ANNUAL REPORT
2011/12

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Key Results

Group financial results		2011/12	2010/11
Revenue	Eur m	**453.2**	436.0
Operating (loss) / profit	Eur m	**(22.6)**	17.0
Net (loss) / profit	Eur m	**(29.4)**	11.0
Attributable (loss) / profit to equity holders of the parent	Eur m	**(29.6)**	10.7
Net assets	Eur m	**80.2**	112.4
(Loss) / earnings per share	Eur	**(0.29)**	0.11

Key financial statistics			
Operating margin	%	**(5.0)**	3.9
Net (loss) / profit margin	%	**(6.5)**	2.5
Return on equity	%	**(37.9)**	9.9
Return on assets	%	**(15.8)**	4.7
Interest cover	Times	**(8.9)**	3.7
Interest and lease cover	Times	**(0.2)**	1.4
Gearing Ratio		**1.1:1**	1:1

Group operating statistics			
Passengers carried	'000	**1,325**	1,295
Seats offered	'000	**1,841**	1,764
Revenue passenger kilometres	Million	**6,572**	6,529
Available seat kilometres	Million	**8,519**	8,185
Revenue tonne kilometres	Million	**785**	783
Available tonne kilometres	Million	**1,271**	1,224
Passenger load factor	%	**77.1**	79.8

Chairman's Statement & Acting Chief Executive Officer's Review

Chairman's Statement

I am presenting to you the Annual report and Audited Financial statements of Air Mauritius for the financial year ending 31 March 2012 after what has been particularly a challenging year for the whole airline industry and for Air Mauritius.

The Financial Year under review is in the tone of the past decade where the whole industry has been stirred by a series of events ranging from terror attacks, natural calamities, vacillating global economic conditions, skyrocketing fuel prices and political unrest. The industry made aggregate losses in 7 out of the 10 past years triggering major reconsiderations at a global level on the way airlines conduct their business.

The past decade has culminated in a perfect storm of industry conditions that considerably weighed down an already ailing industry. Air Mauritius has been no exception and was hit by soaring fuel prices and protracted global economic frailties with Europe, its main market as epicentre. There has been a significant impact on the whole industry and the first few months of 2012 have seen the demise of several airlines with many mainstays of the business declaring huge slumps in profits and more often massive losses.

The Air Mauritius Group has announced losses of EUR 29.4 million. The negative bottom line reflects the increase in operating costs that rose from EUR 397 million to EUR 450.9 million driven mainly by the price of fuel. After having hit an extreme low in 2008, the price of crude oil has hovered around the USD 114 mark through the financial year peaking USD 128 a barrel in March 2012. This resulted in an additional fuel bill of EUR 47.8 million for the year taking the company's total fuel bill to a record high of EUR 191 million.

Fuel expenses completely erased the additional revenue earned by the partially achieved growth objectives that were set for the year. With 1,324,613 passengers carried, Air Mauritius reached a new record. Concurrently, the company noted a 3.9% growth in revenue. Our operating strategies that involved the rebalancing of growth towards emerging markets, including the start of operations to Shanghai, have been successful and generated these top line results in spite of unfavourable market conditions. The crisis in Europe resulted in huge pressures on demand in Air Mauritius main market. This was reflected in the sustained negative growth in tourist arrivals particularly towards the end of the financial year.

It is likely that unfavourable operating conditions will persist during the current financial year. Airlines around the world are gearing up to cope with the situation and are announcing radical measures. Consolidation and strategic partnerships are creating giant dominant airline groups and making it increasingly difficult for standalone operators. Withdrawal from non-profitable routes or complete overhaul of airline business models is also not uncommon. In some countries, including India and China, governments have had to step up and help national airlines by injecting fresh capital or by taking policy decisions to help ailing national flag carriers recover. Airlines in the region are being seriously challenged. They are far away from their main markets and rely heavily on long haul operations which make them more vulnerable to the hikes in the price of fuel.

I am pleased to say that Air Mauritius did not sit back and wait for operating conditions to get

Chairman's Statement

better. This company has been proactive. When the Board saw the situation deteriorate, we agreed with Management that we needed an overhaul of the business model to bring swift recovery and thereafter build the necessary resilience in the face of a persistent hostile operating environment. Together with Management, we settled on the choice of Seabury APG to assist us in the project as early as August 2011. We requested for a comprehensive assessment of the current situation and a 5 year Strategic Plan that would take Air Mauritius into the future as a "Profitable National Carrier".

The overriding principles that guide our actions remain safety and customer services, areas where we will continue to invest. In addition to hostile external conditions, Seabury APG highlighted a number of factors that were holding back Air Mauritius. Our main markets being far away from our home base made us vulnerable. We are also a second tier leisure carrier, second to the market leader in all our markets. The 10 flights that we were operating with single weekly frequencies also did not contribute to making our schedule flexible and attractive to potential code share partners. The fleet that had served us well up till now was now unadapted to the new market conditions.

The Board approved the plan to redress the company on 13th February 2012 and I am pleased to note that implementation is well in motion. We have already laid the foundation for a new network philosophy that provides travel solutions rather than just point to point operations. Loss making flights are being phased out as we reinforce our partnership with airlines allies to service those markets via the hubs that we are now reinforcing with concentrated services.

The measures that we are taking to boost revenue go beyond the restructure of our commercial department and Revenue Management processes to radically change the sales culture at Air Mauritius. Initiatives to relentlessly manage costs and improve our cash position run across all the departments of the company. We also look to focus on the core business while we are seriously considering disposing of non-core assets.

A number of measures are also being taken to ensure the long term business sustainability of Air Mauritius namely re-fleeting, the consolidation of our product and service offering while we take steps to harness the full potential of our main asset; our people.

We are also currently exploring the possibility of taking on board a strategic partner which may assist with our future fleet requirements and the introduction of more fuel efficient new generation aircraft. A strategic partnership could also further enhance revenue and save costs with the associated synergies that could be generated. We are currently considering the trigger of a RFP process and the appointment of specialised professionals to guide us through the process.

Initial progress made in the implementation process is very encouraging. I am also pleased to note the alignment of stakeholders around the process particularly the synergies that have built up between Management and the Board. The Board participated in various collaborative forums; EXCOM where Board Members and Management worked together, the Performance Improvement Committee, the Cost War Room and Revenue War Room were all forums where designated Board Members provided active support and were partakers in Management action.

On behalf of the Board, I wish to thank all who have contributed to set Air Mauritius on the path of recovery; Management, our dedicated staff, our industry partners, our shareholders as well as the government for their contribution and support to help us put Air Mauritius back on track.

Mr Rajkamal Taposeea
Chairman

Acting Chief Executive Officer's Review

Towards Recovery and Long Term Sustainability

Last year has been a very difficult year for the airline industry. The global economic crisis, high fuel prices and volatile currency exchange rates have caused a toxic combination affecting many airlines. Air Mauritius was not spared and was further hit by the European Debt crisis affecting its main markets and its reporting currency.

Air Mauritius reported losses of EUR 29.2 million for the financial year under review, down from profits of EUR 9.9 million for the preceding financial year. The airline however carried a record number of passengers amounting to 1,324,613 and generated record operating revenue of Eur 450.9 million.

Demand under pressure - Europe, Air Mauritius main market in crisis

The subdued economic climate in Europe has put demand under pressure. Air Mauritius is hit on two fronts. Firstly, long haul travel from Europe is on the decrease as tourists choose closer and therefore cheaper destinations. Secondly, prices become under pressure as long haul destinations fight to retain their market share at the expense of yields. We have seen a marked deterioration in the first quarter of the calendar year 2012 as the crisis worsened sending arrivals from France down by 2.7%, UK by 6.3% and Italy by 20.2%.

Soaring fuel prices

Fuel prices (Brent spot) averaged at USD 114 a barrel for the financial year 2011/12 peaking at USD 128 a barrel in March 2012 compared to an average of USD 84 for the last financial year. This price increase has cost the company an additional EUR 48 million for financial year 2011/12 representing a 32% year on year increase. The total fuel bill of the company reached a record high EUR 191 million for the year and now accounting for over 40% of the Company's operating expenses.

A compounded cost predicament

A number of other factors impacted on the cost of operations during financial year 2011/12. The EUR / USD exchange rate has remained volatile throughout the year, the Euro dropping to a record low early this year.

Increasing airport taxes and charges have been a persistent trend during the last financial year - which also saw the controversial implementation of the Emission Trading Scheme (ETS) in Europe.

Proactive Measures

Air Mauritius, anticipating the difficulties in Europe, had rebalanced the growth of its capacity within the Indian Ocean Rim countries and Asia from April 2011. This move was not enough to contain the combined impact of dramatic increase in fuel costs, drop in demand and pressure on yields. It became apparent that the Air Mauritius business model was being seriously challenged and needed to be reviewed urgently.

Acting Chief Executive Officer's Review

A plan for recovery and long term sustainability

Our Board decided to enlist the support of leading airline consultants, Seabury APG, to review our business model and suggest a future course of action for sustained profitability. Seabury APG did a thorough review of our business and consulted a wide cross-section of stakeholders internally and externally. They made recommendations which were approved by the Board on 13th February 2012. A seven step plan was then crafted and implementation has started from 14th February 2012. This plan is expected to reduce our losses this year and take us to profitability by the end of March 2014.

The first step concerns the concentration of our network. We suspended services to Milan, Sydney and Melbourne at the end of May 2012. We are suspending Frankfurt and Geneva at the end of August 2012; and Durban at the end of October 2012. These markets will be served via hubs in Paris, Perth and Johannesburg in addition to consolidating Kuala Lumpur. We are increasing frequencies to the destinations retained so as to offer more flexibility and choice to our customers. We have also programmed the services, using Seabury APG tools, to ensure connectivity and promote hub Mauritius.

The second step relates to the reinforcement of Commercial and Revenue Management to align to the new model. A new Chief Commercial Officer has been appointed and is leading the restructuring of these two critical areas with the objective of improving revenues especially from a network contribution perspective.

The number of unique visits to the Air Mauritius web site has risen to more than a million a year showing a clear increase in demand for web based products and services. Our website has been improved to highlight our brand DNA with a view to facilitate and further stimulate online transactions. In the same stride, Air Mauritius Holidays.com will be launched later this year to offer holiday packages to our customers.

A critical requirement of our recovery plan is the targeted reduction of our costs by at least 10 % by March 2014. We have set up an independent Cash Conservation Office to scrutinize and question all costs before approval. In addition cost reduction/ efficiency improvement working groups are currently being set up to complement the measure.

With a view to retain and expand our customer base we launched the customer service revamp programme. The project organisation for customer service improvement has been set headed by a dedicated Executive Vice President. The support of an international expert has been enrolled to ensure that the project benefit from world class international experience. The project is being kicked off by initiatives to instill a customer centric culture at all levels of the organisation.

The last step of our plan aims at equipping the organisation to deliver the Strategic Plan and thereafter entrench the acquired values in our organisation culture. A new Executive Vice President Human Resources has been appointed. He will lead the project that would revamp the HR function and build an organisation culture that is based on performance, accountability and productivity.

Acting Chief Executive Officer's Review

Keeping focus and remaining alert to a volatile environment

The external climate remains challenging and industry variables extremely volatile. We are all standing together and focussing on the seven step plan. This is our topmost priority. However, we are also conscious of the downside risks especially with regard to the European economy. This is why we will remain vigilant as we deploy our plan and remain alert to changes in the operating environment so that we are able to adapt. Our airline, like most airlines, is probably going through some of the most challenging times ever. We believe that our seven step plan will take us to the path of sustained profitability.

I would like to thank our customers and travel partners for their trust; our Board, the Government of Mauritius and shareholders for their support; and our team members for standing together.

André Viljoen
Acting Chief Executive Officer
Executive Director

Glossary

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.

Interest Cover
Profit before interest charges divided by interest expense.

Interest & Lease Cover
Profit before interest and lease charges divided by interest and lease payable.

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.

Gearing Ratio
Total debt to equity

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.

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.

Available seat-km (ASK)
The product of seats offered and the distance flown (in kms).

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).

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortisation.

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

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.

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

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.

Net profit margin
Profit after tax expressed as a percentage of turnover.

Overall load factor
RTK expressed as a percentage of ATK

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.

Directors' Report and Business Review

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 (the 'Group') for the year ended March 31, 2012. The Financial Statements are set out on pages 79 to 150.

Results for the year

The Group reported a loss of Euro 29.4 million for the year ended March 31, 2012 compared to a profit of Euro 11 million in the previous year. The Company posted a loss of Euro 29.2 million for the year compared to a profit of Euro 9.9 million for the previous year.

Overview of the Business

Principal activities

Air Mauritius Limited

The main activities of the Group 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 Group's Head Office is in Port Louis, while its principal place of operations is SSR International airport, Mauritius. From this base it serves 25 destinations touching four continents; Africa, Asia, Australia, and Europe. The airline has a comparatively high proportion of point to point business with interline accounting for less than 28.5% of its passenger sales revenues. The Company has interline outward billings with other carriers for less than 4.5% of the airline passenger flown revenues.

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

Economic value is generated by the Group 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 2012, the Group earned Euro 453.2 million in revenue as compared to Euro 436 million of the previous year. 86.9% of this revenue was generated from passenger traffic, 10.3% from cargo and 2.8% from other activities. During the period under review, the number of passengers uplifted was 1,324,613 and 31,940 tonnes of cargo were uplifted across the network. At the end of March 2012, the Group had 12 fixed wing aircraft in service and 3 helicopters.

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 Ltd holds 93.7% of the issued share capital of the Company.

MEDCOR recorded a profit after tax of Rs 20.6 million (Euro 0.5 million) as compared to 31.1 million (Euro 0.8 million) for last year. Last year's result included a fair value gain on investment property of Rs 1.6 million as compared to a fair value loss of

Directors' Report and Business Review

Rs 3.8 million for 2011/12. 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 accommodation 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 11.5 million (Euro 0.3 million) compared to a profit of Rs 13.3 million (Euro 0.3 million) for 2010/11. The occupancy rate of the hotel was down from 79.5% to 76.8%.

Airmate Limited

Airmate Limited is a wholly owned subsidiary of Air Mauritius Limited and provides Call Centre services and BPO activities. Airmate Ltd recorded a turnover of Rs 117.6 million (Euro 3.0 million) and a profit of Rs 2.7 million (Euro 0.07 million) as compared to a turnover of Rs 79.4 million (Euro 2.0 million) and a profit of Rs 0.3 million (Euro 7,000) for last year.

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-imbursement basis with its expenses being directly accounted for in 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 responsibility is 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 stakeholder relationships.

Directors' Report and Business Review

Aircraft Fleet

Fleet Composition

Air Mauritius (MK) operated a fleet of 12 aircrafts during the financial year 2011/2012. The fleet comprised of 8 wide bodied, 2 narrow bodied and 2 turbo prop aircrafts as follows:

Type of Aircraft	Fleet	Owned / Finance Lease	Operating Lease	Total	Seat Capacity
Airbus A340-300	Wide Body	3	1	4	298
Airbus A340-300E		-	2	2	300
Airbus A330-200		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		3	-	3	4

As at March 2012, the average age of the wide-bodied medium/long haul and narrow body fleet stood at 9.7 years and the turboprop fleet age averaged 5.5 years.

Fleet Deployment

The A340-300/300E fleet has been mainly deployed to Europe, Sydney and Melbourne while the A330-200 fleet for medium haul operations to Asia and Perth. Operations to Africa, Madagascar and Reunion have been covered with a mix of narrow and wide bodied aircraft to cater for both passenger and cargo requirements. The ATR has been deployed on our interisland network and has essentially been employed to service Rodrigues.

Fleet Utilisation

The average daily utilization for the A340-300 and A340-300E aircraft, after excluding aircraft maintenance days, stood at 13.1 and 13.8 block hours respectively. The table below shows a higher utilization in 2011/12 for the whole fleet with the exception of the ATR 72 compared to the previous financial year. The fuel efficient A330-200 aircraft in particular have been more utilised.

Type of Aircraft	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
A340 - 300	13.1	12.3	12.5	12.4	13.6
A340 - 300E	13.8	13.3	13.0	13.3	14.8
A330 - 200	13.0	11.8	11.4	10.6	12.0
A319 -100	7.7	7.5	6.9	7.1	6.8
ATR 72 - 500	5.8	6.2	5.5	5.6	6.3

Directors' Report and Business Review

Route Network

Online Destinations

The year 2011/2012 marked the introduction of online operations to China on the basis of a once weekly A330-200 service with the Mauritius/Kuala Lumpur/Shanghai-Pudong vv routing as from 4th July 2011. The flight has been positioned to serve the region with seamless connectivity with Reunion, Johannesburg and Madagascar. Over and above the commercialisation of the MRU/KUL/MRU and MRU/PVG/MRU sectors, Air Mauritius also exercises fifth freedom traffic rights on the KUL/PVG/KUL sectors on these services.

With the introduction of Shanghai, the Air Mauritius online network in 2011/2012 increased to 25 points as follows:

Regions	Destinations
Europe	Paris, London, Geneva, Frankfurt, Munich, Milan
Asia	Hong Kong, Singapore, Shanghai, Kuala Lumpur, Mumbai, Delhi, Chennai, Bangalore
Australia	Perth, Melbourne, Sydney
Africa	Johannesburg, Durban, Cape Town, Nairobi
Indian Ocean	Antananarivo, Saint Denis, Saint Pierre, Rodrigues

The services to Munich have been operated on a seasonal basis during the period November 2011 up to March 2012.

Code Share Destinations

Over and above the 25 online points, Air Mauritius also offered services under its designator code to several destinations through code share arrangements.

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

Directors' Report and Business Review

Route Network (Continued)

Within its framework of its partnership with Air France, Air Mauritius carried its code beyond Paris (Charles De Gaulle) to 36 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, Asturias
UK	Aberdeen, Birmingham, Bristol, Edinburgh, London-Heathrow, Manchester, Newcastle
Germany	Dusseldorf, Frankfurt, Munich
Austria	Vienna
Italy	Rome, Bologna, Milan
Switzerland	Zurich, Geneva, Basel
Netherlands	Amsterdam

Milan was served as a code share point during Summer 2011 only as Air France ceased its services between Paris and Milan Malpensa at the end of Summer 2011.

In the Far East, Air Mauritius served 10 points on code share basis with Malaysia Airlines beyond Kuala Lumpur as below:

Malaysia	Langkawi, Kuantan, Penang, Kota Bharu, Johar Bahru
Australia	Perth, Sydney, Melbourne
China	Shanghai
Thailand	Bangkok

The code share on Shanghai on Malaysia Airlines was implemented effective 07 September 2011 following approval from authorities.

Directors' Report and Business Review

2012/13 Network Development

Following the network review exercise, Air Mauritius has adopted the "New World Carrier" business model as the solution for profitability. The network strategy of the new business model is characterised as follows:

- Dual business model for long haul and short haul
- Network connectivity to maximise revenue
- Strategic partnerships to create scale, network reach and defensible position.

The key focus for implementation of the new business model is on the following:

Consolidation of Core

This implies an increase in frequency and capacity on the core network and development of regional hubs to access more origin-destination (O&D) markets. Seabury APG has recommended frequency and capacity on the core network based on its 'SAPGNET' modelling software which takes into account Quality of Service Index (QSI), market share estimation and network revenue and profitability forecasting on an O&D approach.

Network Connectivity

The new model is based on an O&D rather than point to point approach to maximise network revenue. The corner stone for an O&D approach is network connectivity with interdependency between different parts of the network. As a prerequisite for connectivity along with an increase in weekly frequencies, schedules and flight timings have been formulated based on the hub concept.

In view of lead time to put in place the new network model, Summer 2012 will be managed as a transition season with a full implementation of the new structure as from Winter 2012/13.

In line with the new network model, 2012/13 would witness a concentration of the Air Mauritius online network from 25 to 18 online points with stop of online operations to the destinations to Milan, Sydney and Melbourne effective June 2012 and Frankfurt, Geneva, Munich and Durban effective Winter 2012/13 (starting on 28th Oct 2012). On the other hand, frequency, capacity and timings will be enhanced on retained points in view of improving connectivity both at Mauritius and at outstations.

India, East Asia (excluding Shanghai) and Australia network will be exclusively served with the A330-200 aircraft as from June 2012. As from Winter 2012/13, the A340-300/E fleet would be dedicated to long-haul operations in Europe, Shanghai, Johannesburg, Antananarivo and Reunion. The A319-100 aircraft will be deployed on regional and inter-island routes and the ATR aircraft will be maintained in the fleet due to its requirement for Rodrigues operations due to runway limitations to use jet aircraft. One A340-300 aircraft namely the 1994 vintage aircraft MSN076 with registration number 3B-NAU will be in excess as from Winter 2012/13.

The weekly pattern of operations for Winter 2012/13 incorporating the new structure is as follows:

- 9 A340 flights by Air Mauritius and 7 777 flights by codeshare partner AF on Paris.
- 4 A340 flights to London in night structure (subject to slot availability).
- Daily A330 flights to India: 4 flights to Mumbai, 2 to Delhi and 1 combined Bangalore/Chennai.
- 2 A330 flights to Hong Kong, 3 A330 flights to Kuala Lumpur and one A340 combined flight to Singapore/Shanghai.

Directors' Report and Business Review

2012/13 Network Development (Continued)

- 2 A330 flights to Perth.
- 10 weekly flights to Johannesburg (all A319 except 3 day flights with A340) and 3 A319 flights to Cape Town.
- 3 A319 flights to Nairobi.
- 6 flights (3 A340 and 3 A319) to Antananarivo.
- Daily flights to Reunion (St Denis and St Pierre) and Rodrigues.

Airline Alliances and Partnerships

During the financial year 2011/12, Air Mauritius has maintained its existing partnerships with Air France, Malaysia Airlines, Emirates, Air India, South African Airways and Kenya Airways.

For the forthcoming financial year 2012/13, in the framework of Air Mauritius' network strategy, Air Mauritius plans to further consolidate its cooperation with existing partners and seek new cooperation opportunities in line with its overall network objectives and future plans.

Air Mauritius / Air France

The strategic partnership between Air Mauritius and Air France was expanded to cover Reunion Island as from February 2012. Thus, Air France is able to place its code on all passenger flights operated by Air Mauritius between Mauritius and Reunion Island (St Denis and St Pierre). The extended cooperation aims to strengthen our competitive position in the region and promote traffic to Europe and Reunion via Mauritius as well as point to point traffic. The extension of the existing cooperation is in the framework of the agreement signed by the two airlines in October 2008, which covers the Paris route and enables Air Mauritius to place its code on Air France' flights from the Paris Charles de Gaulle hub to French provinces and other destinations in Europe.

For the forthcoming financial year 2012/13, Air France will replace its Boeing 747-400 aircraft by the 777-300ER aircraft on the Paris route as from 8th of May 2012. This aircraft has a seating capacity of 468 seats configured in three classes, 14 business, 32 premium economy and 422 economy seats. Thus, a new premium economy product will be offered on the route.

On the other hand, Air Mauritius code share on Air France flights beyond Paris will be on thirty four points in Europe following the cease of operations by Air France to Milan Malpensa (MXP) since November 2011 and to Asturias (OVD) in Spain as from end of March 2012. More code share destinations will be added as and when additional third country code share rights become available during the year.

Air Mauritius / Malaysia Airlines

With the introduction of services to Shanghai via Kuala Lumpur in July 2011, Air Mauritius has extended its code share with Malaysia Airlines in September 2011 to include Shanghai, thus bringing the total number of code share destinations on Malaysia Airlines operated flights to ten. The code share on Malaysia Airlines' flights on the Kuala Lumpur-Shanghai sector provided passengers with further travel options to Shanghai in addition to our once weekly flight to Shanghai. Malaysia Airlines has also added its code on the sectors Kuala Lumpur - Shanghai vv on the Air Mauritius operated Mauritius/Kuala Lumpur/Shanghai vv flights.

Directors' Report and Business Review

Airline Alliances and Partnerships (Continued)

In the light of Air Mauritius network restructure for the financial year 2012/13 and with the objective to promote Kuala Lumpur as the main gateway to other South East Asian destinations, Air Mauritius plans to further expand its code share with Malaysia Airlines to cover more destinations in Asia, subject to the availability of necessary traffic rights. Our two airlines are exploring further opportunities for third country code sharing to enhance the existing co-operation.

Air Mauritius / Emirates

Air Mauritius has maintained its soft block code share arrangement as marketing carrier on Emirates' flights on the Dubai route. Emirates introduced two additional weekly frequencies on the route in November and December 2011 respectively, expanding total base weekly frequencies to eleven.

Air Mauritius / Air India

The soft block code share agreement with Air India on the Mauritius-India route was maintained during financial year 2011/12.

Air Mauritius / South African Airways

The existing reciprocal soft block arrangements between Air Mauritius and South African Airways were in place in 2011/12. However, in view of the network plans on the South Africa route for the financial year 2012/13, the possibility to evolve the current soft block arrangement with South African Airways is being explored.

Air Mauritius / Kenya Airways

The existing soft block arrangement with Kenya Airways on the Nairobi route will be evolved into a free flow code share early during the financial year 2012/13 to optimize sales opportunities. Moreover, the two airlines plan to code share on each other's network at their respective bases for greater network synergies. The plan is to initially include Mombassa in Kenya and Cairo in Egypt and subsequently more destinations will be added upon availability of traffic rights.

Aero-political Developments

The portfolio of traffic rights was further consolidated with the conclusion of a new bilateral air services agreement between Mauritius and Botswana in May 2011. A new Memorandum of Understanding was also signed between Mauritius and Malaysia in March 2012, increasing the weekly frequency entitlements for the designated airline(s) of each country.

