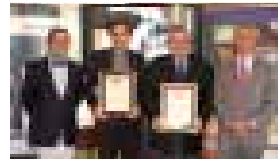
July

- **21st Jul 12 - Dodo Trail**

The Dodo Trail is another major nature run supported by Air Mauritius in its efforts to promote eco-tourism.

October

- **18th Oct 12 – Air Mauritius wins the WTA**

Air Mauritius won the Indian Ocean's Leading Airline award at the World Travel Awards Asia, Australasia (known as the travel Oscars) for the 8th time in a row in its category.
- **31st Oct 12 – Tie-up between Air Mauritius and Air France/KLM the Loyalty Programs**

Air Mauritius and Air France/KLM completed the tie up of their loyalty programs, Kestrelflyer & Flying Blue. Customers of both airlines will now be able to earn and burn miles on each other's networks based on certain conditions.

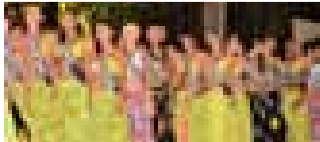
November

- **4th Nov 12 – Rodrigues Trail**

The 3rd edition of the Trail de Rodrigues confirmed the international status of the event. The number of participants increased from 600 in 2011 to 764 in 2012.
- **15th Nov 12 -Air Mauritius wins an award for the wine its serves.**

Air Mauritius' selected wine-Brio de Cantenac Brown-AOC Margaux 2007- was awarded "2nd" best red wine in the Business/premium category during the second edition of "Cellars in the sky".

Highlights Of The Events For Financial Year 2012/13

November

- Air Mauritius 'Partenaire official de Miss France 2013'



Air Mauritius was the designated carrier of the 33 participants of Miss France 2013 pageant when they travelled to Mauritius for their preparation sessions.

- 30th Nov 12 -Air Mauritius rewarded its top travel agents at the Travel Trade Awards night.



Operating partners from the Travel Trade Community attended the Air Mauritius Travel Trade Awards night. The theme for the night was the Air Mauritius hospitality. Top travel agents were rewarded for their performance during the year.

January

- 24th Jan 13 - Introduction of 2 direct flights to Shanghai



With these 2 direct flights to Shanghai and 1 flight to Beijing announced in July, Air Mauritius will be offering 9 weekly flight options to destinations in China.

2012 ————— 2013

December

- 01st – 15th Dec 12 - Internal Jockeys' week - end



Air Mauritius was the sponsor of the International Jockeys' week – end.

- Golf season



Air Mauritius confirmed its crucial role in the promotion of Golf in Mauritius after a successful 2011 Golf Season. It supported the four major tournaments of the Mauritius golfing calendar; The company facilitated the commute of hundreds of golfers including Pro's and golf enthusiast as well as journalists from leading media like Canal +, Supersports as well as leading golfing publications.

February

- 26th Feb 13 – Air Mauritius wins the 15th edition of the PwC Corporate Reporting Awards (CRA)



March

- 11th Mar 13 - SSR International Airport New Terminal



MK053 London Mauritius makes history as the 1st flight to dock at the SSR International Airport New Terminal.

Notice Of Meeting

AIR MAURITIUS ANNUAL MEETING 2012 – 2013

Notice is hereby given that the Annual Meeting of the Shareholders of Air Mauritius Limited will be held at the Grand Baie International Conference Centre on Thursday 25 July 2013 at 15.00 hours for the following purposes:

- (1) To adopt the Minutes of Proceedings of the last Annual Meeting held on 26 July 2012.
- (2) To receive the Annual Report.
- (3) To receive the Auditors' Report.
- (4) To adopt the Group's and the Company's Annual Report, including the Financial Statements for the year ended 31 March 2013.
- (5) To elect the Directors who are already in place and who offer themselves for re-election, namely:
 - Mr Andries Nathaniel Viljoen
 - Mr Kremchand Beegoo
 - Mr Dheerendra Kumar Dabee, GOSK, SC
 - Mr Gerard Espitalier-Noël, CSK, CONM
 - Mr Philippe Espitalier-Noël
 - Mr Ramapatee Gujadhur, CSK
 - Mr Ali Mansoor
 - Mr Rohit Nandan
 - Mr Dominique Patry
 - Mr Raj Ringadoo
 - Mr Jean Michel Louis Rivalland
 - Mr Suresh Seeballuck, GOSK
 - Mrs Aisha Timol, GOSK
 - Mr François Woo Shing Hai, GOSK
- (6) To elect **Mr Appalsamy Thomas, GOSK** who has been nominated by the Board and who offers himself for election.
- (7) To fix the remuneration of the Directors.
- (8) To ratify the payment of a monthly car allowance to the Chairman of the Board as from 30 August 2012 in lieu of a company car.
- (9) To authorise the Directors to fix the remuneration of the Auditors.

By Order of the Board



Mr Foad Nooraully

Company Secretary

Air Mauritius Limited

28th June 2013

N.B: Members entitled to attend and vote at the meeting may appoint proxies to attend and vote on their behalf. The instrument appointing a proxy or any general power of attorney shall be deposited at the Registered Office of the Company not less than **twenty-four hours** before the day fixed for the meeting or else the instrument of proxy shall not be treated as valid.

Registration of Shareholders at the meeting will start as from 14.00 hours.

Proxy Form

I/We
 of
 being a member of the above-named Company, hereby appoint
 of
 or failing him/her,
 as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of the Company to be held at the Grand Baie International Conference Centre on Thursday 25 July 2013 at 15:00 hours and at any adjournment thereof.

I/We desire my/our vote(s) to be cast on the Resolutions as follows:

| | For | Against |
|--|--------------------------|--------------------------|
| (1) To adopt the Minutes of Proceedings of the last Annual Meeting held on 26 July 2012 | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) To receive the Annual Report | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) To receive the Auditors' Report. | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) To adopt the Group's and the Company's Annual Report, including the Financial Statements for the year ended 31 March 2013 | <input type="checkbox"/> | <input type="checkbox"/> |
| (5) To elect the Directors who are already in place and who offer themselves for re-election, namely: | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Andries Nathaniel Viljoen | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Kremchand Beegoo | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Dheerendra Kumar Dabee, GOSK, SC | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Gerard Espitalier-Noël, CSK., CONM | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Philippe Espitalier-Noël | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Ramapatee Gujadhur, CSK | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Ali Mansoor | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Rohit Nandan | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Dominique Patry | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Raj Ringadoo | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Jean Michel Louis Rivalland | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Suresh Seeballuck, GOSK | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mrs Aisha Timol, GOSK | <input type="checkbox"/> | <input type="checkbox"/> |
| - Mr Francois Woo Shing Hai, GOSK | <input type="checkbox"/> | <input type="checkbox"/> |
| (6) To elect Mr Appalsamy Thomas, GOSK who has been nominated by the Board and who offers himself for election | <input type="checkbox"/> | <input type="checkbox"/> |
| (7) To fix the remuneration of the Directors | <input type="checkbox"/> | <input type="checkbox"/> |
| (8) To ratify the payment of a monthly car allowance to the Chairman of the Board as from 30 August 2012 in lieu of a company car. | <input type="checkbox"/> | <input type="checkbox"/> |
| (9) To authorize the Directors to fix the remuneration of the Auditors | <input type="checkbox"/> | <input type="checkbox"/> |

Dated this day of 2013.

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Signature/s

Notes:

1. A member of the Company entitled to attend and vote at this meeting may appoint a proxy of his/her own choice (whether a member or not) to attend and vote on his/her behalf.
2. Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.
3. The instrument appointing a proxy or any general power of attorney shall be deposited at the Registered Office of the Company not less than **twenty-four hours** before the day fixed for the meeting or else the instrument of proxy shall not be treated as valid.

Air Mauritius Centre

President John Kennedy Street - Port Louis - Mauritius

T +230 207 7070 **F** +230 208 8331 **E** contact@airmauritius.com **W** www.airmauritius.com