European Union Emissions Trading Scheme (EU ETS)

With the inclusion of aviation in the European Union Emissions Trading Scheme (EU ETS) since the 1st of January 2012, all aircraft operators operating flights on routes to, from or between European Union airports will now be subjected to the EU ETS.

Air Mauritius has successfully followed the necessary steps and processes and met the required deadlines for readiness at the implementation of the scheme.

Following the submission of emissions and tonne kilometres data for the year 2010 to the French Direction Genérale de l'Aviation Civile (DGAC) in March 2011, Air Mauritius has in January 2012 been allocated its free allowances of emissions for the year 2012.

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European Union Emissions Trading Scheme (EU ETS) (Continued)

Based on planned operations for the year 2012, Air Mauritius has assessed its emissions levels for the year 2012 and its emissions trading requirements based on the free allowances.

Air Mauritius is continuously monitoring its emissions and tonne kilometres data for the year 2011, which was duly audited and verified by our external verifier, Pricewaterhouse Coopers (PwC), in December 2011. The annual emissions report for the year 2011 was submitted to the French DGAC and transmitted to the European Commission.

Revenue Management and Pricing

With the prevailing market uncertainty resulting in sluggish demand and increased competition, the application of the concepts of revenue management has become a central part of the airline industry. During this financial year, Air Mauritius has continued to improve its Revenue Management processes and systems to address the markets and in particular the need to match demand to capacity, reduce seats wastage and identify market conditions, which allow the airline to increase revenue per seat kilometre.

With the prevalence of the above market conditions, coupled with soaring fuel price, which resulted into 4 generic instances of fuel surcharges increase, it was a real challenge to reconcile certain conflicting objectives. In order to maintain its market share, Air Mauritius had to apply competitors watch in all markets and revenue management processes to allow adequate control on the inventory in order to mitigate any resulting yield dilution.

The year was also very buoyant in terms of process and system improvement:

Our Amadeus revenue management system, implemented in 2010, is now fully functional, and is already providing the benefits of the expected synergies with other systems being on the same Altea platform. This new system, which more adequately captures booking pattern dynamics has also allowed us to increase our forecast horizon significantly. While, a fourth month has been introduced in our rolling forecast passenger revenue, our revenue management forecasting process has also allowed us to forecast revenue until the end of the financial year six months in advance.

A major enhancement to the current system capabilities expected in 2012/13 is the implementation of a yield forecasting tool, which will significantly improve our accuracy to steer revenue. Other processes in the pipelines are improvements to our flight firming process, and a new group policy.

From the pricing side, we have significantly improved our internal competitive monitoring tools, allowing a more proactive competitive positioning – at this stage Air Mauritius is also evaluating other competitive watch tools, which will be implemented in 2012/13. The Altea Group Negotiator has been implemented in the main European markets and will shortly be deployed to all our offices worldwide, thus allowing instant quotes for groups at any point in time. Finally, a major highlight is the contracting out of our fares distribution activities to Lufthansa Process Management (LPM), allowing Air Mauritius to benefit from timeliness, accuracy and best practices.

Major changes are expected in 2012/13, with the implementation of new revenue management processes with the Seabury APG engagement for Revenue Management. With the implementation

Directors' Report and Business Review

Revenue Management and Pricing (Continued)

of the new network, focusing on new Origin and Destination traffic, our beyond fares are being repositioned to allow Air Mauritius to uplift its fair market share for those segments. For this purpose, a fare class optimization is being implemented to allow a more accurate steering of revenue as well as balancing between point to point and network traffic flux. This will be a major paradigm shift for Air Mauritius, designed to support the new network strategy of Air Mauritius.

Kestrelflyer Frequent Flyer Programme

Air Mauritius continues to enhance the Kestrelflyer programme with improved benefits and tactical promotions. The customer base has grown by 20% with an increase of more than 10,700 members, out of which, 66% registered online. During the financial year 2011/12, several improvements have been brought to the programme to make it more attractive to our customers:

- As from April 2011, newly designed Membership cards with the new Air Mauritius logo in line with our new brand have been introduced. All new cards issuance and renewal are with the new designed Membership cards.
- As a continuous enhancement to our Customer service, in July 2011 we introduced the service of miles balance query by short message service (SMS). Members can now request and get response on miles balance through SMS. They need to register for this service prior to its usage.
- As from November 2011, to encourage card holders travel more with Air Mauritius and achieve Gold membership, the threshold for Qualifying Miles for Gold card has been revised downwards to 100,000 miles.
- The Bonus Miles offer for online purchase on Air Mauritius website has been quite popular and to encourage this online channel of sales, the offer was extended up to March 2012. More than 6,200 transactions have been recorded.
- In March 2012, in Siebel CRM system, Award products have been unbundled into individual destinations. This will now allow tactical promotions for awards by destination or flight for specific period.
- The process for partnership with Financial Institutions and Car Rental companies to enrich the portfolio of offerings to our members has been initiated. Partners have been selected and our Frequent Flyer customers will be able to accrue miles on Air Mauritius through the use of their credit cards and by renting cars.
- Priority Check-In for Gold and Silver card holders has been extended to Johannesburg and Durban to give a total of 15 airports in our network where this service is currently provided to our frequent flyers.
- The bonus miles scheme for internet check-in has continued to be very appealing to our members and its usage has increased by 30%.
- The Cash and Miles scheme is offered to our frequent flyers with a minimum of 75% of miles for them to purchase the remaining balance for an upgrade or award ticket. This flexibility has been widely appreciated by our frequent flyers and has become quite popular. Its usage has increased by 26% during the year.

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Customer Research

Assessment of Inflight Services

In order to monitor the level of inflight service and gauge passenger satisfaction onboard, an inflight survey based on "Ghostflyer" principle was introduced. This involves Air Mauritius employees travelling on duty or vacation, hotel personnel and Air Mauritius frequent flyers.

Marketing Information

The timely availability of marketing information is of utmost importance for decision making. Customer Research has ensured the availability of up to date information by means of the following:

Marketing Information Data Tapes (MIDT)

Business intelligence tools are implemented, renewed or upgraded as and when required. Marketing Information Data Tapes (MIDT), which allows for the continuous availability and analysis of bookings data and agency activities for the past 12 months and 12 months in advance, has been improved. The number of city pairs has been increased from 50 to 75. Quality of Service Index (QSI) for future periods has been introduced to enable benchmarking and identification of share gaps.

Marketing Information Portal on Sharepoint

A Marketing information portal has been developed in order to provide quick and easy access to internal users to the following information:

- MIDT reports with particular emphasis on snapshots of forward bookings. These reports are automatically extracted from MIDT and uploaded on sharepoint on a monthly basis. Sharepoint will store these reports for an indefinite period of time.
- Previous research reports which include passenger satisfaction survey reports, market study reports and mystery shopping reports.
- Fleet and aircraft details, hard product on board Air Mauritius aircraft.

Sales and Distribution

The depressed European economic environment triggered by Euro zone crisis seriously influenced the route performance in the course of the financial year 2011/12.

Europe

Capacity on the Paris route continues to be driven by Air Mauritius/Air France code share which has resulted in the highest number of seats injected on any one single route in our network. Furthermore, with the available multiple intra-European frequencies and connectivity, the Paris gateway remains the most important hub for European traffic to / from Mauritius for the airline. The European crisis impacted on demand level from Europe for destination Mauritius. On the Paris route, the ten major contributors in terms of passenger were France, Reunion, Mauritius, Germany, Belgium, Switzerland, Spain, Italy, United Kingdom and the Netherlands. Notwithstanding, the escalating fuel price, the combination of decrease in demand and excess capacity have put yield under intense pressure especially during shoulder/peak periods.

The London route was operated through a base of five weekly flights during the year with an additional frequency during the peak

Directors' Report and Business Review

Sales and Distribution (Continued)

season. However, the performance of the route was impacted by the economic downturn and consequently the number of passengers carried declined as compared to the preceding year. The passenger revenues generated on the London route slightly decreased as compared to the previous year despite a small improvement in the average yield per passenger. In order to stimulate demand and match competitors, a number of promotional offers were launched in the different contributing markets in order to achieve a reasonable seat factor on the route.

Frankfurt benefitted from a round robin Mauritius-Frankfurt-Geneva-Mauritius flight until the end of September 2011; thereafter, a non-stop once-weekly flight was operated to Frankfurt. On the other hand, the non-stop Munich operation remained seasonal and was operated between November till March. Germany as an area of sale contributed both on its direct flights and also extensively on the code share flights from hub CDG.

During the period April to September 2011, the Geneva route was combined with Frankfurt with a once weekly Friday round-robin operation. However, due to demand, the Geneva operation was de-linked from Frankfurt to operate a once weekly Saturday direct flight for the period October 2011 till March 2012.

The Italian route was maintained on the basis of a single weekly frequency during the year with the exception of August 2011 and the period December 2011 to March 2012 whereby 2 weekly frequencies were operated.

Australasia

Air Mauritius maintained its single frequency to Perth and Melbourne/ Sydney during 2011/12. However, the Melbourne/ Sydney operations were changed to a round robin flight Mauritius/ Sydney/Melbourne/Mauritius as from November 2011 so as to provide a better product to the market. This also included the improvement in our schedules so as to provide connectivity onto Africa. Additional frequencies were injected during December/January peak months. As part of strategy, commercial agreements were put in place, fare distribution improved and relationship with the trade and Visiting Friends and Relatives (VFR) segment strengthened.

Even with downward revision of GDP economic forecast in 2011, Indian aviation pursued its path for steady growth. However, Indian carriers were badly hit due to bleak international economic conditions coupled with high fuel costs. Amongst all, Kingfisher Airlines was the most affected. On its part, Air Mauritius strategy was to economically sustain its capacity through close monitoring of its six weekly flights to Mumbai, Delhi and Bangalore/Chennai. Additional seats were also injected during high seasons so as to cater for demand. A series of marketing initiatives were also undertaken together with other local and Mauritius stakeholders to enhance product awareness in the main Indian metros and various secondary cities.

The Asia Pacific region continued to show strong economic growth even though it was not evenly distributed amongst the regional economies. The proliferation of low cost carriers (LCC) provided intense competition to Air Mauritius. In addition, the availability of highly attractive packages to regional leisure destinations edged out to some extent Mauritius as an affordable destination. Notwithstanding these challenges, Air Mauritius provided ample capacity through its twice weekly Singapore/Malaysia routes. Additional capacity was also injected in response to ad-hoc seasonal demand.

Directors' Report and Business Review

Sales and Distribution (Continued)

Air Mauritius started the year with three weekly services to Hong Kong route. However, due to slowdown in market demand, capacity was trimmed down by 10% effective November 2011 through the suspension of its third flight.

One of the highlights during the past financial year was the introduction of our services to Shanghai in July 2011. The route to mainland China was operated by the A330-200 aircraft via Kuala Lumpur on a once weekly basis. This resulted in a significant increase in passenger uplifts from China.

Middle East

The Dubai route was served on a code share basis with Emirates Airlines as the operating carrier and Air Mauritius as the marketing carrier. Nine weekly flights were operated on the Dubai route till October and then one additional frequency was added in November and December respectively, increasing the weekly frequencies to eleven.

Air Mauritius operated six round trips to Jeddah with the A340-300 aircraft in October and November for the transportation of Hajj 2011 pilgrims.

Africa

In order to match capacity with demand, Johannesburg flights were modulated to five weekly frequencies whilst two weekly A319 were maintained on both Cape Town and Durban each. Capacity dropped by 5% as compared to previous year due to the fact that 2010/11 was an exceptional year as Air Mauritius had deployed additional flights to cater for World Soccer Cup demand. A series of marketing activities were undertaken to secure support of the travel trade in South Africa.

Two weekly flights were maintained on Nairobi route throughout 2011/12 which led to 13% increase in capacity over the preceding year. On the other hand, various product awareness programs with the Mauritius Tourism Promotion Authority were undertaken which also included campaigns targeting the student community to Australia and the corporate segments. In order to diversify the traffic base, marketing agreements were also set-up with agents in Cameroon, Rwanda and Uganda.

Regional

In an environment of ever-growing competition, Air Mauritius met with stiff challenges on its Far East and Australia routes. However with support from Mauritius Tourism Promotion Authority, the airline continued to promote low season by commercializing cargo flights and offering attractive point to point fare. Marketing agreements were put in place so as to push agents to support the Air Mauritius network

Capacity on the Rodrigues route was modulated during the year so as to suit demand.

Capacity on the Antananarivo route was closely monitored and modulated so as to match demand. Seats grew by a healthy 10% whereas passenger uplift remained almost stagnant.

Mauritius Station

An ambitious revenue target for Mauritius Station was set in line with the increase in seat capacity for the year. Mauritius station performed as per expectations and remains the number one station in terms of passenger uplifts and revenue contribution for the Company.

With a view to optimize on sales opportunities from all distribution channels, various measures

Directors' Report and Business Review

Sales and Distribution (Continued)

were taken. For instance, the direct sales counter at Head office and Ebene have been revamped so as to provide a much attractive commercial environment to maximize direct sales. Partnership strategies with local travel agencies have been enhanced. An increasing trend in web sales has been noted and sales target set in this respect has been met.

We have also implemented an effective communication strategy to promote our name in the local market and also to create awareness about our products. The Mauritius Market is also very elastic and responds perfectly to price inducements for travel. In this context we have implemented a series of tactical price promotion in low periods designed to boost loads on specific routes and this has paid dividends.

The financial year 2012/13 will be a crucial year for Mauritius Station with the implementation of the new business model. Marketing strategies have been reformulated with the objective of sustaining current demand base as well as gaining market share from competitors.

Cargo

Cargo business remains a vital contributor to the overall operations of Air Mauritius revenue. As for Air Mauritius, Cargo operations are considered as a by-product of passenger operations. However, a number of passenger flights with wide-bodied aircraft are operated to cater for the ever-growing needs of cargo with the use of the belly hold capacity in particular for regional operations.

Performance

Despite facing the turmoil of the global economic crisis, Cargo performance has been quite satisfactory overall. Competition is becoming much stiffer as there has been an influx of cargo capacity on the market whereas demand on the other hand has been on the declining trend. It goes without saying that these two market dynamics led to tremendous pressure on yield.

Ongoing Commitment to Quality

The quality standard is continuously challenged at Air Mauritius Cargo to provide World Class Service. Air Mauritius Cargo views quality of service as an imbedded and essential part of the business. Despite the slowdown in global economy, Air Mauritius remains dedicated in delivering high quality service to our customers. Quality audits carried out during the year validate cargo status as ISO 9001:2008 certified and confirm that the quality management system in place are of international standards. Furthermore, to better prepare our staff in serving our customers, regular training and support are provided to all our Team members.

Air Mauritius cargo has been successful in implementing e-booking portal with local freight forwarders. Currently 95% of the local agents are sending their Master airway bills to Air Mauritius through Electronic Data Interchange (EDI), either using Air Mauritius e-booking portal or through their respective cargo system. Transmission of Master Airway bills information electronically has enabled Air Mauritius cargo to fully comply with The European Union Import Control System (EU-ICS).

New Developments

With the implementation of our consolidation network, major changes have been brought into Air Mauritius schedules. To consolidate further our revenue and extend our network, our Partners' profiles are bound to be enhanced. For

Directors' Report and Business Review

Cargo (Continued)

instance, existing agreements with airlines are to be revisited and new working agreements with new partners are to be established, thus allowing us to continue to service points where operations have been suspended by Air Mauritius and as well as to extend Air Mauritius reach.

In terms of technology, two major projects were initiated during the year to meet the ever changing industry requirements and trends for cargo and also adapt to customers' needs:

- Upgrade of the Cargo Reservations & Operations System.
- Tests on e-freight capabilities.

Way Forward

There remain concerns in the near future about the escalating costs due to rising fuel prices and the stability of the global economy's recovery. Pressure from strong competitor growth from existing and new entrants will also become another big challenge. In view of the uncertain economic and business environment, we will continue to be flexible in deploying our resources and vigilant in maintaining cost discipline. The Company will also continue to seek growth opportunities in emerging markets and actively pursue projects like e-freight and e-air waybill to improve efficiency and decrease cost. As the national carrier, we will ensure an efficient array of cargo services in order to promote trade, support local industries and continue to contribute towards the economic development of the country.

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 department closely monitors the Company's 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.

External Communications and Media Relations

The special conjuncture of the airline industry and the financial status of Air Mauritius have attracted a lot of attention in Mauritius and abroad given the importance of the industry for the island. Communications and Corporate Affairs enhanced the public's access to information maintaining closer contact with the press and remaining available for inquiries at all times. Through regular press releases, announcements and press conferences, the public was constantly updated on the Company's financial situation and the various steps of the Company's recovery plan. The acting Chief Executive Officer and Executive Vice President Commercial and Communications maintained a regular presence in the media giving interviews, making statements and participating

Directors' Report and Business Review

Communications and Corporate Affairs (Continued)

in live debates in order to ensure the Company's views are clarified to its various stakeholders.

The Company also maintained its efforts to consolidate international media relations by facilitating international news reports and press trips in collaboration with business partners and tourist operators.

Internal Communication

An Internal Communication audit was carried out during the year. The main findings were that there was a strong sense of belonging by the employees and a confidence in the Company's future as well as a strong willingness to be part of it. Improvement areas have been identified and are being implemented.

Meetings at the different work locations were held with staff to communicate the Company's performance and the current challenges faced by the airline industry from which Air Mauritius was not spared. The need to review our business model was explained as well as the seven step recovery plan to ensure a sustainable future for the airline. Management Collaboration workshops were also held to keep the managers informed of the strategic direction of the Company. An Engagement Team with representatives of employees from all departments was also formed to help cascade information about the recovery plan throughout the organisation as well as to promote trust and commitment.

Among other internal communications channels developed, the Sharepoint site houses a wealth of information ranging from process and procedures to all circulated news material and publications. Air letter is now at its 15th edition. Posted to the homes of all individual employees, it is an effective vehicle to disseminate information and views about Air Mauritius to employees as well as their family members.

Branding

As part of an ongoing transformation which includes stating our new ambition in a local and international context, a new platform for communicating our message and our new identity was worked out. A new corporate advertising campaign has been designed and was launched during the financial year 2011/12. The aim of this campaign is to make every flight a 'meeting place'. The constituents of this brand promise includes amongst others, a meeting with the scents, sounds, senses, touch, feeling of the country. Flying with Air Mauritius must therefore mean preceding or extending the encounter with the island in the most authentic way possible and embarking upon a total sensorial experience.

The next step is now to develop a promotional campaign which will be applicable in our markets, in order to promote the Air Mauritius product.

The brand has also been successfully deployed in sales and office premises at various locations in Mauritius and abroad.

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 the airline is operating. Conscious of the potential of technology in this communications process, the Company is contemplating into the possibility of making better use of electronic media as it remains very effective both in terms of cost and impact.

E-Communications

A new website has been launched in June 2012. The website has been re-designed to reflect the

Directors' Report and Business Review

Communications and Corporate Affairs (Continued)

new corporate identity and brand. The contents have been reviewed in-depth and will be further enriched with new subjects. The navigation has also been enhanced to provide a user friendly online experience. The modern and trendy look and feel is in alignment with the best airline websites

To complement its marketing efforts in the main markets, Air Mauritius launched an e-marketing plan with search engine marketing campaigns to increase visibility of the brand and the website. These campaigns are tracked, measured and monitored on a daily basis to optimize return on investment. E-mail marketing campaigns were also targeted directly to our customer base, promoting special offers in various markets. In line with best practices in the industry, the Company will increasingly use the e-channels to reach and engage with its customers.

Corporate Social Involvement and Sponsorships

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 6,000 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).

The Company supports the local community in line with the National Committee Corporate Social Responsibility (CSR) guidelines. The Company grants sponsorship in the following fields in line with the CSR defined areas of intervention:

Health

A 20% discount is given to patients and one accompanying person traveling for treatment. The facility is also extended to doctors who travel abroad to accompany patients.

Leisure and sports

A 20% discount is given to Mauritian athletes traveling to participate in sports competitions abroad or for training, provided the laid down criteria are satisfied. Air Mauritius also supports sporting events by facilitating the travel of participants from abroad including golf, big game fishing, marathon and cycling. The Company offers special rates to participants in competitions and accompanying spouse. Tickets are offered to winners in order to enable them to defend their title in following editions. Applicable discounts are also offered to officials, journalists, top players and main guests.

Education and training

Air Mauritius gives 20% discount to teachers, administrative personnel, students travelling abroad to attend conferences, workshop, study tours or training. This is applicable to primary, secondary, tertiary and specialized school (deaf, handicapped, etc…)

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Communications and Corporate Affairs (Continued)

Crisis Communications

As crisis situations can have far reaching impact 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. The crisis communications process has been finalised with procedures and manuals updated. The setting up of a media room intended to be the nerve centre for both ingoing and outgoing communications has been completed. Training and simulation sessions are conducted both within the broader framework of Crisis Management Centre (CMC) and as standalone crisis communications training to maintain the state of readiness.

Information and Communication Technology (ICT)

As the airline industry is witnessing one of the most challenging periods it has ever known, ICT is playing a more critical role as an enabler for change, innovation and efficiency. In this respect, Air Mauritius has pursued its strategy to enhance business operations, improve customer service delivery and promote employee collaboration through ICT.

Passenger Systems

The year 2011/12 has been marked by the successful migration of Air Mauritius core passenger systems to the new Amadeus Altea suite of applications. The upgrade of the Company's flight inventory and e-ticketing systems to the new platform was followed by the migration of the Departure Control System to Amadeus DCS in Mauritius, Rodrigues, Australia, South Africa and UK. The Company plans to carry on with the deployment across other main airports during the coming year. With this new Departure Control System, Air Mauritius is able to offer new functionalities such as kiosk and mobile check-in.

Enhancing the customer experience

With the introduction of self-service kiosks at Sir Seewoosagur Ramgoolam (SSR) International airport in Mauritius, passengers can quickly and easily check in, select or change their seating, and print out a boarding pass. These kiosks help customers avoid long queuing time, maximize terminal space as well as employees' time and efforts. Further to the possibility of people in Mauritius and Rodrigues to enquire about flight departures and arrivals via SMS, frequent flyers can now keep up to date with their miles balance via a new SMS facility. In addition, the Siebel CRM system has been enhanced to provide greater flexibility in the definition of and redemption of free ticket products for members of Air Mauritius Kestrel Flyer programme. A complaints management system has also been deployed at Airmate, the Company's contact centre, for the tracking and management of all reported complaints.

Improving operational efficiency

During the year 2011/12, the Enterprise Budgeting and Planning systems have been enhanced to cater for the additional forecasting and budgeting requirements of the Company. The Human Resource Information Systems have also been extended to include the subsidiary companies of Air Mauritius, Medcor and Airmate. In addition, the upgrade of several systems related to aircraft maintenance, crew management and flight operations as well as the implementation of a flight safety management system and a flight data analysis application was conducted to further streamline processes and enhance security in these key areas.

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Information and Communication Technology (Continued)

A new cargo revenue system is also being implemented to provide higher efficiencies and control in the revenue accounting processes of cargo operations, from initial sales to financial reporting. Furthermore, enhancements to the passenger accounting revenue system were carried out to address new IATA mandatory requirements such as its Simplified Interline Settlement initiative aimed at eliminating paper and reducing costs in the exchange of billing information among airlines.

To further promote collaboration and productivity across the organisation, the Microsoft Sharepoint platform is being intensively used as the enterprise information portal that allows Air Mauritius staff and departments to share knowledge and collaborate easily and securely. New intranet applications have also been customised for ground operations and technical services departments to assist in meeting IATA Operational Safety Audit (IOSA) and European Aviation Safety Agency (EASA) requirements.

Enterprise Business Intelligence

In the midst of market uncertainties, Air Mauritius is leveraging on its business intelligence systems to provide more granular and clearer insights on its operating data so as to drive quicker business decisions. New analytical and reporting applications that extract data from new sources have been built on the IBM Cognos-based platform and these assist in providing real-time multidimensional analysis and trends for both passenger and cargo business.

ICT Infrastructure

To cater for the growing number and increasing complexity of systems and IT services deployed across the Company, it is imperative to ensure the high reliability, availability, robustness and security of the enterprise ICT architecture. In this respect, the Company has reinforced its data centre located in the Cyber Tower 1 building at Ebene and equipped it with greater resilience and scalability capabilities. Furthermore, the server infrastructure has been extended to more offices abroad such as Reunion and Rodrigues in order to have a common and more integrated infrastructure, linking Head Office and outstations.

E-Commerce

Air Mauritius is adapting its e-commerce strategy to focus on customer expectations. Some key areas have been addressed to simplify and enhance the customer online experience and offer more flexibility and choice to its customers. Further measures were undertaken to improve the Company's e-commerce capabilities and to actively promote the convenience and advantages of using airmauritius.com.

A new payment gateway was implemented to provide customers with a greater choice of debit and credit cards to choose from for their payment, without having to incur foreign transaction fees and in a totally secure environment. Our booking process has also been improved with the One-Way Display of fare options, where customers can now combine and match fares for better convenience or comfort. For example, it is now possible to select business class on one sector only.

On the marketing front, Air Mauritius has started to offer a Best Price Guarantee to give customers more confidence to book online. The Company guarantees that the website offers the best price and will refund the difference under specific terms if the customer finds a cheaper price elsewhere. A global e-marketing agency was assigned to launch e-marketing campaigns through digital

Directors' Report and Business Review

E-Commerce (Continued)

media such as search engines and display media. In line with best industry practice, the Company will increasingly use the digital channels to reach and engage with its customers.

Another key area that will witness a revamping is the website itself, which besides being the 24/7 sales channel, represents also a highly visible platform for the Company's brand. The new website, which will be launched in June 2012, has been re-designed to reflect the new corporate identity and brand and will also align with the latest modern trends in terms of look and feel. The contents have been reviewed in-depth and will be further enriched with new themes. The navigation has also been enhanced to provide a user friendly online experience.

Other initiatives that were undertaken include the appointment of a global domain management Company to manage our domain names portfolio and monitor any trademark infringement. Our state of preparedness in the event of a crisis situation has also been re-enforced with the addition of a web emergency response plan within the Company's overall emergency procedures.

Procurement

Air Mauritius has a reliable procurement system built upon its established procurement policy & procedures manual approved by the Board. The Tender Committee is the supreme body to decide on the mechanism for the allocation of contracts and in order to achieve value for money, the Committee is guided by sound procurement principles which inter alia are:

- Equal opportunity to all prospective suppliers/tenders.
- Treatment of all parties in fairness.
- Transparent, efficient and cost effective purchasing procedures.

As a Company listed on the stock exchange and operating in an international environment, it is essential to regulate supplier relationships and promote corporate governance through integrity, professionalism, confidentiality, compliance with legal and other obligations and risk mitigation which are the underlying principles of ethical business practices.

Ground Operations

Mauritius Station

Performance

The overall on-time performance, a key indicator for our passenger satisfaction, related to ground operations activities for all the flights handled ex-Mauritius over the year improved from 96.7% to 97.7% for departures within 15 minutes of their scheduled times.

Audit & Training

As part of its continuous efforts to improve operational efficiencies, training programmes for new employees and refresher courses were on-going, including mandatory training and train-the-trainers programmes.

Air Mauritius Ground Operations shall undergo its 4th IOSA Audit exercise in June 2012 and preparations have been underway since December 2011. Furthermore, as part of regulatory requirements, ground handling audits have been conducted at our thirteen outstations.

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Ground Operations (Continued)

It is worth mentioning that Air Mauritius Ground Handling at the SSR International Airport has been rated 4-Star by SKYTRAX for ground handling services rendered to South African Airways.

Airports Customer Services

In line with Air Mauritius focus on improving its customer service levels at various touchpoints, the Premium Passenger Handling Service/ Customer Care section has been re-styled Airports Customer Services. A new set-up for "Meet & Greet" at the departure hall has been introduced since December 2011.

SSR International Airport Expansion Programme

The new terminal at the SSR International Airport is planned to be operational by the end of 2012. With an area of 57,000 square metres, it will have a capacity to handle 4 million passengers annually and up to 1,640 departing passengers at a peak hour, operating at three levels that will allow segregation of passenger flow at arrival and departure.

Air Mauritius has been actively involved with the promoter and management company Airport Terminal Operations Ltd (ATOL) in the project to position itself as the market leader. Regular discussions have already been held with ATOL, and sub-committees put in place to follow on the progress and Air Mauritius readiness. The Company needs for its operational and commercial activities have been finalized with ATOL.

The Air Mauritius project to set up a new and modern CIP lounge at the departure level is on target. This will be an added value to the Company's valued loyal and premium customers and other airlines that we handle and to position ourselves as the preferred ground handler.

Helicopter Business

Air Mauritius considers that its helicopter business is a viable one with brilliant growth opportunities and had launched an invitation for a strategic partnership. In May 2011, the management of Air Mauritius Ltd launched an expression of interest (EOI) with the intention of segregating its ancillary operations, that is its helicopter operations business, from its core activities. Pursuant to the EOI and an invitation for a request for proposal (RFP), the evaluation exercise has been completed and discussions shall take place with the shortlisted bidders in this financial year.

With the development of the General Aviation Area at the airport and the commissioning of the new helipads by Airports of Mauritius Ltd (AML), Air Mauritius shall move its helicopter operation from its current location. A fleet renewal exercise will also be conducted to replace our current ageing Bell helicopter fleet.

Technical Services

Based at SSR international Airport, the Air Mauritius Technical Services Business Unit undertakes the maintenance and airworthiness responsibilities for the Air Mauritius fleet and the Maritime Air Squadron of the Mauritius National Coast. Its hangar facilities and work force of skilled engineers and technicians cater for almost all of the maintenance requirements for the airline.

In addition to providing full technical support to the Maritime Air Squadron, Technical Services also provides technical assistance to foreign operators transiting in Mauritius. This service is provided to 9 foreign airlines which include Condor, Edelweiss, Air France and South African Airways.

Directors' Report and Business Review

Technical Services (Continued)

The Company has invested in state-of-the-art aircraft maintenance facilities, avionic, cabin and mechanical workshop facilities and has an international reputation for engineering excellence.

The core capabilities of Air Mauritius Technical Services are centered on Airbus A340, A330, A319 and ATR 72 aircraft types. In addition Technical Services has developed line maintenance capabilities for Boeing 747 and 767 aircraft types. Technical Services certification is in accordance with European Aviation Safety Agency Part 145 requirements and the Department of Civil Aviation of Mauritius . The Company has successfully completed the IOSA audit and is currently preparing itself to comply with the requirements of Safety Management System (SMS).

Air Mauritius Technical Services continues to be a respected maintenance provider in the region due to its commitment in always providing high standards of safety, quality and service expected by the airline and its customers.

Perfecting the Basics Improvement Plan

In February 2011, Airbus Consulting and Technical Services initiated a project aimed at taking stock of the strengths and weaknesses of Technical Services. The objective of the project was to propose an improvement plan to take Technical Services to greater heights and deliver services that are to the standard of major players in the industry.

Technical Services started the implementation of this improvement plan in November 2011. A three phase implementation strategy has been adopted namely:-

1. Operational Stability and Structural Foundation.
2. Structural Stability and Development Foundation.
3. Development Deployment and Continuous Improvement.

The project will be completed by November 2014.

Training

In 2011, Technical Services Training Centre was certified by EASA as a Part 147 maintenance training organisation. It can now provide training and conduct examinations listed as per the EASA approval schedule.

The Technical Training Centre delivers various training programmes aimed primarily at training and developing the human resource of the Company. Last year, over 140 training sessions have been delivered to over 1000 participants. It delivered Airbus A340, A319 and ATR CBT (Computer Based Training) leading to type certification for aircraft engineers. Other courses are also conducted to comply with current regulations. These courses include Human Factors, Fuel Tank Safety, Defender and Dornier Do 228 type course.

Maintenance Activities Performed

During the financial year 2011/12, Technical Services department performed over 900 checks in its maintenance facility. Technical support was provided to 5,700 flights departing Mauritius.

Flight Safety

The last 12 months in safety management have continued to be dominated by the implementation of the Safety Management System (SMS). Safety Action Groups have been established throughout the operational and technical areas of the Company to apply the Safety Risk Management process (SRM) to all safety sensitive changes in the airline. New occurrence reporting schemes are being introduced to facilitate the detection

Directors' Report and Business Review

Flight Safety (Continued)

of hazards and their associated risks to reduce the time to detection of certain in-flight safety events, all Airbus aircraft have been retrofitted with Wireless Quick Access Recorders which automatically transmit flight data after each landing in Mauritius. Throughout the remainder of 2012, most of safety management efforts will be focused on ensuring Safety Action Groups develop a high level of efficiency in managing operational risk. The safety culture of Air Mauritius will also receive new attention to maintain and improve the safety standards of the Company.

Risk Management

The Board of Directors is responsible for the total process of risk management and sets strategies for the identification, analysis and management of the enterprise-wide risks for the Company on an ongoing 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. These functions are delegated to the Risk Management Steering Committee (RMSC), a sub-committee of the Board, whose responsibility is to act as intermediary between management and the board on all matters pertaining to risk. The RMSC meets on a regular basis to review policies, define risk tolerance and approve procedures and objectives. Procedures and parameters for risk management are contained in the Company's Risk Management Manual, which is reviewed from time to time to ensure it remains relevant to the Company's activities.

The four main principles of risk management applied by the Company are:-

Responsibility: recognition that Group Activities entail business risk and therefore Risk Management is everyone's responsibility. The Group should take into account its social, ethical and environmental responsibilities in setting risks parameters and target returns.

Risk and Return: ensuring that risk is taken in support to Group strategy and within its risks appetite as defined from time to time.

Accountability: ensuring that there is an auditable system for evaluating, controlling and reporting risks and that decisions are taken within defined authority limits.

Awareness and anticipation: creating an atmosphere of continuous learning and awareness of risks that impact the business throughout the group.

The responsibility for risk management and continuity at departmental level lies with the accountable managers of the department, under a clear and predefined delegated authority. The Treasury & Risk Management Section works with each department individually to assist, advise and implement proactive risk management disciplines for reducing risks identified to more sustainable levels. Risks identified at departmental level are recorded in a Risk register together with their action plans. Critical risks are reported to the Risk Management Steering Committee and the Board.

Major Risk Areas

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

Directors' Report and Business Review

Risk Management (Continued)

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 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.

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

Operational Risks:-

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

Competition

The Company faces competition from other airlines on its routes as well as from indirect flights and charter services and from other modes of transport. As the aviation markets continue to be liberalised and competitors have lower cost structures and other competitive advantages, this trend is expected to continue. This competition consequently results in increased downward pressure on yields. Management has responded to this risk by implementing a number of initiatives with the objective of repositioning the Company and equally responding to competitor's fares to maintain passenger traffic. These are:

- Revamping service level and product and strengthening the brand through the launching of campaigns such as "Service with Passion".
- Broadening the incentive mechanisms for agents and customers.
- Leveraging on new technology to build market intelligence, strengthen its loyalty programme and further enhance service levels.
- Continuous measurement of standards of performance and benchmarking through regular surveys.

Disruptions in Operations

- The modern working environment relies heavily on technology and e-commerce. The impact of unavailability and breakdown of IT services hosting critical applications such as E-mail services, ERP, Maintenix, AF 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.
    - The purchase of new servers with higher performance and redundancy to host new/upgraded systems.
    - 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 ongoing 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.

Directors' Report and Business Review

Risk Management (Continued)

- Disruptions to operations can also be caused by an aircraft crash. In this context, the Company has an Emergency Procedures Manual which is regularly reviewed and updated with the help of consultants. In addition to classroom training, crisis simulations are regularly carried out to familiarise staff with those procedures and ensure that everyone is clear about his role in emergency situations.
- The Company is largely dependent on passengers and cargo shippers to be able and willing to pay for carriage by air. As underscored by recent events, this ability and willingness is influenced by economic factors and security conditions in Mauritius and other countries around the world, over which the Company has no control.
- Pandemics and Epidemics: The Company can be severely hit by epidemics and pandemics as well as other health risks; risks which are beyond its control. The Company can only to a certain extent control the impacts of these risks on its business performance.

Safety and Security

The safety and security of the Company's customers and employees are fundamental values for the Company. 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 and has in place a flight safety and security policy that ensures that necessary priority is given to this objective in order to assure the safety of our passengers and staff.

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 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.

Fraud

Air Mauritius mitigates this risk by having a proper system of internal controls corporate-wide which is subject to regular audits, internal and external. The internal audit department reports risk issues identified directly to the audit committee together with the actions taken to remedy the weaknesses.

The Company has a detailed Fraud Prevention Policy that outlines procedures for the prevention, detection and investigation of suspected frauds and other irregularities. Its Code of Business Practice and Ethics provide awareness to all staff and other stakeholders, about the need to act with integrity and to report all suspicious transactions to relevant authorities in accordance with 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.

Every employee and Director of Air Mauritius has to abide by the Code of Ethics and Business conduct of the Company which require that they act ethically at all times and to declare any

Directors' Report and Business Review

Risk Management (Continued)

matters of potential conflict with the Group. A formal declaration of interest is made by Directors and senior officers of the Company each year.

Financial Risks

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

To manage these risks, Air Mauritius uses various derivative financial instruments including swaps, forward contracts, options, collars and any combination thereof. These derivative financial instruments are generally held to maturity and are not actively traded. The Company enters into these arrangements with the goal of hedging its operational and balance sheet risk. However, the exposure to Jet fuel price, interest rate and currency exchange rate fluctuations cannot be eliminated completely.

Foreign Exchange

Most of the revenue earned is in Euros whilst an equally significant cost base is denominated in US dollars. Therefore, the Company must endeavour to mitigate the risk of a depreciating Euro against the US Dollar as this will negatively impact on the bottom line. To the extent possible, obligations are matched to the revenue currency. For instance, most recent aircrafts financing have been structured in Euro.

It is the policy to hedge between 30% and 70% of the US dollar requirements. The hedge ratio was around 30% of US Dollar requirements for financial year 2011/12.

During the financial year 2011/12, the Euro/US Dollar traded at an average of 1.37. The Euro/Dollar (EUR/USD) traded within a wide range – from a low of 1.26 around the ongoing debt crisis in the Euro zone to a high of 1.48 around the US congress budget chaos in mid 2011.

Counterparty Credit Risk

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.

Jet Fuel Price Risk

The Company's historical fuel risk management policy has been to hedge between 30% and 70% of the forecast rolling annual volumes required. This policy was adopted to prevent the Company being exposed, in the short term, to adverse movements in jet fuel prices. However, when deemed to be in the best interests of the Company, it may deviate from this policy.

Given its market liquidity, Brent Crude is used as proxy for monitoring and hedging fluctuations in the price of Jet Fuel. The average Brent price was US Dollar 114 during financial year 2011/2012. Brent fluctuated between a low of US Dollar 99.79/barrel and a high of US Dollar 126/barrel.

Based on prevailing conditions, the Board provided guidelines for a maximum hedge ratio of 10% of fuel requirements during most of financial year 2011/2012. In March 2012, it was decided to raise the fuel hedge ratio to 30% of fuel requirements.

Directors' Report and Business Review

Financial Risks (Continued)

Interest rate risk

The Group's cash flow exposure to interest rate risk arises primarily from long term borrowings at floating rates. Interest rate risk is measured by using sensitivity analysis on variable rate instruments.

Aircraft acquisitions are funded by Export Credit Agency (ECA) backed borrowings. As interest rates go up, interest payable also go up and adversely affect the value of the loans and therefore the Group's earnings. A detailed coverage of sensitivity analysis pertaining to movements in interest rates is found in the Financial Risk Management Objectives and Policies in the Notes to the Financial Statements on page 114.

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 Company deals with only approved financial institutions and credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty based on third-party market based ratings. Moreover, the Company aims to sign wherever possible International Swap Dealers Association (ISDA) documents with all financial institutions it enters into financial derivatives transactions with.

Liquidity risk

Market liquidity risk is managed to ensure the Company can exit or offset positions quickly and in sufficient quantities at a reasonable price. The Group's policy is to monitor liquidity and compliance with any relevant lending covenants so as to ensure adequate funding lines from financial institutions are available. This is to ensure the group can meet all its obligations in both the short term and long term.

As at 31 March 2012, Air Mauritius had overdraft facilities worth EUR 26.6 m with its commercial banks of which 40% was utilised.

Reputation

The Company faces reputation risk and consequently loss of public confidence when it is confronted with negative perception and also recognises 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 prepared so that both staff and general public are well informed about the Company's activities and performances.

Directors' Report and Business Review

Business Continuity

A range of events can severely disrupt organisations and bring it to a standstill. The Company has considered all foreseeable eventualities and has identified the action it needs to take to respond to a crisis into a formalized Business Continuity Plans (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.

Legal and Regulatory Risks

Failure to comply with applicable new or changed laws and regulations, or governance standards or changes in interpretation of laws and regulations may harm the Company's business and reputation. Through its Legal Section, it actively monitors changes in applicable law.

The Company also manages the risk of loss that can be caused by:

- a defective transaction.
- a claim being made occurring which results in liability for the Company or other loss.
- a failure to adequately protect assets owned by the Company.

by ensuring that all contracts are properly vetted by its legal advisers. This ensures that legal risks pertaining to these agreements are adequately understood and properly identified and integrated into strategic decisions.

Industrial Relations

Providing and maintaining an unfailing, trustworthy, healthy, safe and secure working environment is of paramount importance to the organisation. The Company has a large unionised workforce comprising of six unions and is aware that effective communications between Management and the unions should be in place in order to avoid disruptions in operations and adverse business performance.

Insurance

The Company carries insurance covers of types customary in the airline industry 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, public and passenger 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

Performance and Development of the Business

Financial Performance

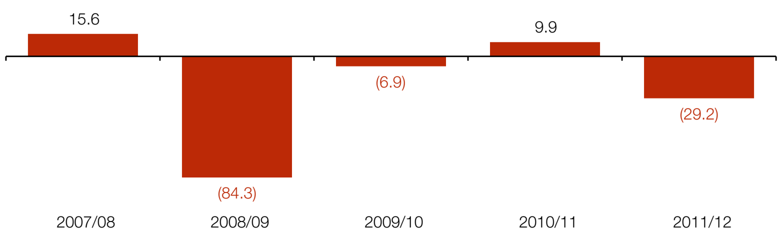
Loss of the Group for the financial year was Euro 29.4 million as opposed to a profit of Euro 11 million achieved in the previous year. Group Operating profit which was of Euro 17 million in 2010/11 deteriorated to a loss of Euro 22.6 million this year. The loss was attributable to a large extent to an increase in the price of fuel and to higher level of operations.

Business Segments

Airline business

The airline business segment result for the financial year 2011/12 was a loss of Euro 29.2 million compared to a profit of Euro 9.9 million in 2010/11. The operating loss for the financial year under review was Euro 23.3 million as opposed to a profit of Euro 15.9 million in 2010/11.

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



Directors' Report and Business Review

Segmental Information

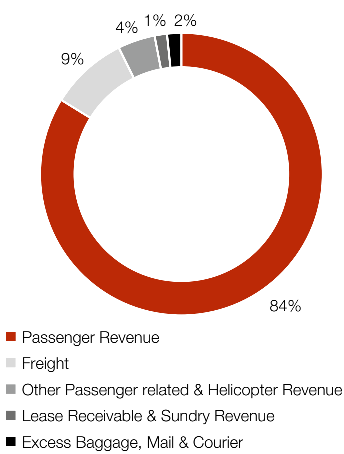
1. By Product

(a) Aircraft Operations

Revenue Composition	2011/12 EUR million	2010/11 EUR million	% Change
Passenger Revenue	283.0	285.0	(0.7)
Freight	30.0	32.3	(7.1)
Other Passenger related & Helicopter Revenue	14.3	10.8	32.4
Lease Receivable & Sundry Revenue	4.8	5.3	(9.4)
Excess Baggage, Mail & Courier	5.5	5.5	-
Total	**337.6**	**338.9**	**(0.4)**

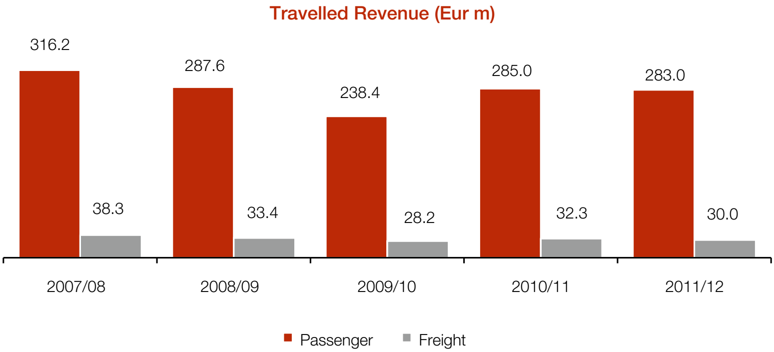
Revenue derived from aircraft operations was marginally down by 0.4% from Eur 338.9 million in 2010/11 to Eur 337.6 million for the financial year under review. Passenger revenue witnessed a fall of 0.7% owing to a decrease of 2.9% in yield despite an increase of 2.3% in the number of passenger uplifts. Similarly, a fall of 7% in cargo yield contributed to a decrease of 7% in cargo revenue to Eur 30 million. An increase of 32.4% was recorded for other passenger related and helicopter revenue. On the other hand, Lease Receivable and Sundry Revenue was down by 9.4% whilst revenue earned from Excess Baggage, Mail & Courier was comparable to the previous financial year.

Revenue Composition



Directors' Report and Business Review

Segmental Information (Continued)



(b) Ground Operations

Air Mauritius provides traffic and technical handling services to other airlines operating to Mauritius. Revenue earned from these services represented 1.4% of total aircraft operations for the financial year 2011/12.

Directors' Report and Business Review

Segmental Information (Continued)

2. Geographical

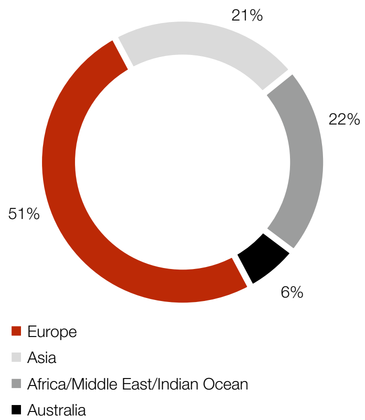
(i) Geographical by Route

Travelled Revenue breakdown by route *

Operating Region	EUR million	%
Europe	162.5	51
Africa/Middle East/ Indian Ocean	72.0	22
Asia	68.3	21
Australia	17.7	6
Total	**320.5**	**100**

* *Excluding Helicopter Revenue, Lease Receivable & Sundry Revenue*

Travelled Revenue by Route



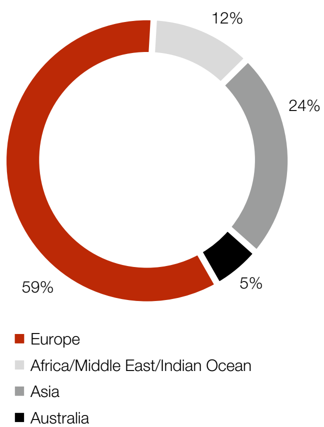
Europe - 51%

The share of revenue of Europe remained unchanged at 51% compared to the previous financial year. Available Tonne Kilometres rose by 3.7% with the injection of additional capacity. On the other hand, Revenue Tonne Kilometres was down by 2.1% due to a decrease in passenger demand.

Africa / Middle East / Indian Ocean - 22%

The share of revenue of these regions recorded a fall of 1% from 23% in 2010/11 to 22% for this financial year. Both Available Tonne Kilometres and Revenue Tonne Kilometres were down by 1.8% and 0.6% respectively.

Available Tonne Kilometres (ATK)



Directors' Report and Business Review

Segmental Information (Continued)

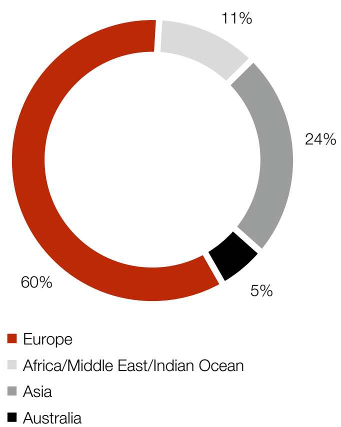
Asia - 21%

Asia groups all routes which are operated to India, China and the Far East. This region maintained its share of revenue at 21% as in 2010/11. Additional capacity on India, Singapore/Malaysia routes and the introduction of services to Shanghai led to an increase in Available Tonne Kilometres by 6.6%. On its side, Revenue Tonne Kilometres grew by 4.5%.

Australia - 6%

Australia improved its share of revenue by 1% to 6%. Available Tonne Kilometres offered in this region went up by 6.4%. Similarly, an increase in passenger and cargo uplift impacted positively on Revenue Tonne Kilometres which rose by 14.7%.

Revenue Tonne Kilometres (RTK)



Directors' Report and Business Review

Segmental Information (Continued)

2. Geographical

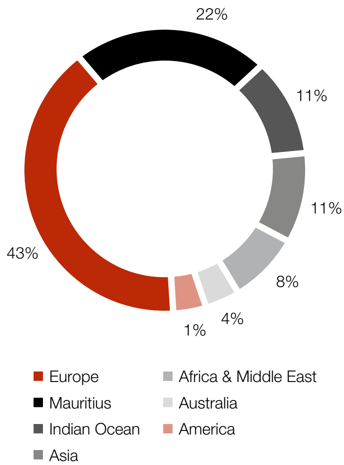
(ii) Geographical by Destination

Travelled Revenue breakdown by destination *

Destination	EUR million	%
Europe	137.5	43
Mauritius	69.2	22
Indian Ocean	36.0	11
Asia	37.3	11
Africa & Middle East	24.8	8
Australia	12.4	4
America	3.3	1
Total	320.5	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.

The European continent groups mainly countries like France, United Kingdom, Germany, Italy and Switzerland where Air Mauritius flies to. This region recorded a fall in its share of revenue from 44% to 43% this year but remains the top income generator for the Company.

Mauritus station is the second revenue earner for the Company. The share of revenue has progressed by 1 point from 21% to 22% for this financial year.

Indian Ocean consists mainly of the islands of Madagascar, Reunion and Seychelles. This region recorded a fall of 1 point in its share of revenue from 12% in 2010/11 to 11% for the financial year under review.

The Asian region comprises mainly of countries such as India, Hong Kong, Malaysia, Singapore and China. The share of revenue of this region remained unchanged at 11%.

Africa and Middle East regions maintained their share of revenue at 8%. Countries such as South Africa, Kenya and United Arab Emirates form part of these two regions.

Australia registered an increase of 1 point in its share of revenue from 3% in 2010/11 to 4% for this financial year.

America which consists mainly of USA and Canada retained its share of revenue of 1%.

Directors' Report and Business Review

Segmental Information (Continued)

Geographical by Routes (Passenger only)

Operating Region	Number	% Change	EUR million	% Change over Last Year
Europe	406,835	(3.0)	143.0	(2.3)
Africa & Middle East	172,154	(0.5)	36.5	(3.7)
Asia	278,217	6.9	59.6	0.5
Australia	43,438	11.4	16.4	19.7
Indian Ocean	423,969	5.0	27.5	(1.1)
Total	1,324,613	2.3	283.0	(0.7)

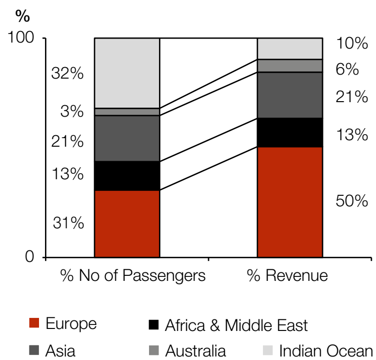
Network

The year 2011/12 has been a challenging year for the aviation industry. The industry has witnessed an overall hike in fuel prices, weakening of the Euro against the USD, decelerated world economic growth and sluggish European economies.

Seat capacity on the network went up by 4.4% to reach 1,841,372 in the financial year under review. The number of passenger uplifts registered an increase of 2.3% from 1,295,235 in 2010/11 to 1,324,613 this year. On the other hand, Passenger Revenue was marginally down by 0.7% owing to fall of 2.9% in passenger yield.

Passenger Load Factor shrunk by 2.7 points to 77.1% compared to 79.8% achieved during the previous financial year.

Contribution by Operating Regions



Europe

The depressed European economic environment trigerred by the Euro zone crisis impacted negatively on the European routes. The performance of these routes were affected by the economic downturn which led to a fall in

Directors' Report and Business Review

Segmental Information (Continued)

demand from Europe. Consequently, the number of passengers declined by 12,453 or 3% to reach 406,835 compared to the previous year. Similarly, Passenger revenue slipped by 2.2% despite a marginal increase of 0.7% in yield. Passenger Load Factor suffered a set back with a fall of 5.6 points from 85.1% to 79.5% this year.

Africa & Middle East

Capacity offered on South Africa routes dropped by 5% compared to the previous year due to the fact that additional seats had been injected in order to cater for FIFA World Cup. Seats Offered in this region were, therefore, down by 3.1% to 251,146. Passenger boardings were almost comparable to the previous financial year with a marginal decrease of 0.5%. Passenger Yield was under pressure during the year and it went down by 3.1%. Accordingly, Passenge revenue dropped by 3.5% compared to the previous financial year.

Passenger Load Factor registered an increase of 1.6 point from 68.5% in 2010/11 to 70.1% this year.

Asia

The financial year 2011/12 marked the introduction of online operations to China through Malaysia on the basis of a once weekly service as from the beginning of July 2011. Capacity was modulated to match market demand in some routes. The number of seats offered on the Asian routes witnessed an increase of 7.6% to attain 357,287 in this financial year. In return, the number of passenger uplifts rose by 6.9% to reach 278,217 this year. On its side, Passenger revenue registered a minor increase of 0.4% compared to the previous financial year due to the fact that yield on these routes was low by 5.9%. Passenger Load Factor showed a marginal increase of 0.2 point from 78.3% to 78.5%.

Australia

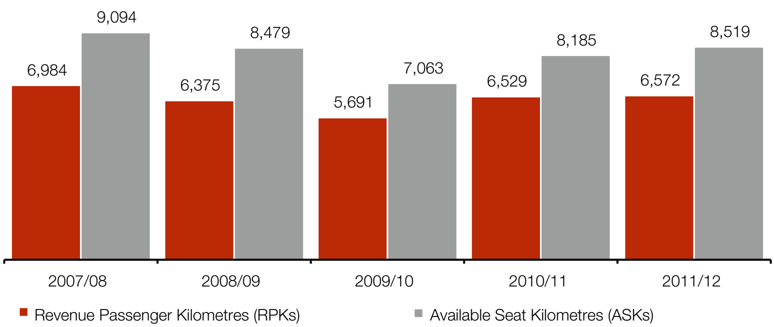
Seat capacity was increased by 5.8% to 62,708 in order to match demand on the Australian routes. Consequently, the number of passengers boardings soared by 11.4% from 38,984 in 2010/11 to reach 43,438 this year. On its side, Passenger revenue registered a significant leap of 19.3% as a result of a combination of an increase in passenger coupons and to an improvement of 7.1% in yield. Correspondingly, Passenger Load Factor went up by 5.8 points to peak at 68.4%.

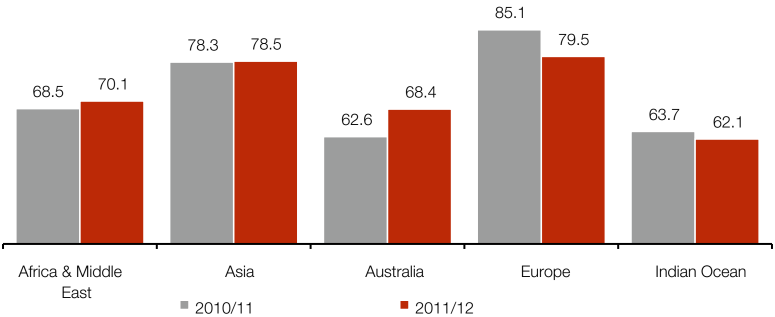
Indian Ocean

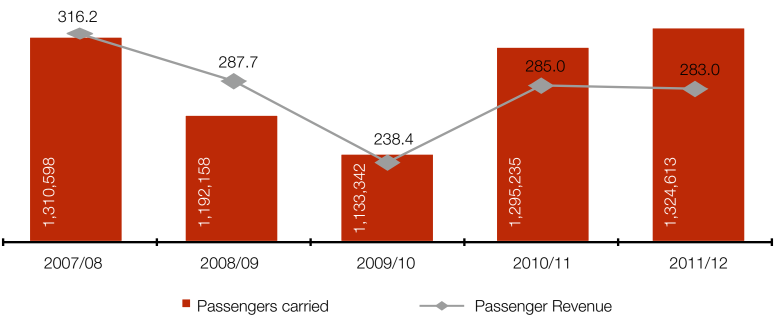
The Indian Ocean region recorded an increase of 5% in the number of passenger boardings with the injection of additional capacity. Seats Offered witnessed an increase of 6.2% for this financial year. Passenger yield deteriorated by 5.6% due to pressure from competition. Likewise Passenger revenue was marginally down by 0.9% for the period under review. On the other hand, Passenger Load Factor slipped from 63.7% to 62.1%.

Directors' Report and Business Review

Segmental Information (Continued)







Directors' Report and Business Review

Segmental Information (Continued)

Cargo Analysis

Geographical by Routes

Operating Region	Tonnes	% Change over Last Year	EUR million	% Change over Last Year
Europe	12,439	1.1	14.4	(1.4)
Africa/Middle East/Indian Ocean	12,078	1.3	7.1	(4.1)
Asia	6,354	(5.3)	7.5	(19.4)
Australia	1,069	10.8	1.0	-
Total	31,940	0.1	30.0	(7.1)

Network

Cargo tonnage was comparable to last year with an uplift of 31,940 for the financial year under review. On its side, freight revenue was down by 7.1% owing to a deterioration in cargo yield.

Europe

Cargo uplifts on the European routes went up slightly by 1.1% to 12,439 tonnes. A fall in cargo yield resulted in a decrease in cargo revenue by 1.4%.

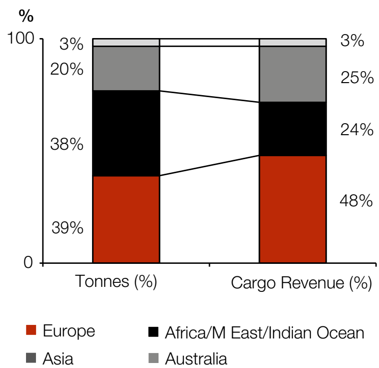
Africa / Middle East / Indian Ocean

These segments recorded an increase of 1.3% in cargo tonnage to 12,078. However, Cargo revenue witnessed a decrease of 4.1% compared to the preceding year due to deterioration of 10.8% in yield.

Asia

Asia reported decreases in both cargo tonnage and revenue by 5.3% and 19.4% respectively.

Contribution by Operating Regions

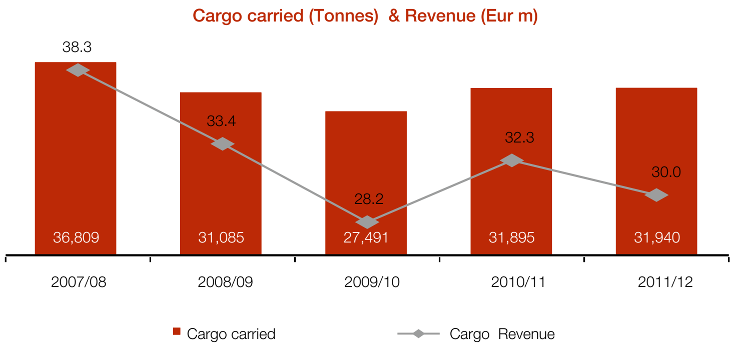


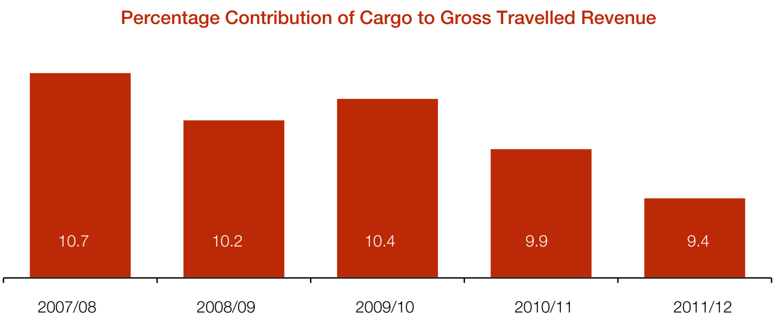
Australia

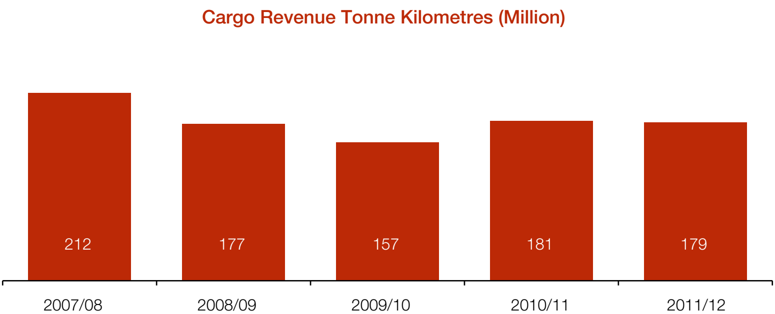
Cargo tonnage carried on the Australian routes improved by 10.8% to attain 1,069 tonnes. On the other hand, cargo revenue was comparable to the previous financial year.

Directors' Report and Business Review

Segmental Information (Continued)





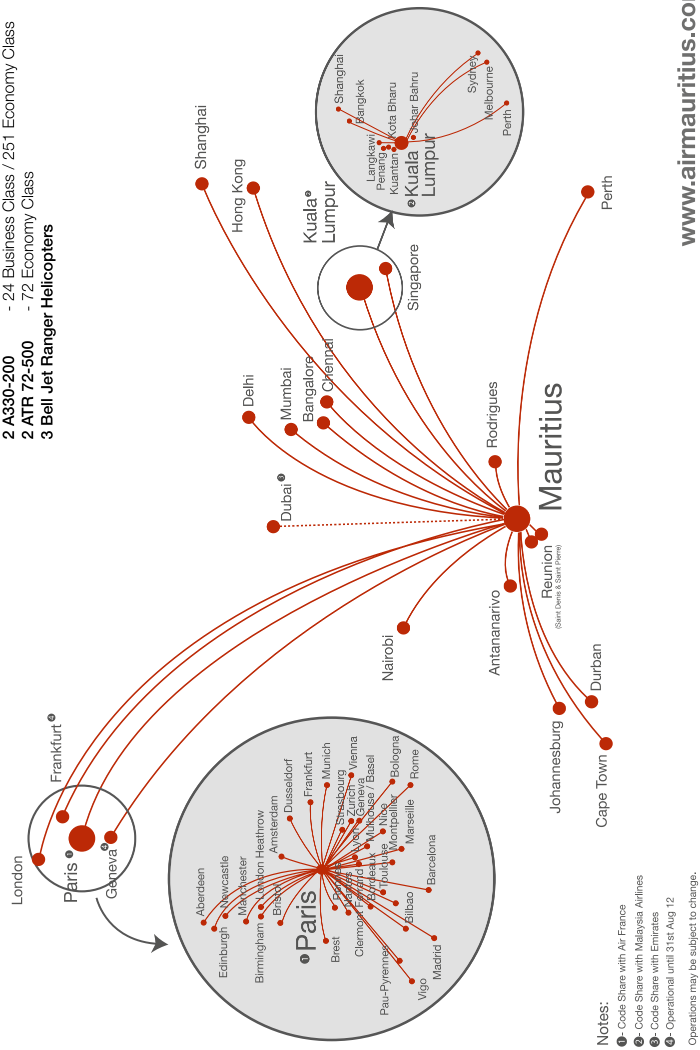


Directors' Report and Business Review

International Route Map

Fleet

4 A340-300 - 34 Business Class / 264 Economy Class
2 A340-300E - 34 Business Class / 266 Economy Class
2 A319-100 - 16 Business Class / 108 Economy Class
2 A330-200 - 24 Business Class / 251 Economy Class
2 ATR 72-500 - 72 Economy Class
3 Bell Jet Ranger Helicopters



www.airmauritius.com

Notes:
1- Code Share with Air France
2- Code Share with Malaysia Airlines
3- Code Share with Emirates
4- Operational until 31st Aug 12
Operations may be subject to change.

Directors' Report and Business Review

Revenue

Group revenue for the year increased from Euro 436 million in 2010/11 to Euro 453.2 million this year.

Passenger revenue was marginally down by 0.7% to Euro 283 million. Passenger yield went down by 2.9% compared to the previous financial year and Load factor fell by 2.7 points to 77.1%. Capacity 'in terms of ASKs' was up by 4.1% compared to last year.

Cargo revenue went down by 7% from Euro 32.3 million to Euro 30 million as compared to last year attributable to a fall in yield.

Revenue on fuel surcharge recorded an increase of 20.8% as compared to last year.

Expenditure

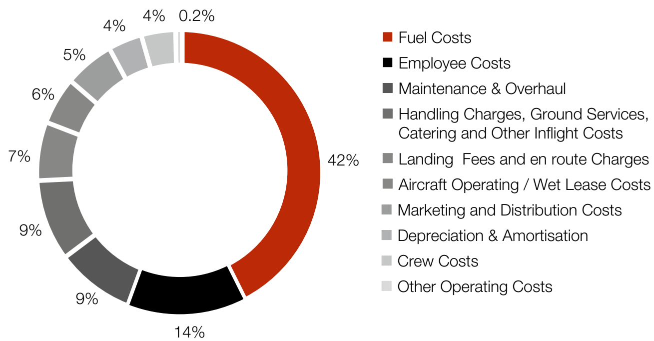
Total operating costs for the year went up by 13.6% as compared to last year due to an increase in fuel price and in the level of operations. Fuel costs increased by 31.2% to reach Eur 190.8 million. The fuel price has on average increased by 31.6% as compared to last year.

Most operating costs have gone up on account of the increase in the level of services.

Operating Expenditure	2011/12 Euro m	2010/11 Euro m	Increase/ (Decrease) %
Fuel Costs	190.8	145.4	31.2
Fuel Hedge Costs	-	5.1	(100.0)
Employee Costs	61.0	49.4	23.5
Maintenance & Overhaul	41.2	40.1	2.7
Handling Charges, Ground Services, Catering and Other Inflight Costs	40.6	41.3	(1.7)
Landing Fees and en route Charges	29.5	28.3	4.2
Aircraft Operating / Wet Lease Costs	25.6	28.9	(11.4)
Marketing and Distribution Costs	24.8	23.6	5.1
Depreciation & Amortisation	19.5	19.5	-
Crew Costs	16.8	13.4	25.4
Other Operating Costs	1.1	2 .0	(45.0)
Total Group Operating Expenditure	450.9	397.0	13.6

Directors' Report and Business Review

Cost Composition - 2011/12



Earnings per Share

Loss attributable to shareholders for the year was Euro 29.4 million. This is equivalent to a loss of Euro 0.29 cents per share or Rupees 11.43 per share.

Working Capital

At March 31, 2012, net current liabilities were Euro 98 million as compared to Euro 67 million at 31 March 2011. The current liabilities include an amount of Euro 71.8 million for the financial year 2011/12 compared to Euro 66.1 million for last year in respect of sales in advance of carriage for tickets issued but not yet utilised.

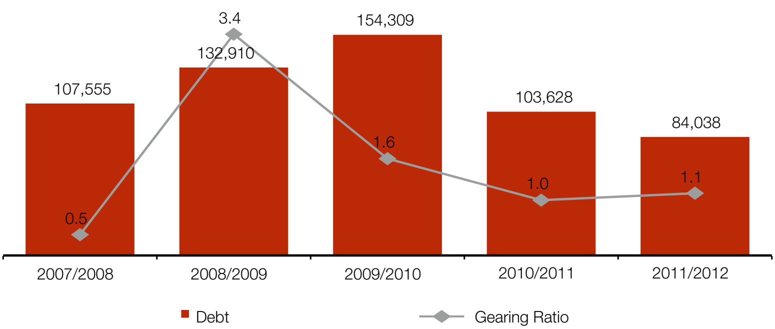
Cash Flow

The net positive cash & cash equivalents (after bank overdrafts) of the Group at 31 March 2012 amounted to Euro 5.4 million (Mur 209 million) compared to Euro 18 million (Mur 734 million) at 31 March 2011.

Gearing ratio

The gearing ratio at 31 March 2012 moved to 1.1:1 as compared 1:1 of the previous year.

Debt (EUR '000) and Gearing Ratio



Directors' Report and Business Review

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. An interim dividend of 0.50 cents per share was paid to shareholders registered at the close of 6 July 2011, in respect of its Financial Year ending 31 March 2012. The directors recommended not to declare any further dividend for the year ended 31 March 2012 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 10.00 each. The number of ordinary shares issued and fully paid in Air Mauritius Limited as at 31 March 2012 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 2012, the shareholding of Air Mauritius Limited was as follows.

Shareholding of Air Mauritius Ltd as at 31st March 2012

Ordinary Shareholders	Number of Shares (of Mur 10.00 each)	% Voting rights
Air Mauritius Holding Ltd	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 Ltd	4,379,344	4.3%
Compagnie Nationale Air France	2,841,986	2.8%
Air India	2,617,098	2.6%
Pershing LLC	2,561,880	2.5%
National Pension Fund	2,078,508	2.0%
Other Investors	22,439,711	21.9%
Total	102,305,000	100.0%

Directors' Report and Business Review

The Shareholding Analysis at 31 March 2012 was as follows :

Range of Shares	No. of shareholders	No. of voting rights	% of share capital	% of all shareholders
1 - 1,000	10,765	4,083,412	4.0	86.4
1,001 - 5,000	1,182	2,682,432	2.6	9.5
5,001 - 10,000	243	1,753,122	1.7	2.0
10,001 - 25,000	142	2,110,776	2.1	1.1
25,001 - 50,000	55	1,963,954	1.9	0.4
50,001 - 100,000	34	2,391,332	2.4	0.3
100,001 - 1,000,000	20	4,421,154	4.3	0.2
Over 1,000,000	10	82,898,818	81.0	0.1
Total	12,451	102,305,000	100.0	100.0

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 Act 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' Report and Business Review

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

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 32 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:

	2012	2011
	€'000	€'000
Expenses	**20,062**	25,712
Income	**781**	679
Amount payable at 31 March	**7,190**	3,534
Amount receivable at 31 March	**167**	250

Shareholders' Information

Information relating to share price information, reporting dates, dividend declaration and payment dates and meetings of shareholders are shown on pages 159 to 162.

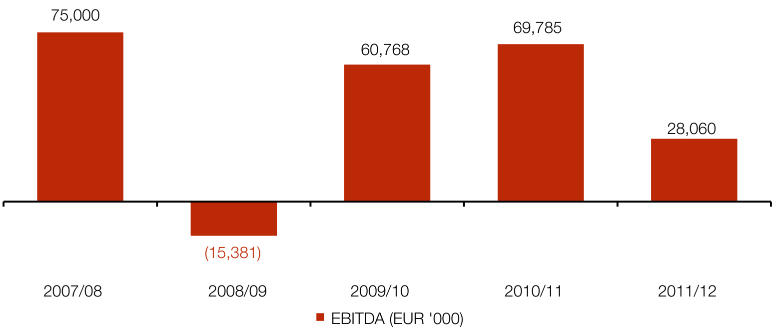
Directors' Report and Business Review

Operating and Financial Statistics

For the five years ended 31 March 2012

Traffic and Capacity	2012	2011	2010	2009	2008
Revenue passenger km (RPK) m	**6,572**	6,529	5,691	6,375	6,984
Available seat km (ASK) m	**8,519**	8,185	7,063	8,479	9,094
Passenger load factor (%)	**77.1**	79.8	80.6	74.9	76.8
Cargo tonne km (CTK) m	**179**	181	157	177	212
Total revenue tonne kilometres (RTK) m	**785**	783	680	751	844
Total available tonne kilometres (ATK) m	**1,271**	1,224	1,064	1,267	1,385
Overall load factor (%)	**61.8**	64.0	63.9	59.3	60.4
Passengers carried ('000)	**1,325**	1,295	1,133	1,192	1,311
Tonnes of cargo carried	**31,940**	31,895	27,491	31,085	36,809
Revenue flights	**10,434**	10,089	9,213	9,803	10,616
Financial					
Net (loss) / profit margin (%)	**(6.5)**	2.5	(1.6)	(19.2)	3.8
EBITDA m	**28.1**	69.8	60.8	(15.4)	75.0
Gearing Ratio	**1.1:1**	1:1	1.6:1	3.4:1	0.5:1
Total traffic revenue per RTK eur	**0.41**	0.41	0.40	0.43	0.42
Total traffic revenue per ATK eur	**0.25**	0.26	0.25	0.26	0.26
Total expenditure on operations per RTK eur	**0.56**	0.48	0.44	0.53	0.46
Total expenditure on operations per ATK eur	**0.35**	0.31	0.28	0.31	0.28
Passenger revenue per RPK eur	**0.04**	0.04	0.04	0.05	0.05
Passenger revenue per ASK eur	**0.03**	0.03	0.03	0.03	0.03
Cargo revenue per CTK eur	**0.17**	0.18	0.18	0.19	0.18
Average fuel price (US cents / US gallon)	**337.0**	256.0	207.0	297.4	257.5
Operations					
Aircraft in service at year end	**12**	12	12	12	12
Punctuality - within 15 minutes (%)	**78.3**	72.9	77.6	76.1	71.3
Dispatch Reliability overall (%)	**98.6**	96.8	96.9	96.2	97.6

EBITDA for the Company



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 Andries Nathaniel Viljoen who was appointed on 21 July 2011 and Mr Rohit Nandan who was appointed on 12 August 2011 in replacement of Mr Arvind Jadhav.

TAPOSEEA Rajkamal – Chairman

Mr Rajkamal Taposeea was appointed as Chairman to the Board of Air Mauritius on 22 July 2009. He is also Barrister-at Law, with an LLB degree in Law and a Masters in International & Comparative Law (LLM) and having over 22 years experience in the financial industry. Work experience, at Senior Executive levels, was acquired from blue-chip institutions with postings in key financial centres of the world such as New York, Brussels, Luxembourg, Hong Kong, Singapore, and Riyadh.

VILJOEN Andries Nathaniel - Acting Chief Executive Officer

Mr Andries Viljoen 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 and is also the Acting Chief Executive Officer from December 2010. 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. 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. He is also in freight forwarding.

DABEE Dheerendra Kumar, G.O.S.K., S.C

Mr Dheerendra Kumar Dabee, 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 Committee and a member of the Commonwealth Secretariat Arbitral Tribunal and also Legal Adviser to a number of public organisations. He was appointed to the Board on 22 June 1998.

ESPITALIER-NOËL Gerard, C.S.K.

Mr Gerard Espitalier-Noël C.S.K., C.O.N.M. 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

The Board of Directors (Continued)

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.

GUJADHUR Ramapatee, C.S.K.

Mr Ramapatee Gujadhur, C.S.K. 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.

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.

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.

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.

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.

SEEBALLUCK Suresh, G.O.S.K

Mr Suresh Seeballuck, G.O.S.K. 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.

TAYLOR Timothy

Mr Timothy Taylor was appointed to the Board on 10 May 2001. He is currently the Chairman of Rogers & Company Limited. Mr Timothy Taylor is also the Chairman of the National Corporate Governance Committee.

Directors' Report and Business Review

The Board of Directors (Continued)

TIMOL Aisha, G.O.S.K

Mrs Aisha Timol, G.O.S.K. 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, G.O.S.K

Mr. François Woo Shing Hai, G.O.S.K was appointed to the Board of Air Mauritius Ltd on 14 August, 2009 and is currently the Group Managing Director of Compagnie Mauricienne de Textile Ltée, industry leader in fashion wear manufacture.

Company Secretary

Fooad Nooraully

Is the Company's Secretary and General Counsel. He joined the Company in April 2001 in the legal division as General Counsel. He was formerly a State Counsel at the Mauritius State Law Office.

Election of Directors

All directors are subject to retirement every year and are eligible for re-election by the shareholders at the Annual Meeting, in accordance with the Company's Articles of Association. Biographical notes about the directors seeking re-election and election are disclosed to the shareholders at each annual meeting. Details of the directors' remuneration and share interests are set out in the Remuneration Report and the Report of the Senior Officers Selection and Remuneration Committee on pages 72 to73.

Corporate Governance

The Board is accountable to the Company's shareholders for good governance. 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.

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.

Board of Directors

The Board is led by the Chairman while the executive management of the Company is led by the Acting Chief Executive Officer Mr Andries Viljoen. The roles of the Board and Management are separate and recognized in terms of the Report on Corporate Governance

Directors' Report and Business Review

Corporate Governance (Continued)

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, 2012. All were non-executive directors except for the Acting Chief Executive Officer. The non-executive directors are drawn from a diversity of business 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 General 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.

Ad-hoc committees on specific matters are also set up as and when required to tackle urgent issues which may arise from time to time. For the current year under review, a Performance Improvement Committee was set up on 19 October 2011. It was made up as follows : Chairman: Kamal Taposeea (Chairman of the Board) and the other members were : Andries Viljoen, Raj Ringadoo, Philippe Espitalier-Noël, Kishore Beegoo, Suresh Seeballuck and Gerard Espitalier-Noël. The purpose of the Performance Improvement Committee was to establish a forum to assist management in monitoring the constant deteriorating financial situation of the Company and to propose measures to reduce significant structural inward costs.

Other Senior Executives of the Company are invited, when appropriate, to attend Board meetings and sub-committee meetings. Outside consultants are also invited to attend Board and sub-committees 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 75 and a statement on going concern is given on page 71. The Board met 13 times for the year under review.

Board Information

All directors receive regular information about the Company so that they are equipped to play as full a part as possible in Board meetings. Papers for Board and Committee Meetings are distributed

Directors' Report and Business Review

Corporate Governance (Continued)

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.

Board and Director Appraisal

For the year under review, no evaluation of the Board or its committees was carried out.

Dealings in Company Shares

No director dealt in Company shares during the year. Details of Directors' shareholding in the Company are given on page 73 of this Annual Report.

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 72 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 72.

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	N	13/13	n/a	n/a	4/4	1/1
Acting Chief Executive Officer						
Mr Andries Nathaniel Viljoen (as from 21 July 2011)	E	9/9	2/2	3/4	4/4	1/1
Directors						
Mr Kremchand Beegoo	I	12/13	1/1	4/4	n/a	0/1
Mr Dheerendra K Dabee, G.O.S.K., S.C	N	12/13	1/2	3/4	n/a	0/1
Mr Gerard Espitalier-Noël, C.S.K, C.O.N.M	N	11/13	n/a	4/4	n/a	1/1
Mr Philippe Espitalier-Noël	N	13/13	n/a	0/1	1/1	1/1
Mr Ramapatee Gujadhur, C.S.K	I	11/13	1/2	3/4	n/a	n/a
Mr Ali Mansoor	N	6/13	n/a	n/a	n/a	n/a
Mr Raj Ringadoo	N	13/13	1/1	4/4	n/a	n/a
Mr Suresh Seeballuck, G.O.S.K	N	9/13	n/a	n/a	n/a	n/a
Mr Timothy Taylor	N	11/13	2/2	1/3	2/3	n/a
Mrs Aisha Timol, G.O.S.K	N	11/13	1/1	n/a	4/4	1/1
Mr Francois Woo Shing Hai, G.O.S.K	N	8/13	0/1	n/a	1/3	n/a
Mr Arvind Jadhav (up to 05 September 2011)	N	0/5	n/a	n/a	n/a	n/a
Mr Rohit Nandan (as from 11 November 2011)	N	0/4	n/a	n/a	n/a	n/a
Mr Dominique Patry	N	5/13	n/a	n/a	n/a	n/a

Directors' Report and Business Review

Corporate Governance (Continued)

E = Executive Director
I = Independent Director
N = Non Executive Director
n/a: Not a member

Company Secretary: Foad Nooraully
Auditors: Ernst & Young

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:

Risk Management Steering Committee

Mr Francois Woo Shing Hai, G.O.S.K became a Member of the RMSC as from 11 November 2011
Mr Timothy Taylor became a Member of the RMSC as from 11 November 2011
Mr Philippe Espitalier-Noël was no longer a Member of RMSC as from 11 November 2011

Audit Committee

Mr Philippe Espitalier-Noël became a Member of the AC as from 11 November 2011.
Mr Timothy Taylor was no longer a Member of the AC as from 11 November 2011.

Corporate Governance Committee

Mr Raj Ringadoo became a Member of CGC as from 11 November 2011.
Mr Francois Woo Shing Hai, G.O.S.K became a Member of CGC as from 11 November 2011.
Mr Kremchand Beegoo was no longer a Member of CGC as from 11 November 2011.
Mrs Aisha Timol, G.O.S.K was no longer a Member of CGC as from 11 November 2011.

Senior Officers Remuneration Committee

Mr Kremchand Beegoo became a Member of SORSC as from 11 November 2011.
Mr Dheerendra K Dabee, G.O.S.K., S.C became a Member of SORSC as from 11 November 2011.
Mrs Aisha Timol, G.O.S.K became a Member of SORSC as from 11 November 2011.

Directors' Report and Business Review

Corporate Governance (Continued)

Directorship of the Group

The table below shows the Board memberships across the Group.

Name of Directors	Air Mauritius Holding Co Ltd	Air Mauritius Limited	MEDCOR Ltd	Pointe Coton Resort Hotel Co Ltd	Airmate Ltd	Mauritius Helicopter Ltd
Mr Rajkamal Taposeea	Chairman	Chairman	Chairman	Chairman	Chairman	
Mr Andries Nathaniel Viljoen		✓	✓	✓	✓	
Mr Kremchand Beegoo		✓				
Mr Dheerendra K Dabee, G.O.S.K., S.C	✓	✓				
Mr Gerard Espitalier-Noël, C.S.K., C.O.N.M	✓	✓				
Mr Philippe Espitalier-Noël	✓	✓				
Mr Ramapatee Gujadhur, C.S.K		✓	✓			
Mr Ali Mansoor	✓	✓				
Mr Raj Ringadoo	✓	✓	✓	✓	✓	
Mr Suresh Seeballuck, G.O.S.K	✓	✓			✓	✓
Mr Timothy Taylor	✓	✓				
Mrs Aisha Timol, G.O.S.K	✓	✓				
Mr Francois Woo Shing Hai, G.O.S.K	✓	✓				
Mr Arvind Jadhav (up to 05 September 2011)	✓	✓				
Mr Rohit Nandan (as from 11 November 2011)	✓	✓				
Mr Dominique Patry	✓	✓				

Directors' Report and Business Review

Corporate Governance (Continued)

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 K Dabee, G.O.S.K., S.C, Timothy Taylor (from 01 Apr-Nov 2011), Kremchand Beegoo, Ramapatee Gujadhur, C.S.K, Gerard Espitalier-Noël C.S.K, C.O.N.M., Philippe Espitalier-Noël (as from 11 Nov 2011)

Secretary: Fooad Nooraully

In attendance: Andries Viljoen (Acting CEO), Dindoyal Sookun, Vijay Seetul, 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 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.

Items reviewed by the Audit Committee during the year include:

b) 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.

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 EVP-Internal Audit summarising the work planned and

Directors' Report and Business Review

Corporate Governance (Continued)

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 EVP-Internal Audit.

d) Reappointment of external auditors: 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, reappointment and removal of the Group's external auditors.

e) Auditor Independence: 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 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.

f) Audit Fees: The Committee also recommends 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 2011/12 can be found on page 73. The terms of reference of the Committee are reviewed at least annually and any changes are recommended to the Board.

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

Members: Rajkamal Taposeea (Chairman), Andries Viljoen (Acting CEO), Philippe Espitalier-Noël, Aisha Timol, G.O.S.K., Gerard Espitalier-Noël, C.S.K, C.O.N.M., Kremchand Beegoo, Dheerendra K Dabee, G.O.S.K., S.C.

Secretary: Fooad Nooraully

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. In this current year, many items intended for this committee were handled directly at Board Committees which met more frequently than usual.

Report of the Risk Management Steering Committee (RMSC)

Members: Rajkamal Taposeea (Chairman), Andries Viljoen (Acting CEO), Aisha Timol, G.O.S.K., François Woo Shing Hai, G.O.S.K. (as from 11 Nov 2011), Timothy Taylor, (as from 11 Nov 2011), Philippe Espitalier-Noël (up to 11 Nov 2011).

Secretary: Fooad Nooraully.

In Attendance: 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;

Directors' Report and Business Review

Corporate Governance (Continued)

- Assisting the Board to understand the total risks facing the Group and 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 four times during the year to review and approve hedge transactions for both currency and fuel and to set parameters for the Company's hedging strategy for each period.

A new Risk Management Manual has been devised with the assistance of international consultants and will be implemented soon.

Report of the Corporate Governance Committee (CGC)

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.

Members: Timothy Taylor (Chairman), Andries Viljoen (Acting CEO), Dheerendra K Dabee, G.O.S.K., S.C (co-opted director), Ramapatee Gujadhur, C.S.K., Kremchand Beegoo, Francois Woo Shing Hai, G.O.S.K. (as from 11 Nov 2011), Raj Ringadoo (as from 11 Nov 2011), Aisha Timol, G.O.S.K. (01 Apr - Nov 2011)

Secretary: Fooad Nooraully

Directors' Report and Business Review

Corporate Governance (Continued)

Leadership Team

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

Andries Viljoen

Is presently the Acting Chief Executive Officer and the Chief Finance Officer and Chief Information Officer. He joined the Company in April 2009. He is in charge of the Finance and Information Systems Departments and has also under his supervision the Cabin Services department of Air Mauritius and Airmate.

Indradev Buton

Is the Executive Vice President-Strategic Planning. He joined Air Mauritius in July 1986. He is in charge of fleet planning, network planning, international affairs and airline partnership. He is also responsible for revenue management and pricing and loyalty marketing.

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-Commercial and Communications since July 2009. He was formerly the Executive Vice President-Communications and Corporate Affairs and was also the Acting Executive Vice President Sales & Distribution. He joined the Company in August 1988. He is responsible for corporate and external communications including media relations and sales and marketing including outstation management, distribution and sales of the Company.

Vijay Seetul

Is the Executive Vice President-Internal Audit. He joined the Company in April 1989. He is in charge of the Internal Audit functions throughout the Group.

Fooad Nooraully

Is the Company Secretary & General Counsel. He joined the Company in April 2001. Barrister-at-law by profession, he is in charge of the Company Secretariat and the Legal department.

Retirement

Mr Jacques Gentil retired as Executive Vice President-Technical Services from the Company on 25th July 2011.

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.

Directors' Report and Business Review

Corporate Governance (Continued)

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.

Under this legislation, airlines are granted initial CO2 allowances based on historical "revenue ton kilometers" and a CO2 efficiency benchmark. Air Mauritius has been allocated 352,017 metric tonnes and 332 591 metric tonnes of free allowances for calendar years 2012 and 2013 respectively.

Any shortage of allowances will have to be purchased in the open market and/or at government auctions and there is a non-compliance fine of Euro 100 per tonne for non-compliance. The cost and amount of such allowances that Air Mauritius will have to buy in order to cover the shortage that will arise in 2012 are estimated at Euro 70,000 based on current flights projections, current market prices and other financial arrangements in place.

It is clear that this legislation is likely to have a negative impact on airlines that fly to and from the European Union, adding to operating costs. Air Mauritius takes its environmental responsibilities seriously and intends to continue to improve its environmental efficiency and to minimize emissions.

Health and Safety Status

Air Mauritius Ltd has had a good Safety, Health & Environment (SHE) performance for the year 2011/12 which aims at enhancing our employees and customers' confidence and reputational risk.

The Health & Safety Team has focused on maintaining a good working relationship with all departments where health and safety performance has a wider relevance by providing advice and support to the line managers and supervisors. The services of the Health & Safety Team have also been enlisted for providing advice on the health and safety aspects of projects in the design and specification stage namely for the IT Data Centre at Ebene and construction of a chemical store at the airport.

Our health and safety performance for the year 2011/12 is summarized as follows:

Directors' Report and Business Review

Corporate Governance (Continued)

Accident & Dangerous Occurrences

There has been no reportable accident or dangerous occurrences as well as severe injuries or reportable illnesses at work under the Occupational Safety and Health Act.

Occupational Health

All employees working on the airside have undergone audiometric assessment and vision tests while lung function tests and blood level tests were carried out for employees exposed to substances hazardous to health. As per our well-being programme, health talks were organized on prevalence and prevention of Non_Communicable Diseases and prevention of cervical cancer.

On the other hand, mandatory medical examinations were on-going for cabin crew and flight crew.

Health & Safety Training

Health & Safety Training was on the agenda of the health and safety team and the following programmes were conducted:

- Fire safety sensitization programme were organized at the Head Office and Airport and fire drill was also organized.
- Health & safety Induction were organized for newly recruited cabin crew, engineers, technical assistant, Airmate staff posted at Ground Operations as well as for baggage handling, cargo and cleaning attendants.
- Familiarization with health and safety procedures were conducted for managerial cadre at Technical Services.

Environmental Issues

Health & Safety also contributes towards ensuring that Air Mauritius pays due consideration to environmental protection and the following actions were initiated:

- Two tons of Nickel Cadmium batteries which were stored in the Hangar have been sent overseas for safe disposal through a local authorized agency.
- An inventory list of obsolete hazardous chemicals have been sent to the Solid Wastes Department acting under the aegis of the Ministry of Local Government & Outer Islands which is facilitating the safe disposal of these substances.
- An air quality measurement was carried out at Qantas Building by the University of Mauritius to assess the level of emissions by the food incineration plant. Furthermore, meetings were held with the operator of the food incineration plant for ensuring proper maintenance of the incinerator which generates fumes and smokes that cause discomfort to our staff working nearby.

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 hereunder:-

Directors' Report and Business Review

Corporate Governance (Continued)

Substantial shareholders

The following shareholders were directly or indirectly beneficially interested in 5% or more of Air Mauritius Ltd share Capital as at 31 March 2012.

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 Acting Chief Executive Officer, the Chief Finance Officer and Chief Information Officer. In addition, annual 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 Group and the Company and their 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 organisations. 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.

Directorship in Other Listed Companies

Name of Directors	Directorship in other listed companies
Mr Philippe Espitalier-Noël	Ascencia Limited / Rogers and Company Limited Espitalier Noel Ltd
Mr Ali Mansoor	State Bank of Mauritius Limited
Mr Raj Ringadoo	National Investment Trust Ltd / Sun Resorts Ltd (Alternate Director)
Mr Timothy Taylor	New Mauritius Hotels Ltd / Rogers and Company Limited
Mr Dheerendra K Dabee, G.O.S.K., S.C	State Bank of Mauritius Limited

Directors' Report and Business Review

Remuneration Report

Remuneration and benefits

	2012	2011
	€'000	€'000
Remuneration and benefits of Executive Director	**235**	-
Remuneration and benefits of Mr Manoj R K Ujoodha, G.O.S.K	**-**	147
Remuneration and benefits of S Bungsraz	**-**	66
Fees paid during the year to Non-Executive Directors*	**82**	79
	317	292
Fees paid to the Executive Directors by subsidiaries	**2**	1
Fees paid to the Non-Executive Directors by subsidiaries	**8**	8
	327	301

** Monthly fees paid to each Non-Executive Director amounts to Rs 15,000 (Euro 381) except for the Chairman who was paid a monthly fee of Rs 75,000 (Euro 1,903). 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 31 December 2013 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

Remunеration Report (Continued)

Directors' share interests

	Ordinary shares held on March 31, 2012	
	Direct	Indirect
Kremchand Beegoo	188	-
Raj Ringadoo	-	900
Gerard Espitalier-Noël, C.S.K., C.O.N.M	155	-
Timothy Taylor	1,415	-
Aisha Timol, G.O.S.K	620	620
Ramapatee Gujadhur, C.S.K	102	-
François Woo Shing Hai, G.O.S.K	3,980	3,980

Auditors' remuneration

The remuneration payable to the auditors was as follows:

	THE COMPANY		Subsidiaries	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
Audit services	**74**	74	**12**	11
Other services	**3**	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 12, 2012 and signed on its behalf by :

Mr Rajkamal Taposeea
Chairman

Mr Raj Ringadoo
Director

Certificate from 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 Fooad Nooraully
Company Secretary

June 2012

Director's 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 62. Having made enquiries of fellow directors and of the Company's independent external auditor, 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 auditor 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 auditor is aware of that information.

Approved by the Board and signed on its behalf by:

Mr Rajkamal Taposeea
Chairman

Mr Raj Ringadoo
Director

June 2012

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; safe-guarded 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 Rajkamal Taposeea	Mr Raj Ringadoo
Chairman	Director

June 2012

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, 2012 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, 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001 and Financial Reporting Act 2004.

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 Mauritian Companies Act 2001 and for no other purpose.

Independent Auditors' Report

to the members of Air Mauritius Limited

Report on the Financial Statements (Continued)

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 and making the disclosures required by section 8.4 of the Code of Corporate Governance of Mauritius (the 'Code'). Our responsibility is to report on these disclosures. In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

ERNST & YOUNG
Ebène
Mauritius

June 2012

PATRICK NG TSEUNG, A.C.A
Licensed by FRC

Financial Statements

Statements of Financial Position

as at March 31, 2012

	Notes	THE GROUP 2012 €'000	2011 Restated €'000	2010 Restated €'000	THE COMPANY 2012 €'000	2011 Restated €'000	2010 Restated €'000
ASSETS							
Non-current assets							
Property, plant and equipment	6	**264,522**	280,228	300,043	**259,613**	275,616	296,019
Investment property	7	**9,856**	9,599	10,081	**-**	-	-
Intangible assets	8	**548**	956	1,650	**534**	942	1,633
Investment in subsidiaries	9	**-**	-	-	**27,155**	27,155	27,155
Investment in an associate	10	**167**	155	162	**102**	102	102
Available-for-sale investments	11	**603**	628	579	**603**	628	579
Deferred tax asset	12	**27**	22	47	**-**	-	-
Long term deposits	13	**8,692**	8,320	9,062	**8,692**	8,320	9,062
Long term receivables	14	**132**	124	135	**132**	124	135
		284,547	300,032	321,759	**296,831**	312,887	334,685
Current assets							
Inventories	15	**17,098**	15,157	10,439	**17,038**	15,119	10,414
Trade and other receivables	16	**44,986**	46,228	44,328	**44,852**	46,140	43,674
Financial derivative asset		**45**	-	-	**45**	-	-
Cash and short-term deposits	17	**13,479**	23,195	24,222	**11,256**	20,135	22,963
		75,608	84,580	78,989	**73,191**	81,394	77,051
Assets classified as held-for-sale	18	**-**	-	2,271	**-**	-	2,271
Total assets		**360,155**	384,612	403,019	**370,022**	394,281	414,007
EQUITY AND LIABILITIES							
Equity							
Share capital	19	**41,724**	41,724	41,724	**41,724**	41,724	41,724
Share premium		**18,869**	18,869	18,869	**18,869**	18,869	18,869
Other reserves		**(9,872)**	(11,897)	(16,358)	**181**	(765)	(5,286)
Retained earnings		**26,985**	61,451	50,722	**22,974**	57,119	47,213
Equity attributable to equity holders of the parent		**77,706**	110,147	94,957	**83,748**	116,947	102,520
Non-controlling interests		**2,457**	2,263	2,118	**-**	-	-
Total equity		**80,163**	112,410	97,075	**83,748**	116,947	102,520
Non-current liabilities							
Interest-bearing loans and borrowings	20	**59,701**	75,015	98,772	**59,701**	75,015	98,772
Provisions	22	**46,875**	45,979	44,657	**46,677**	45,815	44,515
		106,576	120,994	143,429	**106,378**	120,830	143,287
Current liabilities							
Trade and other payables	23	**149,066**	120,766	101,123	**148,816**	120,668	101,484
Interest-bearing loans and borrowings	20	**24,337**	28,613	55,537	**31,067**	34,007	60,861
Financial derivative liabilities	21	**13**	1,829	5,855	**13**	1,829	5,855
		173,416	151,208	162,515	**179,896**	156,504	168,200
Total liabilities		**279,992**	272,202	305,944	**286,274**	277,334	311,487
Total equity and liabilities		**360,155**	384,612	403,019	**370,022**	394,281	414,007

* Comparatives have been restated as explained in Note 4.1 and Note 22.
These financial statements were approved by the Board of Directors on June 12, 2012.

Mr Rajkamal Taposeea
(Chairman)

Mr Raj Ringadoo
(Director)

The notes on pages 86 to 150 form an integral part of these financial statements.
Auditors' report on pages 76 and 77.

Statements of Comprehensive Income

for the year ended March 31, 2012

	Notes	THE GROUP 2012 €'000	THE GROUP 2011 Restated €'000	THE COMPANY 2012 €'000	THE COMPANY 2011 Restated €'000
Revenue	24	**453,218**	436,002	**450,869**	433,937
Cost of sales	25	**(450,924)**	(397,021)	**(450,402)**	(396,832)
Gross profit		**2,294**	38,981	**467**	37,105
Administrative expenses	25	**(29,066)**	(25,605)	**(27,965)**	(24,590)
Other operating income	25	**4,302**	3,539	**4,169**	3,404
Fair value (loss) / gain on investment property	7	**(96)**	39	**-**	-
Operating (loss) / profit	25	**(22,566)**	16,954	**(23,329)**	15,919
Share of profit / (loss) of an associate	10(c)	**12**	(7)	**-**	-
Finance revenue	26	**437**	821	**1,447**	833
Finance costs	27	**(7,156)**	(6,615)	**(7,347)**	(6,827)
(Loss) / profit before tax		**(29,273)**	11,153	**(29,229)**	9,925
Income tax expense	28	**(157)**	(202)	**-**	-
(Loss) / profit for the year		**(29,430)**	10,951	**(29,229)**	9,925
Other comprehensive income for the year, net of tax					
Fair value movement in available-for-sale investments *	11	**(25)**	49	**(25)**	49
Movement in cash flow hedges *		**1,861**	4,472	**1,861**	4,472
Actuarial gains and losses on defined benefits plan *		**(4,513)**	(19)	**(4,535)**	(19)
Exchange differences on consolidation *		**1,205**	(53)	**-**	-
		(1,472)	4,449	**(2,699)**	4,502
Total comprehensive income for the year, net of tax		**(30,902)**	15,400	**(31,928)**	14,427
(Loss) / profit for the year attributable to:					
- Equity holders of the parent		**(29,598)**	10,748		
- Non-controlling interests		**168**	203		
		(29,430)	10,951		
Total comprehensive income attributable to:					
- Equity holders of the parent		**(31,170)**	15,190		
- Non-controlling interests		**268**	210		
		(30,902)	15,400		
(Loss) / earnings per share (EUR)	29	**(0.29)**	0.11		

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

The notes on pages 86 to 150 form an integral part of these financial statements.
Auditors' report on pages 76 and 77.

Statements of Changes in Equity

for the year ended March 31, 2012

The Group	Notes	Share capital	Share premium	Other reserves: Fair value reserve *	Other reserves: Translation reserve on consolidation **	Other reserves: Hedge equity reserve ***	Total other reserves	Retained earnings ****	Total shareholders' interest	Non-controlling interests	Total equity
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At April 01, 2010 as previously stated		41,724	18,869	1,024	(11,081)	(6,301)	(16,358)	53,392	97,627	2,118	99,745
Changes in accounting for employee benefit liability	4.1	-	-	-	-	-	-	(2,670)	(2,670)	-	(2,670)
At April 01, 2010 as restated		41,724	18,869	1,024	(11,081)	(6,301)	(16,358)	50,722	94,957	2,118	97,075
Profit for the year		-	-	-	-	-	-	10,748	10,748	203	10,951
Other comprehensive income		-	-	49	(60)	4,472	4,461	(19)	4,442	7	4,449
Total comprehensive income		-	-	49	(60)	4,472	4,461	10,729	15,190	210	15,400
Dividend		-	-	-	-	-	-	-	-	(65)	(65)
At March 31, 2011		41,724	18,869	1,073	(11,141)	(1,829)	(11,897)	61,451	110,147	2,263	112,410
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)**
Transfers		**-**	**-**	**(890)**	**-**	**-**	**(890)**	**890**	**-**	**-**	**-**
Other comprehensive income		**-**	**-**	**(25)**	**1,079**	**1,861**	**2,915**	**(4,487)**	**(1,572)**	**100**	**(1,472)**
Total comprehensive income		**-**	**-**	**(915)**	**1,079**	**1,861**	**2,025**	**(33,195)**	**(31,170)**	**268**	**(30,902)**
Dividend	36	**-**	**-**	**-**	**-**	**-**	**-**	**(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**

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 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.

**** The Group has changed its accounting policy for the recognition of the acturial gains and losses arising on defined benefit pension plans. Those are recognised outside profit or loss in other comprehensive income. As they will never be classified into profit or loss, they are immediately recorded in retained earnings. The standard thereby indicates no separate presentation of those components in the statement of changes in equity.

The notes on pages 86 to 150 form an integral part of these financial statements.
Auditors' report on pages 76 and 77.

Statements of Changes in Equity

for the year ended March 31, 2012

	Notes	Share capital	Share premium	Other reserves: Fair value reserve *	Other reserves: Hedge Equity reserve **	Total other reserves	Retained earnings ***	Total
The Company		€'000	€'000	€'000	€'000	€'000	€'000	€'000
At April 01, 2010 as previously stated		41,724	18,869	1,015	(6,301)	(5,286)	49,883	105,190
Changes in accounting for employee benefit liability	4.1	-	-	-	-	-	(2,670)	(2,670)
At April 01, 2010 as restated		41,724	18,869	1,015	(6,301)	(5,286)	47,213	102,520
Profit for the year		-	-	-	-	-	9,925	9,925
Other comprehensive income		-	-	49	4,472	4,521	(19)	4,502
Total comprehensive income		-	-	49	4,472	4,521	9,906	14,427
At March 31, 2011		41,724	18,869	1,064	(1,829)	(765)	57,119	116,947
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)
Transfers		-	-	(890)	-	(890)	890	-
Other comprehensive income		-	-	(25)	1,861	1,836	(4,535)	(2,699)
Total comprehensive income		-	-	(915)	1,861	946	(32,874)	(31,928)
Dividend	36	-	-	-	-	-	(1,271)	(1,271)
At March 31, 2012		**41,724**	**18,869**	**149**	**32**	**181**	**22,974**	**83,748**

* 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.

*** The Company changed its accounting policy for the recognition of actuarial gains and losses arising on defined benefit pension plans. Those are recognised outside profit or loss in other comprehensive income. As they will never be reclassified into profit or loss, they are immediately recorded in retained earnings. The standard thereby indicates no separate presentation of those components in the statement of changes in equity.

The notes on pages 86 to 150 form an integral part of these financial statements.
Auditors' report on pages 76 and 77.

Statements of Cash Flows

for the year ended March 31, 2012

	Notes	THE GROUP 2012 €'000	THE GROUP 2011 Restated €'000	THE COMPANY 2012 €'000	THE COMPANY 2011 Restated €'000
Operating activities					
(Loss) / profit before tax		**(29,273)**	11,153	**(29,229)**	9,925
Non-cash adjustment to reconcile (loss) / profit before tax to net cash flows					
Depreciation on property, plant and equipment	6	**33,485**	34,598	**33,204**	34,339
Amortisation of intangible assets	8	**544**	794	**544**	791
Fair value loss / (gain) on investment property	7	**96**	(39)	**-**	-
(Profit) / loss on sale of property, plant and equipment		**(262)**	64	**(56)**	58
Employee benefit liability	22	**938**	2,063	**911**	2,042
End of contract gratuity		**1,201**	(737)	**1,201**	(735)
Maintenance cost		**3,729**	1,817	**3,729**	1,817
Unrealised foreign exchange loss / (gain)		**4,707**	(494)	**4,707**	(494)
Interest and investment income	26	**(443)**	(329)	**(1,447)**	(339)
Interest expense	27	**2,984**	4,104	**3,175**	4,316
Share of (profit) / loss after tax of associate	10	**(12)**	7	**-**	-
Cash flows from operating activities before changes in working capital		**17,694**	53,001	**16,739**	51,720
Working capital adjustments:					
Increase in inventories		**(2,202)**	(4,013)	**(2,182)**	(4,001)
Increase in trade and other receivables		**(1,735)**	(1,487)	**(1,564)**	(1,482)
Increase in trade and other payables		**19,563**	18,119	**19,099**	18,032
		33,320	65,620	**32,092**	64,269
Interest received		**487**	834	**398**	243
Interest paid		**(2,913)**	(4,968)	**(3,042)**	(4,967)
Tax paid		**(185)**	(196)	**-**	-
Net cash flows from operating activities		**30,709**	61,290	**29,448**	59,545
Investing activities					
Purchase of property, plant and equipment	6	**(17,553)**	(14,335)	**(17,362)**	(14,137)
Purchase of intangible assets	8	**(136)**	(100)	**(136)**	(100)
Proceeds on sale of property, plant and equipment		**343**	117	**98**	66
Proceeds on sale of assets classified as held-for-sale		**-**	2,271	**-**	2,271
Deposits paid		**(8)**	(61)	**(8)**	(61)
Dividends received		**22**	20	**1,221**	20
Net cash flows used in investing activities		**(17,332)**	(12,088)	**(16,187)**	(11,941)
Net cash flows from operating and investing activities		**13,377**	49,202	**13,261**	47,604

Statements of Cash Flows

for the year ended March 31, 2012

	Note	THE GROUP		THE COMPANY	
		2012	2011 Restated	**2012**	2011 Restated
		€'000	€'000	**€'000**	€'000
Net cash flows from operating and investing activities		**13,377**	49,202	**13,261**	47,604
Financing activities					
Payments on borrowings		**(23,575)**	(56,601)	**(23,597)**	(56,601)
Proceeds from borrowings		**83**	9,901	**1,037**	9,686
Dividends paid		**(1,412)**	(25)	**(1,271)**	-
Net cash flows used in financing activities		**(24,904)**	(46,725)	**(23,831)**	(46,915)
Net (decrease) / increase in cash and cash equivalents		**(11,527)**	2,477	**(10,570)**	689
Movement in cash and cash equivalents					
At April 01,		**17,986**	14,775	**14,926**	13,516
Exchange (loss) / gain		**(1,094)**	734	**(1,214)**	721
(Decrease) / increase		**(11,527)**	2,477	**(10,570)**	689
At March 31,	17	**5,365**	17,986	**3,142**	14,926

The notes on pages 86 to 150 form an integral part of these financial statements.
Auditors' report on pages 76 and 77.

Notes to the Financial Statements
for the year ended March 31, 2012

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, 2012 were authorised for issue by the Board of Directors on June 12, 2012 and the statements of financial position were signed on the Board's behalf by Messrs R.K. Taposeea 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 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 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, 2012

3 Basis of preparation (Continued)

Basis of consolidation(Continued)

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.

4. Accounting Policies

4.1 Changes in Accounting Policy and Disclosures

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 1, 2011.

Changes in Accounting Policy

IAS 19 Employee Benefits

The Group has assessed its accounting policy with regard to the recognition of actuarial gains and losses arising from its defined benefit plan. The Group previously recognised only the net cumulative unrecognised actuarial gains and losses of the previous year, which exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets in accordance with IAS 19.93. As a consequence, the Group's statement of financial position did not reflect a significant part of the unrecognised net actuarial gains and losses.

During 2012, the Group determined that it would change its accounting policy to recognise actuarial gains and losses in the year in which they occur in total in other comprehensive income (see Note 4.4(q)), as it believes this policy is more consistent with the practice of its immediate industry peers. Changes have been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, resulting in the restatement of prior year financial information.

As a result of the early adoption of IAS 19, the following adjustments were made to the financial statements:

As of 1 April 2010:

Increase in employee benefit liability: € 2,670,000
Decrease in deferred tax liability: Nil
Net decrease in opening retained earnings: € 2,670,000

As of and for the year ended 31 March 2011:

Increase in employee benefit liabilities: € 1,867,000
Pension profits with the old policy reclassified to other comprehensive income: € 19,000
Net effect on the employee benefit liability: € 1,848,000

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.1 Changes in Accounting Policy and Disclosures (Continued)

As of and for the year ended 31 March 2011: (Continued)

Net decrease in deferred tax liability: Nil

Net expense recognised in other comprehensive income: € 19,000
Net decrease in tax expense: Nil
Net increase in profit after tax: € 658,000

As of and for the year ended 31 March 2012:

Decrease in employee benefit liability: € 4,817,000
Pension expenses with the old policy reclassified to other comprehensive income: €4,487,000
Net decrease of the employee benefit liability: €330,000
Net increase in deferred tax liability: Nil
Net income recognised in other comprehensive income: €4,487,000
Net decrease in tax expense: Nil
Net increase in profit after tax: €2,503,000

The effect on earnings per share related to the restatement in 2010 and 2011 and impact on 2012 was less than € 0.01.

New and amended standards and interpretations

The adoption of the standards or interpretations is described below:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to IFRSs (May 2010)

IAS 24 Related Party Disclosures (amendment) effective 1 January 2011

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements; therefore the amendment of the interpretation has no effect on the financial position or performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.1 Changes in Accounting Policy and Disclosures (Continued)

Improvements to IFRSs (Continued)

resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- IFRS 7 Financial Instruments Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- IFRIC 13 Customer Loyalty Programmes: The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

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	July 01, 2012
-	IAS 12 Income Taxes – Recovery of Underlying Assets	January 01, 2012
-	IAS 27 Separate Financial Statements (as revised in 2011)	January 01, 2013
-	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 First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 01, 2011
-	IFRS 7 Financial Instruments: Disclosures (Amendment)	July 01, 2011
-	IFRS 7 Disclosures — Offsetting financial assets and financial liabilities	January 01, 2013
-	IFRS 9 Financial Instruments: Classification and Measurement	January 01, 2015
-	IFRS 10 Consolidated 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

The Group is still evaluating the effect of these new or revised standards and interpretations on the presentation of its financial statements. No early adoption of these standards and interpretations is intended by the Board of Directors.

Annual improvements to IFRS — the 2009 — 2011 cycle

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS.

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.2 Accounting Standards and Interpretations issued but not yet Effective (Continued)

Annual improvements to IFRS — the 2009 — 2011 cycle (Continued)

The following lists the six amendments to five standards. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed.

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Borrowing costs
- IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS 16 Property, Plant and Equipment - Classification of servicing equipment
- IAS 32 Financial Instruments: Presentation - Tax effect of distributions to holders of equity instruments
- IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities

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.

The year 2011/12 has been a difficult one for the airline industry in general. Rising fuel prices coupled with the economic crisis in Europe have resulted in lower than expected results. The outlook for 2013 is very uncertain and the Company's performance will depend on a number of key factors such on the Euro/ dollar exchange rate, fuel prices and a turnaround in the world economy. The recent volatility in world markets has made it particularly challenging to make predictions for the future. In preparing these financial statements the Directors have used their best judgement to make 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;

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.3 Significant Accounting Judgements, Estimates and Assumptions (Continued)

- 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 has the most significant effect on the amounts recognised in the financial statements:

(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 and 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 (k), 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 Board of directors, 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 24.

(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.

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.3 Significant Accounting Judgements, Estimates and Assumptions (Continued)

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(q) and as detailed in note 22 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. The Company has early adopted the change in IAS 19 (Revised) Employee Benefit as disclosed in Note 4.1.

(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 €5.7M (2011:€5.2M).

(iv) Fair value of derivative financial assets and liabilities

The Group enters into derivative financial contracts including currency forward contracts and commodities futures 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,

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.3 Significant Accounting Judgements, Estimates and Assumptions (Continued)

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

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 21.

(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 22.

(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.

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:

	2012		2011	
	Closing	**Average**	Closing	Average
EUR /ZAR	**10.290**	**10.235**	9.644	9.509
EUR /USD	**1.335**	**1.379**	1.413	1.323
EUR /AUD	**1.284**	**1.320**	1.369	1.403
EUR /GBP	**0.836**	**0.864**	0.878	0.850
EUR /MUR	**38.635**	**39.406**	40.785	40.581

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(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(k).

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.

Prior to 01 January 2005 the Group treated any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, as assets and liabilities of the parent. Therefore, those assets and liabilities are already expressed in the reporting currency or are non-monetary items and hence no further translation differences occur.

(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. 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.

Notes to the Financial Statements

for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(c) Property, plant and equipment (Continued)

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.

Aircraft 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.

(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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(d) Investment property (Continued)

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 in value.

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 statement of comprehensive income reflects the share of the results of operations of the associate. 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.

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.

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(e) Investments in subsidiaries and in an associate

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.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(f) Investments and other financial assets (Continued)

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

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.

(ii) Held-to-maturity investments

Non-derivatives 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.

(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 method less any allowance for impairment. 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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(f) Investments and other financial assets (Continued)

(iv) Available-for-sale investments (Continued)

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 the financial asset accordingly.

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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(f) Investments and other financial assets (Continued)

Derecognition(Continued)

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.

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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(g) Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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.

(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) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(i) Non-current assets held for sale and discontinued operations (Continued)

(or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and the fair value less costs to sell. Depreciation ceases to be charged on an asset recognised as held for sale as from the date of recognition thereof.

(j) 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.

Financial guarantee liabilities

Financial guarantee liabilities issued by the Group are those contracts that require a

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(j) Financial liabilities (Continued)

Financial guarantee liabilities (Continued)

payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised.

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.

(k) 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 profit or loss 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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(i) Fair value hedge (Continued)

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.

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.

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.

(l) 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.

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(m) 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.

(n) 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.

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.

(o) 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.

(p) 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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(p) Leases (Continued)

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).

For arrangements entered into prior to April 01, 2005, the date of inception is deemed to be April 01, 2005 in accordance with the transitional requirements of IFRIC 4.

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.

(q) 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

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(q) Employee benefit liability (Continued)

(i) Defined benefit plans (Continued)

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, 2012 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 an end of contract gratuity which

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(q) Employee benefit liability (Continued)

(iv) End of contract gratuity for pilots (Continued)

is calculated based on a percentage of the total basic salary paid to the pilots over the period of the contract. The amount of the end of contract gratuity is estimated and provided for annually at the reporting date.

(r) 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.

(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.

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(r) Taxes (Continued)

(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.

(s) 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 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.

(t) 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.

(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.

Notes to the Financial Statements
for the year ended March 31, 2012

4. Accounting Policies (Continued)

4.4 Summary of Significant Accounting Policies (Continued)

(u) Revenue recognition (Continued)

(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 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.

(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.

Notes to the Financial Statements
for the year ended March 31, 2012

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 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.

(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.

Notes to the Financial Statements
for the year ended March 31, 2012

5. Financial Risk Management Objectives and Policies (Continued)

(ii) Liquidity risk (Continued)

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, 2012	**On demand €'000**	**Less than 3 months €'000**	**3 to 12 months €'000**	**1 to 5 years €'000**	**Above 5 years €'000**	**Total €'000**
Interest bearing loans and borrowings	**8,179**	**13,925**	**7,709**	**35,348**	**31,105**	**96,266**
Financial derivatives	**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**

At March 31, 2011	On demand €'000	Less than 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	Above 5 years €'000	Total €'000
Interest bearing loans and borrowings	5,209	12,256	13,925	53,837	32,559	117,786
Financial derivatives	-	1,829	-	-	-	1,829
Trade and other payables	-	112,126	8,640	-	-	120,766
	5,209	126,211	22,565	53,837	32,559	240,381

The Company

At March 31, 2012	**On demand €'000**	**Less than 3 months €'000**	**3 to 12 months €'000**	**1 to 5 years €'000**	**Above 5 years €'000**	**Total €'000**
Interest bearing loans and borrowings	**8,179**	**13,925**	**7,709**	**35,348**	**31,105**	**96,766**
Financial derivatives	**13**	**-**	**-**	**-**	**-**	**13**
Trade and other payables	**931**	**135,570**	**12,315**	**-**	**-**	**148,816**
	9,123	**149,495**	**20,024**	**35,348**	**31,105**	**245,595**

At March 31, 2011	On demand €'000	Less than 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	Above 5 years €'000	Total €'000
Interest bearing loans and borrowings	5,209	12,256	13,925	53,837	32,559	117,786
Financial derivatives	-	1,829	-	-	-	1,829
Trade and other payables	-	112,043	8,625	-	-	120,668
	5,209	126,128	22,550	53,837	32,559	240,283

Notes to the Financial Statements
for the year ended March 31, 2012

5. Financial Risk Management Objectives and Policies (Continued)

(iii) Interest rate risk

The Group finances its aircrafts 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 having a loan portfolio which carries both fixed and floating rates. In addition, cash surpluses are invested in floating rate instruments as a hedge against increases in interest rates. As at March 31, 2012, none of the Group's borrowings were at a fixed rate of interest (2011: 4%).

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.

(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.

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, 2012, the fair value of the Group's derivative financial liability relating to commodity hedges was € 13k (2011: Nil).

The Group and the Company

	Increase/ decrease in basis points	Effect on profit before tax €'000
2012		
Euro	**+15**	**(102)**
US dollar	**+20**	**256**
Euro	**-10**	**68**
US dollar	**-15**	**192**
2011		
Euro	+15	(116)
US dollar	+20	289
Euro	-10	77
US dollar	-15	217

Notes to the Financial Statements
for the year ended March 31, 2012

5. Financial Risk Management Objectives and Policies (Continued)

The Group and the Company

	Increase/decrease in USD	Effect on profit before tax €'000	Effect on equity €'000
2012			
Increase in fuel price	**+10**	**(15,991)**	**-**
Decrease in fuel price	**-10**	**15,986**	**-**
2011			
Increase in fuel price	+10	(6,584)	-
Decrease in fuel price	-10	15,432	-

(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 USD rate	Effect on profit before tax €'000	Effect on equity €'000
2012			
	+5%	**(8,603)**	**(531)**
	-5%	**8,603**	**718**
2011			
	+5%	(8,398)	-
	-5%	8,398	1,599

Notes to the Financial Statements

for the year ended March 31, 2012

5. Financial Risk Management Objectives and Policies (Continued)

(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:

	2012		2011	
	Currency derivatives	Commodity derivatives	Currency derivatives	Commodity derivatives
	€000	**€000**	€000	€000
At April 1,	**(1,829)**	**-**	-	(6,301)
Movement during the year				
Hedge (receipts)/payouts	**443**	**-**	2,511	5,062
Fair value movement	**1,431**	**(13)**	(4,340)	1,239
At March 31,	**45**	**(13)**	(1,829)	-

(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, 2012 and March 31, 2011.

Notes to the Financial Statements
for the year ended March 31, 2012

5. Financial Risk Management Objectives and Policies (Continued)

(vii) Capital management (Continued)

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.

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€000	€000	**€000**	€000
Interest bearing loans and borrowings	**84,038**	103,628	**90,768**	109,022
Equity	**80,163**	112,410	**83,748**	116,947
Debt to equity ratio	**105%**	92%	**108%**	93%

The Group did not pledge any financial assets as collateral for liabilities or contingent liabilities as at 31 March 2012 (March 31, 2011: 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:

	Category	Carrying amount		Fair value	
		2012	2011	2012	2011
The Group		**€'000**	€'000	**€'000**	€'000
Financial assets					
Cash and short-term deposits	L.R	**13,479**	23,195	**13,479**	23,195
Available-for-sale investments	A.F.S	**603**	628	**603**	628
Trade and other receivables	L.R	**44,986**	46,228	**44,986**	46,228
Derivative financial instruments	F.V.T.P.L	**45**	-	**45**	-
Financial liabilities					
Bank overdraft	F.L	**(8,114)**	(5,209)	**(8,114)**	(5,209)
Interest-bearing-loans and borrowings:					
- Obligations under finance lease	F.L	**(71,335)**	(94,006)	**(71,335)**	(94,006)
- Fixed rate borrowings	F.L	**-**	(4,413)	**-**	(4,413)
- Floating rate borrowings	F.L	**(4,588)**	-	**(4,588)**	-
Derivative financial instruments	F.V.T.P.L	**(13)**	(1,829)	**(13)**	(1,829)
Trade and other payables	F.L	**(149,066)**	(120,766)	**(149,066)**	(120,766)

Notes to the Financial Statements
for the year ended March 31, 2012

5. Financial Risk Management Objectives and Policies (Continued)

(viii) Financial instruments (Continued)

	Category	Carrying amount		Fair value	
		2012	2011	2012	2011
The Company		**€'000**	€'000	**€'000**	€'000
Financial assets					
Cash and short-term deposits	L.R	**11,256**	20,135	**11,256**	20,135
Available-for-sale investments	A.F.S	**603**	628	**603**	628
Trade and other receivables	L.R	**44,852**	42,852	**44,852**	42,852
Derivative financial instruments	F.V.T.P.L	**45**	-	**45**	-
Financial liabilities					
Bank overdraft	F.L	**(8,114)**	(5,209)	**(8,114)**	(5,209)
Interest-bearing-loans and borrowings:					
- Obligations under finance lease	F.L	**(71,335)**	(94,006)	**(71,335)**	(94,006)
- Fixed rate borrowings	F.L	**-**	(4,413)	**-**	(4,413)
- Other loans	F.L	**(6,731)**	(5,394)	**(6,731)**	(5,394)
Derivative financial instruments	F.V.T.P.L	**(13)**	(1,829)	**(13)**	(1,829)
Trade and other payables	F.L	**(148,816)**	(120,668)	**(148,816)**	(120,668)

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.P.L- Fair value through profit or loss

F.L- Financial liabilities

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.

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 Owned	Motor vehicles Leased	Total
Cost	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At April 01, 2010	318,889	142,582	25,471	42,113	32,732	18,530	6,231	10,548	4,453	165	601,714
Reclassified from investment property (note 7)	-	-	-	-	692	-	-	-	-	-	692
Additions	-	-	1,915	9,452	1,152	244	341	944	287	-	14,335
Disposals/replacements	-	-	(151)	(10,274)	(3)	(333)	(119)	(2,619)	(360)	(15)	(13,874)
Exchange differences	-	-	-	-	34	-	(10)	(2)	3	-	25
At March 31, 2011	**318,889**	**142,582**	**27,235**	**41,291**	**34,607**	**18,441**	**6,443**	**8,871**	**4,383**	**150**	**602,892**
Reclassified from 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/replacements	-	(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**
Depreciation											
At April 01, 2010	123,310	82,017	17,407	22,356	19,861	17,045	5,748	9,878	3,959	90	301,671
Charge for the year	12,966	5,939	1,445	11,032	1,157	674	317	789	244	35	34,598
Disposals	-	-	(77)	(10,191)	(7)	(323)	(22)	(2,656)	(329)	(8)	(13,613)
Exchange differences	-	-	-	-	20	-	(54)	41	1	-	8
At March 31, 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**
Net book value											
At March 31, 2012	**94,563**	**123,784**	**7,558**	**21,863**	**12,926**	**1,753**	**551**	**622**	**794**	**108**	**264,522**
At March 31, 2011	182,613	54,626	8,460	18,094	13,576	1,045	454	819	508	33	280,228
At April 01, 2010	195,579	60,565	8,064	19,757	12,871	1,485	483	670	494	75	300,043

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 to owned assets upon final payment of the lease.

6. Property, Plant and Equipment (Continued)

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 Owned	Motor vehicles Leased	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost											
At April 01, 2010	318,889	142,582	25,471	42,113	27,359	17,748	5,850	10,309	4,358	165	594,844
Additions	-	-	1,915	9,452	1,152	204	223	927	264	-	14,137
Disposals/replacements	-	-	(151)	(10,274)	-	(331)	(26)	(2,596)	(338)	(15)	(13,731)
At March 31, 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/replacements	-	(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**
Depreciation											
At April 01, 2010	123,310	82,017	17,407	22,356	18,315	16,308	5,477	9,655	3,890	90	298,825
Charge for the year	12,966	5,939	1,445	11,032	966	661	286	779	230	35	34,339
Disposals/replacements	-	-	(77)	(10,191)	-	(328)	(25)	(2,594)	(307)	(8)	(13,530)
At March 31, 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/replacements	-	(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**
Net book value											
At March 31, 2012	**94,563**	**123,784**	**7,558**	**21,863**	**8,403**	**1,594**	**367**	**603**	**770**	**108**	**259,613**
At March 31, 2011	182,613	54,626	8,460	18,094	9,230	980	309	800	471	33	275,616
At April 01, 2010	195,579	60,565	8,064	19,757	9,044	1,440	373	654	468	75	296,019

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, 2012

7. Investment Property

	2012	2011
The Group	**€'000**	€'000
At April 01,	**9,599**	10,081
Transfer to property, plant and equipment (note 6)	**(373)**	(692)
Exchange differences	**726**	171
Fair value (loss)/gain	**(96)**	39
At March 31,	**9,856**	9,599

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, 2012, 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 now occupied by the group.

	2012	2011
	€'000	€'000
(a) Rental income from the investment property	**1,147**	1,111
(b) Operating expenses arising on the investment property:		
- that generated rental income during the year	**571**	442

Notes to the Financial Statements
for the year ended March 31, 2012

8. Intangible Assets

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
Carrying amount	**€'000**	€'000	**€'000**	€'000
Computer software (see below)	**534**	942	**534**	942
Goodwill on acquisition of subsidiary	**14**	14	**-**	-
	548	956	**534**	942
Computer software				
Cost				
At April 01,	**6,161**	6,072	**6,093**	5,993
Additions	**136**	100	**136**	100
Exchange differences	**4**	(11)	**-**	-
At March 31,	**6,301**	6,161	**6,229**	6,093
Amortisation				
At April 01,	**5,219**	4,436	**5,151**	4,360
Charge for the year	**544**	794	**544**	791
Exchange differences	**4**	(11)	**-**	-
At March 31,	**5,767**	5,219	**5,695**	5,151
Net book value				
At March 31,	**534**	942	**534**	942

Management has reviewed the carrying amount of goodwill and does not consider it to be impaired.

9. Investment in Subsidiaries

	2012	2011
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, 2012

9. Investment in Subsidiaries (Continued)

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 €'000	Percentage holding 2012	Percentage holding 2011
Management company					
Air Mauritius (S.A.) (Proprietary) Limited	South Africa	Ordinary	**0.1**	**100%**	100%
Air Mauritius Holidays (Pty) Limited (Dormant)	Australia	Ordinary	**14.0**	**100%**	100%
Mauritian Holidays Ltd (Dormant)	England	Ordinary	**0.1**	**100%**	100%
Investment property					
Mauritius Estate Development Corporation Limited	Mauritius	Ordinary	**25,707**	**93.70%**	93.70%
Hotel and restaurant					
Pointe Coton Resort Hotel Company Limited	Mauritius	Ordinary	**1,263**	**54.19%**	54.19%
Call Centre					
Airmate Ltd	Mauritius	Ordinary	**171**	**100%**	100%
Helicopter operations					
Mauritius Helicopter Ltd (Dormant)	Mauritius	Ordinary	**0.1**	**100%**	100%

10. Investment in an Associate

	2012	2011
(a) Carrying value of investment in associate	**€'000**	€'000
Cost	**102**	102
Share of post-acquisition profits, net of dividend received	**65**	53
Carrying value	**167**	155

(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 2012	Percentage holding 2011
The Mauritius Shopping Paradise Co. Ltd	Mauritius	Ordinary	**102**	**41.65%**	41.65%

Notes to the Financial Statements
for the year ended March 31, 2012

10. Investment in an Associate (Continued)

(c) Summarised financial information of the Group's associate is set out below:

	2012	2011
	€'000	€'000
Total assets	**741**	730
Total liabilities	**(340)**	(358)
Net assets	**401**	372
Group's share of associate's net assets	**167**	155
Revenue	**-**	-
Profit / (Loss) after tax for the year	**28**	(22)
Group's share of associate's profits/ (losses)	**12**	(7)

11. Available-for-sale Investments

	2012	2011
	€'000	€'000
The Group and the Company		
At April 01,	**628**	579
Fair value (loss) / gain	**(25)**	49
At March 31,	**603**	628

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 €557k have been classified as Level 2 fair value hierarchy (2011: €582k).

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, 2012

12. Deferred Tax Asset

	THE GROUP	
	2012	2011
	€'000	€'000
At April 01,	22	47
Exchange differences	(9)	(3)
Charge to statement of comprehensive income (note 28)	14	(22)
At March 31,	27	22

Deferred tax assets are attributable to the following items:	2012	2011
	€'000	€'000
Provisions	25	16
Accelerated depreciation	2	6
	27	22

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% (2011: 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. Not withstanding the tax exemption, the Company had unused tax losses of € 99.7m at 31 March 2012 (2011: € 106m) on which no deferred tax has been recognised.

13. Long Term Deposits

	2012	2011
The Group and the Company	€'000	€'000
Deposits on finance/operating leases	8,692	8,320

The deposits bear no interest and is reimbursable at the end of the lease period.

14. Long Term Receivables

	2012	2011
The Group and the Company	€'000	€'000
Loans	132	124

The loans are unsecured, bears interest at rate of LIBOR+1% per annum and is repayable in terms ranging between 2 to 10 years.

Notes to the Financial Statements
for the year ended March 31, 2012

15. Inventories

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
Aircraft spares - at net realisable value	**13,649**	12,332	**13,649**	12,332
Cabin services - at net realisable value	**1,819**	1,673	**1,819**	1,673
Others - at cost	**1,630**	1,152	**1,570**	1,114
	17,098	15,157	**17,038**	15,119

There was no inventory write down recognised as an expense during the year 2012 (2011:nil)

16. Trade and Other Receivables

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
Trade receivables (net of allowances)	**34,723**	37,381	**34,544**	36,987
Receivable from subsidiary companies	**-**	-	**522**	371
Other receivables and prepayments	**10,263**	8,847	**9,786**	8,782
	44,986	46,228	**44,852**	46,140

Outstanding balances receivable from related parties, identified in note 32, are included under trade and other receivables.

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

As at March 31, 2012, trade receivables at nominal value of €3,323k (2011: €3,074k) for the Group and €3,200k (2011: €2,930k) 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.

Notes to the Financial Statements
for the year ended March 31, 2012

16. Trade and Other Receivables (Continued)

Movements in the provision for impairment of receivables were as follows:

	THE GROUP Individually impaired	THE COMPANY Individually impaired
	€'000	€'000
At April 01, 2010	2,695	2,553
Charge for the year (note 25(a))	522	520
Utilised	(143)	(143)
At March 31, 2011	**3,074**	**2,930**
Charge for the year (note 25(a))	331	331
Utilised	(82)	(61)
At March 31, 2012	**3,323**	**3,200**

As at March 31, the ageing analysis of trade receivables is as follows:

		Neither past due	Past due but not impaired		
	Total	nor impaired	<30 days	31 - 90 days	>90 days
The Group	€'000	€'000	€'000	€'000	€'000
2012	**34,723**	**34,077**	**133**	**170**	**343**
2011	37,381	36,324	103	126	828
The Company					
2012	**34,544**	**34,017**	**65**	**153**	**309**
2011	36,987	36,044	26	88	829

17. Cash and Short Term Deposits

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
Cash and short-term deposits	**13,479**	23,195	**11,256**	20,135
Bank overdraft (note 20)	**(8,114)**	(5,209)	**(8,114)**	(5,209)
	5,365	17,986	**3,142**	14,926

Cash resources include deposits totalling €6M (2011: €13M) which earn interest at rates ranging between 0.1% and 5% per annum (2011: 0.2% and 8% per annum).

Notes to the Financial Statements
for the year ended March 31, 2012

18. Assets Classified As Held-for-sale

In May 2009, the directors resolved to dispose one Airbus A340 engine and the carrying amount of the asset which amounted to €2,271k was classified as held-for-sale and was presented separately in the statement of financial position at March 31, 2011.

In July 2010, the engine was disposed for €2,271k, giving rise to no gain or loss.

19. Share Capital

The Group and the Company	2012	2011	2012	2011
	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.

20. Interest-Bearing Loans and Borrowings

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
Non-current				
Bank loans [notes (b) & 35(a)]	**-**	4,335	**-**	4,335
Obligations under finance leases [notes (c)]	**59,701**	70,680	**59,701**	70,680
	59,701	75,015	**59,701**	75,015
Current				
Bank overdraft (notes 17 & 35 (a))	**8,114**	5,209	**8,114**	5,209
Bank loans [notes (b) & 35(a)]	**4,588**	4,335	**4,588**	4,335
Loan from subsidiary	**-**	-	**6,730**	5,394
Obligations under finance leases (note (c))	**11,635**	19,069	**11,635**	19,069
	24,337	28,613	**31,067**	34,007
Total interest-bearing loans and borrowings	**84,038**	103,628	**90,768**	109,022

(a) Details of the interest-bearing loans and borrowings are given in note 35(a).

Notes to the Financial Statements
for the year ended March 31, 2012

20. Interest-Bearing Loans and Borrowings (Continued)

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
(b) Bank loans				
Repayable by instalments:				
- within one year	**4,588**	4,335	**4,588**	4,335
- after one year and before two years	**-**	4,335	**-**	4,335
- after two years and before five years	**-**	-	**-**	-
	4,588	8,670	**4,588**	8,670

(c) Obligations under finance leases

The Group and the Company	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
	€'000	€'000	€'000	€'000
Amounts payable under finance leases:				
- within one year	**13,995**	21,782	**11,635**	19,069
- after one year and before two years	**13,187**	13,842	**11,132**	11,601
- after two years and before five years	**23,429**	29,227	**18,796**	24,230
- after five years	**32,954**	39,056	**29,773**	34,849
	83,565	103,907	**71,336**	89,749
Less: Future finance charges	**(12,229)**	(14,158)	**-**	-
Present value of lease obligations	**71,336**	89,749	**71,336**	89,749
Less: Amount due for settlement within 1 year			**(11,635)**	(19,069)
Amount due for settlement after 1 year			**59,701**	70,680

The Company has acquired certain aircraft under finance leases. The average remaining lease terms for these contracts are 1 to 9 years (2011: 1 to 10 years). Borrowing rates vary according to LIBOR and EURIBOR on which the lease agreements have been negotiated.

(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.

Notes to the Financial Statements
for the year ended March 31, 2012

21. Financial Derivatives Liabilities

The Group and the Company	2012	2011
	€'000	€'000
Current		
Financial derivatives [note 35 (b)]	**13**	1,829

22. Provisions

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
Amount of provisions recognised	**€'000**	€'000	€'000	**€'000**	€'000	€'000
in the Statements of Financial Position:						
Defined benefit pension schemes [note (a)]	**29,095**	23,766	21,757	**29,095**	23,766	21,757
Other post retirement benefits [note (b)]	**829**	678	604	**631**	514	462
End of contract gratuity for pilots [note (c)]	**2,623**	1,422	2,157	**2,623**	1,422	2,157
Contractual maintenance expenses [note (d)]	**26,608**	22,447	23,024	**26,608**	22,447	23,024
	59,155	48,313	47,542	**58,957**	48,149	47,400
Disclosed as:						
Current	**12,280**	2,334	2,885	**12,280**	2,334	2,885
Non-current	**46,875**	45,979	44,657	**46,677**	45,815	44,515
	59,155	48,313	47,542	**58,957**	48,149	47,400

(a) Defined benefit pension schemes

(i) Reconciliation of Net Defined Benefit Liability

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
At April 01,	**23,766**	21,757	19,160	**23,766**	21,757	19,160
Amount recognised in profit or loss	**1,778**	3,969	4,175	**1,778**	3,969	4,175
Amount recognised in OCI	**4,513**	37	615	**4,535**	37	615
Less Employer contributions	**(2,270)**	(2,278)	(2,193)	**(2,270)**	(2,278)	(2,193)
Exchange differences	**1,308**	281	-	**1,286**	281	-
At March 31,	**29,095**	23,766	21,757	**29,095**	23,766	21,757

Notes to the Financial Statements
for the year ended March 31, 2012

22. Provisions (Continued)

(a) Defined benefit pension schemes (Continued)

(i) Reconciliation of Net Defined Benefit Liability (Continued)

The amounts recognised in the Statements of Financial Position are as follows:

The Group and the Company	2012	2011	2010
		Restated	Restated
	€'000	€'000	€'000
Present value of funded obligations	**70,940**	67,835	64,336
Fair value of plan assets	**(41,845)**	(44,069)	(42,579)
	29,095	23,766	21,757

(ii) Reconciliation of fair value of plan assets

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
At April 01,	**44,069**	42,579	38,059	**44,069**	42,579	38,059
Interest income	**4,672**	4,730	4,235	**4,672**	4,730	4,235
Employer contributions	**2,270**	2,278	2,193	**2,270**	2,278	2,193
Benefits paid	**(7,119)**	(2,352)	(1,292)	**(7,119)**	(2,352)	(1,293)
Exchange differences	**2,452**	563	-	**2,452**	563	-
Return on plan asset excluding interest	**(4,499)**	(3,729)	(616)	**(4,499)**	(3,729)	(615)
At March 31,	**41,845**	44,069	42,579	**41,845**	44,069	42,579

(iii) Reconciliation of present value of defined benefit obligation

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
At April 01,	**67,835**	64,336	57,219	**67,835**	64,336	57,219
Current service cost	**2,889**	2,645	2,468	**2,889**	2,645	2,468
Interest expense	**7,070**	6,053	5,942	**7,070**	6,053	5,942
Settlement gain	**(3,509)**	-	-	**(3,509)**	-	-
Benefits paid on settlement	**(5,326)**	-	-	**(5,326)**	-	-
Other benefits paid	**(1,793)**	(2,352)	(1,293)	**(1,793)**	(2,352)	(1,293)
Exchange differences	**3,774**	853	-	**3,774**	853	-
Liability experience loss	**-**	2,283	-	**-**	2,283	-
Liability gain due to change in demographic assumptions	**-**	(6,216)	-	**-**	(6,216)	-
Liability loss due to change in financial assumptions	**-**	233	-	**-**	233	-
At March 31,	**70,940**	67,835	64,336	**70,940**	67,835	64,336

Notes to the Financial Statements
for the year ended March 31, 2012

22. Provisions (Continued)

(a) Defined benefit pension schemes (Continued)

(iv) Components of amounts recognised in Statements of Comprehensive income

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
Current service cost	**2,889**	2,645	2,468	**2,889**	2,645	2,468
Settlement gain	**(3,509)**	-	-	**(3,509)**	-	-
Service cost	**(620)**	2,645	2,468	**(620)**	2,645	2,468
Net interest on net defined benefit liability	**2,398**	1,324	1,707	**2,398**	1,324	1,707
Total	**1,778**	3,969	4,175	**1,778**	3,969	4,175

(v) Components of amount recognised in Other Comprehensive income

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
Return on plan assets below interest income	**4,499**	3,729	615	**4,499**	3,729	615
Liability experience loss	**-**	2,283	-	**-**	2,283	-
Liability gain due to change in demographic assumption	**-**	(6,216)	-	**-**	(6,216)	-
Liability loss due to change in financial assumption	**14**	241	-	**36**	241	-
Total	**4,513**	37	615	**4,535**	37	615

(vi) Distribution of plan assets at end of year

	The Group and the Company		
	2012	2011	2010
		Restated	Restated
Percentage of assets at March 31,	**%**	%	%
Equities -overseas	**45**	40	35
Equities - local	**7**	7	6
Fixed interest securities overseas	**5**	4	10
Fixed interest securities local	**6**	6	-
Property	**4**	3	5
Loan and Fixed Deposits	**11**	12	-
Cash and Other	**22**	28	44
Total	**100**	100	100

Notes to the Financial Statements
for the year ended March 31, 2012

22. Provisions (Continued)

(vi) Distribution of plan assets at end of year (Continued)

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	2012	2011	2010
Discount rate	**10.0%**	10.0%	10.5%
Rate of return on plan assets	**10.0%**	10.0%	11.0%
Future salary increases	**8.0%**	8.0%	8.0%
Future pension increases	**4.0%**	4.0%	4.0%
Average retirement age (ARA)	**62.5**	62.5	60.0
Average life expectancy for:			
- Male at ARA	**17.7 years**	17.7 years	19.5 years
- Female at ARA	**22.1 years**	22.1 years	24.2 years

Sensivity analysis on defined benefit obligation at end of year

-Increase due to 1% decrease in discount rate : Eur 13,479,000

-Decrease due to 1% decrease in discount rate : Eur 10,641,000

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 2,404,000

- Weighted average duration of the defined benefit obligation : 20.8 years

Obligations, assets and experience adjustments :

	2012	2011	2010	2009	2008
		Restated	Restated		
The Group and the Company	**€'000**	€'000	€'000	€'000	€'000
Defined benefit obligations	**(70,940)**	(67,835)	(64,336)	(53,352)	(50,864)
Fair value of plan assets	**41,845**	44,069	42,579	35,487	39,028
Deficit	**(29,095)**	(23,766)	(21,757)	(17,865)	(11,836)

Notes to the Financial Statements
for the year ended March 31, 2012

22. Provisions (Continued)

(b) Other post retirement benefits

(i) Reconciliation of Net Defined Benefit Liability

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
At April 01,	**678**	604	510	**514**	462	400
Amount recognised in profit or loss	**183**	106	111	**100**	84	79
Amount recognised in OCI	**-**	(18)	-	**-**	(18)	-
Less Employer contributions	**(13)**	(21)	(17)	**(11)**	(21)	(17)
Exchange differences	**(19)**	7	-	**28**	7	-
At March 31,	**829**	678	604	**631**	514	462

(ii) Reconciliation of present value of defined benefit obligation

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
At April 01,	**678**	604	510	**514**	462	400
Current service cost	**111**	46	47	**46**	36	38
Interest expense	**72**	60	64	**54**	48	41
Other benefits paid	**(13)**	(21)	(17)	**(11)**	(21)	(17)
Exchange differences	**(19)**	7	-	**28**	7	-
Liability experience loss	**-**	28	-	**-**	28	-
Liability gain due to change in financial assumptions	**-**	(46)	-	**-**	(46)	-
At March 31,	**829**	678	604	**631**	514	462

(iii) Components of amounts recognised in Statements of Comprehensive income

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
Current service cost	**111**	46	47	**46**	36	38
Net interest on net defined benefit liability	**72**	60	64	**54**	48	41
Total	**183**	106	111	**100**	84	79

Notes to the Financial Statements
for the year ended March 31, 2012

22. Provisions (Continued)

(b) Other post retirement benefits (Continued)

(iv) Components of amount recognised in Other Comprehensive income

	THE GROUP			THE COMPANY		
	2012	2011	2010	2012	2011	2010
		Restated	Restated		Restated	Restated
	€'000	€'000	€'000	**€'000**	€'000	€'000
Liability experience loss	**-**	28	-	**-**	28	-
Liability gain due to change in financial assumption	**-**	(46)	-	**-**	(46)	-
Total	**-**	(18)	-	**-**	(18)	-

(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	2012	2011	2010
Discount rate	**10.0%**	10.0%	10.5%
Rate of return on plan assets	**10.0%**	10.0%	11.0%
Future salary increases	**8.0%**	8.0%	8.0%
Future pension increases	**4.0%**	4.0%	4.0%
Average retirement age (ARA)	**62.5**	62.5	60.0
Average life expectancy for:			
- Male at ARA	**17.7 years**	17.7 years	19.5 years
- Female at ARA	**22.1 years**	22.1 years	24.2 years

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.

Sensivity analysis on defined benefit obligation at end of year

-Increase due to 1% decrease in discount rate : Eur 76,000

-Decrease due to 1% decrease in discount rate : Eur 63,000

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.

Notes to the Financial Statements
for the year ended March 31, 2012

22. Provisions (Continued)

(b) Other post retirement benefits (Continued)

(v) The principal actuarial assumptions (in Mauritian rupees terms) used for both the defined benefit pension schemes and the other post retirement benefits were: (Continued)

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 : 13 years

Obligations, assets and experience adjustments:

	2012	2011	2010	2009	2008
		Restated	Restated		
The Group and the Company	**€'000**	€'000	€'000	€'000	€'000
Defined benefit obligations	**(514)**	(462)	(400)	(3,671)	(3,690)
Fair value of plan assets	**-**	-	-	1,009	1,062
Deficit	**(514)**	(462)	(400)	(2,662)	(2,628)

(c) End of contract gratuity for pilots

The amounts recognised in the Statements of Financial Position are as follows:

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
At April 01,	**1,422**	2,157	**1,422**	2,157
Charge for the year (note 25(b))	**2,699**	1,124	**2,699**	1,124
Payments	**(1,434)**	(1,052)	**(1,434)**	(1,052)
Exchange differences	**(64)**	(807)	**(64)**	(807)
At March 31,	**2,623**	1,422	**2,623**	1,422
Provided as follows:				
- less than one year (note 23)	**2,623**	1,422	**2,623**	1,422

Notes to the Financial Statements
for the year ended March 31, 2012

22. Provisions (Continued)

(d) Contractual maintenance expenses

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
At April 01,	**22,447**	23,024	**22,447**	23,024
Net accrued for the year	**4,707**	1,867	**4,707**	1,867
Payment	**(1,535)**	(1,631)	**(1,535)**	(1,631)
Exchange differences	**989**	(813)	**989**	(813)
At March 31,	**26,608**	22,447	**26,608**	22,447
Provided as follows:				
- less than one year (note 23)	**9,657**	912	**9,657**	912
- after one year and before two years	**9,862**	8,189	**9,862**	8,189
- after two years and before five years	**3,589**	9,925	**3,589**	9,925
- after five years	**3,500**	3,421	**3,500**	3,421
	16,951	21,535	**16,951**	21,535
	26,608	22,447	**26,608**	22,447

23. Trade and Other Payables

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
Trade payables	**57,689**	49,794	**56,632**	49,711
Sales in advance of carriage (see note below)	**71,783**	66,155	**71,783**	66,155
Amounts due to subsidiary companies	**-**	-	**931**	866
Other payables and accruals	**7,314**	2,483	**7,190**	1,602
End of contract gratuity for pilots [note 22(c)]	**2,623**	1,422	**2,623**	1,422
Contractual maintenance expenses [note 22(d)]	**9,657**	912	**9,657**	912
	149,066	120,766	**148,816**	120,668

Outstanding balances due to related parties, as detailed in note 32, 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, 2012

24. Operating Segments

	THE COMPANY				TOTAL		SUBSIDIARY COMPANIES						Adjustment /		TOTAL	
	Aircraft operations		Ground operations		THE COMPANY		Investment property		Hotel & restaurant		Call centre		Unallocated		THE GROUP	
	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011 Restated
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Operating revenue	**446,224**	428,851	**4,645**	5,086	**450,869**	433,937	**1,148**	1,111	**1,602**	1,528	**2,985**	1,957	**(3,386)**	(2,531)	**453,218**	436,002
Operating expenses	**(445,459)**	(392,393)	**(4,943)**	(4,439)	**(450,402)**	(396,832)	**(646)**	(442)	**(534)**	(509)	**(2,727)**	(1,769)	**3,385**	2,531	**(450,924)**	(397,021)
Segment results	**765**	36,458	**(298)**	647	**467**	37,105	**502**	669	**1,068**	1,019	**258**	188	**(1)**	-	**2,294**	38,981
Administrative expenses					**(27,965)**	(24,590)	**-**	-	**(912)**	(835)	**(187)**	(180)	**(2)**	-	**(29,066)**	(25,605)
Share of result of associate					**-**	-	**-**	-	**-**	-	**-**	-	**12**	(7)	**12**	(7)
Other operating income					**4,169**	3,404	**2**	3	**118**	131	**13**	1	**-**	-	**4,302**	3,539
Fair value adjustment					**-**	-	**(96)**	39	**-**	-	**-**	-	**-**	-	**(96)**	39
Finance revenue					**1,447**	833	**243**	245	**36**	31	**1**	1	**(1,290)**	(289)	**437**	821
Finance cost					**(7,347)**	(6,827)	**-**	-	**-**	-	**-**	(1)	**191**	213	**(7,156)**	(6,615)
(Loss) / profit before taxation					**(29,229)**	9,925	**651**	956	**310**	346	**85**	9	**(1,090)**	(83)	**(29,273)**	11,153
Income tax expense					**-**	-	**(129)**	(190)	**(15)**	(10)	**(13)**	(2)	**-**	-	**(157)**	(202)
(Loss) / profit for the year					**(29,229)**	9,925	**522**	766	**295**	336	**72**	7	**(1,090)**	(83)	**(29,430)**	10,951
(Loss) / profit for the year attributable to:																
- Equity holders of the parent					**(29,229)**	9,925	**489**	718	**160**	181	**72**	7	**(1,090)**	(83)	**(29,598)**	10,748
- Non-controlling interests					**-**	-	**33**	48	**135**	155	**-**	-	**-**	-	**168**	203
					(29,229)	9,925	**522**	766	**295**	336	**72**	7	**(1,090)**	(83)	**(29,430)**	10,951
Assets																
Segment assets	**328,860**	354,568	**5,461**	5,522	**334,321**	360,090	**21,534**	20,641	**2,856**	2,612	**674**	485	**-**	-	**359,385**	383,828
Investment in associate							**-**	-	**-**	-	**-**	-	**167**	156	**167**	156
Unallocated corporate assets							**-**	-	**-**	-	**-**	-	**603**	628	**603**	628
															360,155	384,612
Equity and liabilities																
Segment liabilities	**264,970**	260,171	**13,460**	10,856	**278,430**	271,027	**1,039**	576	**255**	432	**268**	167	**-**	-	**279,992**	272,202
Capital and reserves							**-**	-	**-**	-	**-**	-	**77,706**	110,147	**77,706**	110,147
Non-controlling interests							**1,291**	1,264	**1,166**	999	**-**	-	**-**	-	**2,457**	2,263
															360,155	384,612
Capital additions	**16,025**	13,832	**1,473**	405	**17,498**	14,237	**3**	1	**187**	78	**1**	102	**-**	17	**17,689**	14,435
Depreciation and amortisation	**32,139**	33,357	**1,609**	1,773	**33,748**	35,130	**6**	7	**253**	235	**17**	15	**5**	5	**34,029**	35,392

Notes to the Financial Statements
for the year ended March 31, 2012

24. Operating Segments (Continued)

The Group and the Company

(b) Secondary reporting geographical segments

	2012	2011
Traffic revenue by destination	**€'000**	€'000
Africa and Middle East	**32,822**	42,495
America	**4,156**	3,218
Asia	**51,626**	48,182
Australia	**15,743**	12,605
Europe	**181,303**	176,152
Indian Ocean	**50,085**	42,633
Mauritius	**115,134**	108,652
At March 31,	**450,869**	433,937

(c) Main analysis of traffic revenue

	2012		2011	
	€'000	**%**	€'000	%
Passenger (including helicopter revenue)	**379,721**	**84**	366,305	84
Cargo	**43,119**	**10**	42,040	10
Others	**28,029**	**6**	25,592	6
Total traffic revenue	**450,869**	**100**	433,937	100

Notes to the Financial Statements
for the year ended March 31, 2012

25. Depreciation, Amortisation, Foreign Exchange Differences and Costs of Inventories Included in the Statements of Comprehensive Income

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
(a) Operating (loss)/ profit is arrived after:	**€'000**	€'000	**€'000**	€'000
Crediting:				
Revenue from redemption of miles	**1,306**	1,499	**1,306**	1,499
Rental income	**939**	690	**100**	98
Gain/(loss) on disposal of property, plant and equipment	**262**	(64)	**56**	(58)
Ticket cancellation and penalty fees	**1,210**	1,065	**1,210**	1,065
Service charges	**1,434**	1,434	**1,434**	1,434
Charging:				
Included in operating expenses				
Depreciation of property, plant and equipment	**30,953**	31,773	**30,689**	31,534
Operating lease rental	**21,212**	21,448	**21,212**	21,448
Cost of inventories recognised as expenses	**-**	9,154	**9,915**	8,946
Decrease in provision for stock obsolescence	**-**	(137)	**(263)**	(133)
Loss on fuel hedging	**-**	5,062	**-**	5,062
Staff costs	**62,330**	52,013	**59,584**	50,061
Included in administrative expenses				
Depreciation of property, plant and equipment	**2,532**	2,825	**2,515**	2,805
Increase in provision for impairment on trade receivables (note 16)	**331**	522	**331**	520
Amortisation of intangible assets (note 8)	**544**	794	**544**	791
Outside service costs	**2,694**	2,491	**2,694**	2,491
Company service fees	**4,763**	2,668	**4,763**	2,668
Motor vehicle running expenses	**2,514**	2,203	**2,514**	2,203
Communication cost services	**1,369**	1,277	**1,369**	1,277
Staff costs	**7,374**	6,322	**6,902**	6,109

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
(b) Analysis of employee benefit expense				
Salaries and wages	**62,187**	49,111	**59,230**	47,210
Social security costs	**2,392**	2,357	**2,189**	2,115
Defined benefit pension schemes (note 22(a)(ii))	**1,778**	3,969	**1,778**	3,968
Other post retirement benefits (note 22(b)(ii))	**158**	1,337	**100**	1,316
End of contract gratuity for pilots (note 22(c))	**2,699**	1,124	**2,699**	1,124
Defined contribution pension scheme	**490**	437	**490**	437
	69,704	58,335	**66,486**	56,170

Notes to the Financial Statements
for the year ended March 31, 2012

26. Finance Revenue

	THE GROUP 2012	THE GROUP 2011	THE COMPANY 2012	THE COMPANY 2011
	€'000	€'000	€'000	€'000
Other interest income	391	307	302	243
Unrealised gain on translation of monetary assets and liabilities	-	494	-	494
Dividend income - unquoted	46	20	1,145	96
	437	821	1,447	833

27. Finance Costs

	THE GROUP 2012	THE GROUP 2011	THE COMPANY 2012	THE COMPANY 2011
	€'000	€'000	€'000	€'000
Foreign exchange:				
Loss on currency hedging	443	2,511	443	2,511
Unrealised loss on translation of monetary assets and liabilities	3,729	-	3,729	-
	4,172	2,511	4,172	2,511
Interest expense:				
Finance leases	2,831	2,973	2,831	2,973
Bank overdraft	70	434	70	434
Other loan	12	530	203	742
Bank loans	71	167	71	167
	2,984	4,104	3,175	4,316
Total	7,156	6,615	7,347	6,827

28. Income Tax Expense

	THE GROUP 2012	THE GROUP 2011	THE COMPANY 2012	THE COMPANY 2011
	€'000	Restated €'000	€'000	Restated €'000
(a) Income tax				
Deferred tax charge for the year (note 12)	27	22	-	-
Current income tax charge	130	180	-	-
	157	202	-	-
(b) Tax reconciliation				
(Loss)/ profit before tax	(29,273)	11,153	(29,229)	9,925
Tax at the rate of 15% (2011: 15%)	(4,391)	1,673	(4,384)	1,489
Corporate Social Responsibility	42	39	-	-
Expenses not allowable for tax purposes	526	6,386	519	6,366
Exempt income	(70)	(5,238)	(172)	(5,162)
Income tax under provided in previous year	-	5	-	-
Deferred tax under provided in previous year	13	30	-	-
Effect of tax exemptions	4,037	(2,693)	4,037	(2,693)
Tax charge for the year	157	202	-	-

The Company is not taxable by virtue of an agreement with the Government of Mauritius.

Notes to the Financial Statements
for the year ended March 31, 2012

29. (Loss) / Earnings Per Share

	2012	2011
The Group	**€'000**	€'000
Earnings per share is based on:		
(Loss) / profit for the year	**(29,598)**	10,748
Number of shares in issue during the year used in calculation	**102,305,000**	102,305,000

Basic and diluted (loss) / earnings per share were the same for both years since there was no potential dilutive ordinary shares at year end.

30. 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:

	2012	2011
	€'000	€'000
Within 1 year	**789**	855
After 1 year, but not more than five years	**424**	528
	1,213	1,383

(ii) The Group and Company as lessee

	2012	2011
	€'000	€'000
The Group and the Company have the following commitments under non-cancellable operating leases:		
- within one year	**22,278**	20,714
- after one year and before two years	**21,537**	21,103
- after two years and before five years	**63,252**	54,182
- after five years	**41,061**	49,049
	148,128	145,048

The Group has entered into commercial leases on certain aircraft and accessories. The remaining lease duration period ranges from 1 to 10 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.

Notes to the Financial Statements
for the year ended March 31, 2012

31. Substantial Shareholders

At March 31, the following shareholders held more than 5% of the ordinary share capital of the Company.

	2012 & 2011		
	Direct %	Indirect %	Effective %
Air Mauritius Holding 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 & Co 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

32. 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.

	2012	2011
	€'000	€'000
Income for the year	**3,929**	2,970
Expenses for the year	**7,784**	8,282
Amount receivable as at March 31,	**933**	1,238
Amount payable as at March 31,	**1,744**	850

Notes to the Financial Statements
for the year ended March 31, 2012

32. Related Party Transactions (Continued)

(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	
	2012	2011	2012	2011
	€'000	€'000	**€'000**	€'000
Short-term benefits	**1,204**	1,069	**1,194**	1,060
Post-employment benefits:				
- Defined benefit	**126**	102	**126**	102
	1,330	1,171	**1,320**	1,162

(iii) Other related parties

(1) Mr Philippe Espitalier-Noël and Mr Timothy Taylor, who are Directors of the Company, are also directors of Rogers & Co. Ltd ("Rogers"). Rogers has a number of subsidiary companies 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	2012	2011
	€'000	€'000
Income for the year	**25,481**	26,451
Expenses for the year	**872**	816
Amount receivable as at March 31,	**2,045**	1,967
Amount payable as at March 31,	**58**	41

(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	2012	2011
	€'000	€'000
Expenses for the year	**970**	1,119
Amount payable as at March 31,	**17**	30

(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	2012	2011
	€'000	€'000
Income for the year	**1,752**	1,390
Amount receivable as at March 31,	**205**	123

Notes to the Financial Statements
for the year ended March 31, 2012

32. Related Party Transactions (Continued)

(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, 2012, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2011: 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.

	2012	2011
	€'000	€'000
Income for the year	**92**	91
Expenses for the year	**3,291**	2,531
Amount receivable as at March 31,	**522**	371
Amount payable as at March 31,	**931**	866
Loan from subsidiary (note 20)	**6,730**	5,394

33. Holding Company and Ultimate Controlling Entity

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.

34. 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.

Notes to the Financial Statements
for the year ended March 31, 2012

35. Details of Borrowings and Financial Derivatives

(a) Borrowings and financial derivatives

		2012		2011		
Base currency	Interest rate %	**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	Last repayment date
Leased aircraft under swap arrangements						
Fixed interest bearing loan						
EUR	4.55% to 4.58%	**-**	**n/a**	4,413	n/a	April 2011
Variable interest bearing loan						
EUR	Libor + 0.06% to 0.95%	**16,400**	**n/a**	24,218	n/a	October 2007 to March 2015
EUR	Euribor +1.2%	**45,160**	**n/a**	48,753	n/a	October 2021
USD	8.06%	**-**	**n/a**	2,576	n/a	October 2011
MUR	PLR + 2%	**9,775**	**n/a**	9,789	n/a	October 2021
Bank loans						
Variable interest bearing loan						
USD	Libor + 0.4%	**4,588**	**n/a**	8,670	n/a	October 2012
Other loans						
MUR	2.49% to 4.45%	**6,731**	**n/a**	5,394	n/a	March 2011
Bank overdraft						
MUR	7.50% - 8.25%	**2,702**	**n/a**	5,128	n/a	On demand
GBP		**57**	**n/a**	81	n/a	On demand
USD		**5,355**	**n/a**	-	n/a	On demand
Financial derivatives (note 21)		**-**	**13**	-	1,829	August 2012
Company total		**90,768**	**13**	109,022	1,829	
Other loans						
MUR	2.49% to 4.45%	**(6,731)**	**n/a**	(5,394)	n/a	
Group total		**84,037**	**13**	103,628	1,829	

Notes to the Financial Statements
for the year ended March 31, 2012

35. Details of Borrowings and Financial Derivatives (Continued)

(b) Derivative financial instruments

	2012	2011
The Group and the Company	**€'000**	€'000
Currency derivatives (notes (i))	**45**	(1,829)
Fair value of commodity derivatives:		
- Liabilities (note (ii) and 21)	**(13)**	-
	32	(1,829)

(i) Fair value of currency derivatives

	Amount with remaining life		
	Less than three months €'000	Between three months and one year €'000	Total fair value gain/(loss) €'000
At March 31, 2012			
OTC Traded			
Forward rate agreements	**(3)**	**48**	**45**
At March 31, 2011	(417)	(1,412)	(1,829)

The currency derivatives have been classified as Level 1 of the fair value hierarchy in both 2011 and 2012.

(ii) Fair value of commodity derivatives

	Amount with remaining life		
	Less than three months €'000	Between three months and one year €'000	Total fair value loss €'000
At March 31, 2012			
Liabilities - OTC Traded			
Collars	**-**	**(13)**	**(13)**
At March 31, 2011	-	-	-

These derivative financial instruments have been accounted for as cash flow hedges.

Notes to the Financial Statements
for the year ended March 31, 2012

36. Dividend

Dividends Paid and Proposed

	2012	2011
Declared and paid during the year:	**€'000**	€'000
Dividends on ordinary shares:		
Interim dividends for 2012: 50 cents per share	**1,271**	-

37. Changes in Accounting Policy

The comparatives figures have been restated with respect to the early adoption of IAS 19, Employee Benefit Liabilities for the year ended March 31, 2012. This has resulted in the recognition of actuarial gains and losses in other comprehensive income in the period in which they occur as dislosed in Note 4.1 and 22.

38. 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 €13.6M(2011: €13.6M). The timing and outcome of these claims is dependent upon the judicial system and cannot be realiably assessed. The amount of liability recognised at March 31, 2012 with respect to those litigations amounts to €1M (2011: €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.

Notes to the Financial Statements
for the year ended March 31, 2012

39. Financial Summary

(a) The Group

	2012	2011	2010
	€'000	€'000	€'000
		Restated	Restated
STATEMENTS OF COMPREHENSIVE INCOME			
Turnover	**453,218**	436,002	371,699
Share of results of associates	**12**	(7)	(2)
(Loss) / profit before tax	**(29,273)**	11,153	(5,931)
(Loss) / profit for the year	**(29,430)**	10,951	(6,035)
Non-controlling interests	**168**	203	130
(Loss) / profit attributable to the shareholders	**(29,598)**	10,748	(6,165)
STATEMENTS OF FINANCIAL POSITION			
Non-current assets	**284,547**	300,032	321,759
Current assets	**75,608**	84,580	78,989
Assets held-for-sale	**-**	-	2,271
Current liabilities	**(173,418)**	(151,208)	(162,515)
Non-current liabilities	**(106,576)**	(120,994)	(143,429)
SHARE CAPITAL			
Authorised			
Ordinary shares of Rs. 10 each	**81,566**	81,566	81,566
Issued and fully paid			
Ordinary shares of Rs. 10 each	**41,724**	41,724	41,724
RESERVES			
Share premium	**18,869**	18,869	18,869
Other reserves	**(9,872)**	(11,897)	(16,358)
Retained earnings	**26,985**	61,451	50,722
EARNINGS AND DIVIDENDS			
Dividends			
-Rate (%)	**5**	-	-
-Ordinary shares (€'000)	**1,271**	-	-
-Per ordinary share (€)	**0.012**	-	-
(Loss) / earnings per ordinary share (€)	**(0.29)**	0.10	(0.06)
Number of ordinary shares:			
Authorised	**200,000,000**	200,000,000	200,000,000
Issued	**102,305,000**	102,305,000	102,305,000

Notes to the Financial Statements

for the year ended March 31, 2012

39. Financial Summary (Continued)

(b) The Company

	2012	2011	2010
	€'000	€'000	€'000
		Restated	Restated
STATEMENTS OF COMPREHENSIVE INCOME			
Turnover	**450,869**	433,937	369,990
(Loss) / profit for the year	**(29,229)**	9,925	(6,915)
STATEMENTS OF FINANCIAL POSITION			
Non-current assets	**296,831**	312,887	334,685
Current assets	**73,191**	81,394	77,051
Assets held-for-sale	**-**	-	2,271
Current liabilities	**(179,896)**	(156,504)	(168,200)
Non-current liabilities	**(106,378)**	(120,830)	(143,287)
SHARE CAPITAL			
Authorised			
Ordinary shares of Rs. 10 each	**81,566**	81,566	81,566
Issued and fully paid			
Ordinary shares of Rs. 10 each	**41,724**	41,724	41,724
RESERVES			
Share premium	**18,869**	18,869	18,869
Other reserves	**181**	(765)	(5,286)
Retained earnings	**22,974**	57,119	47,213
EARNINGS AND DIVIDENDS			
Dividends			
-Rate (%)	**5**	-	-
-Ordinary shares (€'000)	**1,271**	-	-
-Per ordinary share (€)	**0.012**	-	-
Number of ordinary shares:			
Authorised	**200,000,000**	200,000,000	200,000,000
Issued	**102,305,000**	102,305,000	102,305,000

Translation of the Statement of Financial Position

for the year ended March 31, 2012 - Appendix I

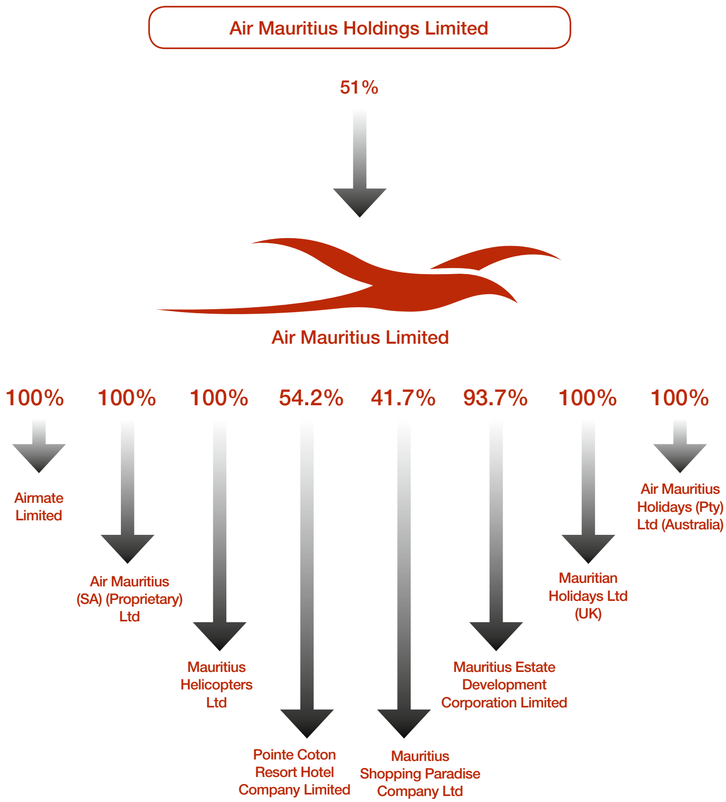
	THE GROUP 2012	THE GROUP 2011	THE COMPANY 2012	THE COMPANY 2011
		Restated		Restated
	MUR 'm	MUR 'm	MUR 'm	MUR 'm
ASSETS				
Non-current assets				
Property, plant and equipment	**10,220**	11,429	**10,030**	11,241
Investment property	**381**	391	**-**	-
Intangible assets	**21**	39	**21**	38
Investment in subsidiaries	**-**	-	**1,049**	1,108
Investment in an associate	**6**	6	**4**	4
Available-for-sale investments	**23**	26	**23**	26
Deferred tax asset	**1**	1	**-**	-
Long term deposits	**336**	340	**336**	339
Long term receivable	**5**	5	**5**	5
	10,993	12,237	**11,468**	12,761
Current assets				
Inventories	**661**	618	**658**	617
Trade and other receivables	**1,738**	1,885	**1,733**	1,882
Financial derivative asset	**2**	-	**2**	-
Cash and short term deposits	**521**	946	**435**	821
	2,922	3,449	**2,828**	3,320
Total assets	**13,915**	15,686	**14,296**	16,081
EQUITY AND LIABILITIES				
Equity				
Share capital	**1,724**	1,724	**1,724**	1,724
Share premium	**780**	780	**780**	780
Other reserves	**(545)**	(517)	**(156)**	(64)
Retained earnings	**1,043**	2,506	**888**	2,330
Equity attributable to equity holders of the parent	**3,002**	4,493	**3,236**	4,770
Non-controlling interests	**95**	92	**-**	-
Total equity	**3,097**	4,585	**3,236**	4,770
Non-current liabilities				
Interest-bearing loans and borrowings	**2,307**	3,059	**2,307**	3,059
Provisions	**1,811**	1,875	**1,803**	1,869
	4,118	4,934	**4,110**	4,928
Current liabilities				
Trade and other payables	**5,759**	4,925	**5,750**	4,921
Interest-bearing loans and borrowings	**940**	1,167	**1,200**	1,387
Financial derivative liabilities	**1**	75	**-**	75
	6,700	6,167	**6,950**	6,383
Total equity and liabilities	**13,915**	15,686	**14,296**	16,081

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.

Cascade Holding Structure

Cascade Holding Structure

Air Mauritius Limited



Shareholders of Air Mauritius Holdings Limited	% of Shareholding
The Government of Mauritius	43.83
State Investment Corporation Ltd	18.02
Rogers & Co Ltd	18.12
Compagnie Nationale Air France	11.21
Air India	8.82

Directors in Subsidiary Companies

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:

- Rajkamal Taposeea
- Ramapatee Gujadhur, C.S.K
- Raj Ringadoo
- Andries Viljoen
- Banoomatee Veerasamy (alternate to Raj Ringadoo)
- Dindoyal Sookun (as from 13 Sep 2011)

Secretary: Fooad 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:

- Mr Rajkamal Taposeea
- Anista Ramphul-Punchoo
- Patrice Leal
- Raj Ringadoo
- Andries Viljoen
- Banoomatee Veerasamy (Alternate to Raj Ringadoo)
- Gilbert Stephane Leal (Alternate to Patrice Leal)
- Dindoyal Sookun (as from 13 Sep 11)

Secretary: Fooad 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 (as from 12 Aug 10)
- Donald Payen

Secretary: Scribe Holdings (Pty) Ltd South Africa

Airmate Limited

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:

- Rajkamal Taposeea
- Suresh Seeballuck, G.O.S.K
- Raj Ringadoo
- Andries Viljoen

Secretary: Fooad 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, G.O.S.K
- Pramil Banymandhub

Secretary: Fooad Nooraully

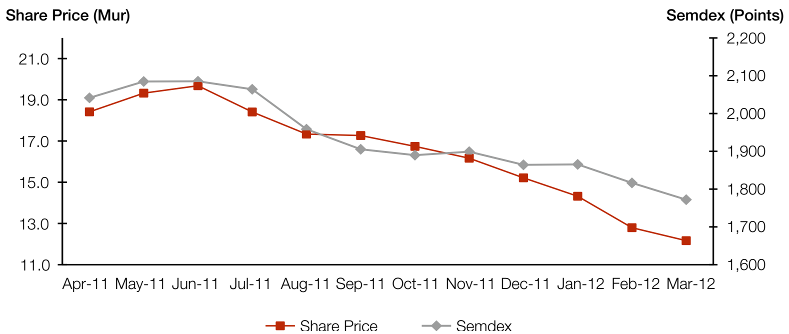
Shareholders' Information

Shareholders' Information

Key Data Per Share

	2011/12 Amount (MUR)	2010/11 Amount (MUR)
Market Capitalisation	1,217,429,500	1,923,334,000
Highest Closing Price	20.50	22.00
Lowest Closing Price	11.90	12.50
Closing Price	11.90	18.80
Average Price	16.57	15.74
Value of Shares traded	87,069,701	104,783,113
Net worth per share	29.35	42.43
Share Price / Equity per share at year end	40.6%	44.3%
P/E ratio (average)	(1.45)	3.88
(Loss) / Earnings per share	(11.43)	4.06
No. of shares traded during the year	4,959,836	6,556,798
No. of shares at year end	102,305,000	102,305,000

Air Mauritius Share Price v/s Semdex



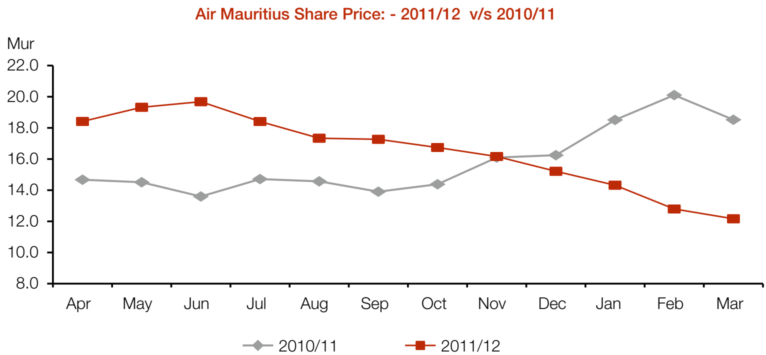
Shareholders' Information

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 share price of the Company was quoted at Mur 18.80 at the beginning of the financial year 2011/12. It was stable during the major part of the year oscillating between Mur 16.20 and Mur 18.00. It reached its peak at Mur 20.50 during two trading sessions in May/June 2012. The announcement of the half year results had a direct impact on the share price which gradually started its downward trend from November 2011 onwards to reach Mur 11.90 at the end of March 2012. The total number of shares traded during the financial year 2011/12 was 4,959,836 as compared to 6,556,798 in 2010/11. Market capitalisation was Mur 1,217 billion at 31st March 2012 as compared to Mur 1,923 billion at the end of March 2011.



Shareholders' Information

Shareholders' Diary

Financial Year End	31 March 2012
Annual Meeting	26 July 2012

Abridged Financial Statements

1st Quarter Apr-Jun 11	Published	11 August 2011
Half Year Results	Published	11 November 2011
3rd Quarter Oct-Dec 11	Published	14 February 2012
Annual Financial Statements	Published	12 June 2012

Dividend

Interim Dividend	Declared	16 June 2011
Interim Dividend	Paid	End of July 2011

Registered Office

Air Mauritius Ltd
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

Notice of Meeting

AIR MAURITIUS ANNUAL MEETING 2011/12

Notice is hereby given that the Annual Meeting of the Shareholders of Air Mauritius Ltd will be held at the Grand Baie International Conference Centre on Thursday 26 July 2012 at 15.00 hours for the following purposes:

(1) To adopt the Minutes of Proceedings of the last Annual Meeting held on 21 July 2011
(2) To receive the Report of the Directors.
(3) To receive the Report of the Auditors.
(4) To adopt the Group's and the Company's Accounts for the year ended 31 March 2012.
(5) To ratify interim dividends declared in June 2011.
(6) To elect the Directors who are already in place and who offer themselves for re-election, namely:
- **Mr Kremchand Beegoo**
- **Mr Dheerendra K Dabee, G.O.S.K., S.C**
- **Mr Gerard Espitalier-Noël, C.S.K., C.O.N.M**
- **Mr Philippe Espitalier-Noël**
- **Mr Ramapatee Gujadhur, C.S.K**
- **Mr Ali Mansoor**
- **Mr Dominique Patry**
- **Mr Raj Ringadoo**
- **Mr Suresh Seeballuck, G.O.S.K**
- **Mrs Aisha Timol, G.O.S.K**
- **Mr François Woo Shing Hai, G.O.S.K**

(7) To elect Messrs **Andries Nathaniel Viljoen** and **Rohit Nandan** who have been nominated by the Board and who offer themselves for election.
(8) To elect **Mr J M Louis Rivalland** as a new director.
(9) To fix the remuneration of the Directors.
(10) To authorise the Directors to fix the remuneration of the Auditors.

By Order of the Board

Mr Fooad Nooraully
Company Secretary
Air Mauritius Limited

28th June 2012

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 26 July 2012 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 21 July 2011.	❑	❑
(2) To receive the Report of the Directors.	❑	❑
(3) To receive the Report of the Auditors.	❑	❑
(4) To adopt the Group's and the Company's Accounts for the year ended 31st March 2012.	❑	❑
(5) To ratify Interim Dividends declared in June 2011.	❑	❑
(6) To elect the Directors who are already in place and who offer themselves for re-election, namely:	❑	❑
- **Mr Kremchand Beegoo**	❑	❑
- **Mr Dheerendra K Dabee, G.O.S.K., S.C**	❑	❑
- **Mr Gerard Espitalier-Noël, C.S.K., C.O.N.M**	❑	❑
- **Mr Philippe Espitalier-Noël**	❑	❑
- **Mr Ramapatee Gujadhur, C.S.K**	❑	❑
- **Mr Ali Mansoor**	❑	❑
- **Mr Dominique Patry**	❑	❑
- **Mr Raj Ringadoo**	❑	❑
- **Mr Suresh Seeballuck, G.O.S.K**	❑	❑
- **Mrs Aisha Timol, G.O.S.K**	❑	❑
- **Mr Francois Woo Shing Hai, G.O.S.K**	❑	❑
(7) To elect Messrs **Andries Nathaniel Viljoen** and **Rohit Nandan** who have been nominated by the Board and who offer themselves for election.	❑	❑
(8) To elect Mr **J M Louis Rivalland** as a new director.	❑	❑
(9) To fix the remuneration of the Directors.	❑	❑
(10) To authorize the Directors to fix the remuneration of the Auditors.	❑	❑

Dated this .... day of .... 2012.

....
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.