

annual report 2008/09



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Key Results

Group Results	2008/09	2007/08
Revenue (Eur m)	448.6	448.1
Operating (loss) / profit (Eur m)	(30.6)	24.7
Net (loss) / profit (Eur m) •	(85.5)	17.0
Attributable (loss) / profit to equity holders of the parent (Eur m)	(85.7)	16.8
Net assets (Eur m)	41.3	201.0
(Loss) / earnings per share (MUR)	(35.3)	7.2

Key financial statistics

Operating margin (%)	(6.8)	5.5
Net (loss) / profit margin (%)	(19.1)	3.8
Return on equity (%)	(216.7)	8.5
Return on assets (%)	(56.9)	5.3
Interest cover (times)	(14.4)	3.8
Interest and lease cover (times)	(1.6)	1.5
Dividend cover (times)	-	4.6
Gearing ratio	3.4:1	0.5:1

Group operating statistics

Passengers carried ('000)	1,192	1,311
Revenue passenger kilometres (m)	6,375	6,984
Revenue tonne kilometres (m)	751	844
Available tonne kilometres (m)	1,267	1,385
Passenger load factor (%)	75.2	76.8

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
(Loss)/Profit before derecognition of financial liabilities	(34,447)	17,220	(33,527)	15,643
Fuel Hedge Losses/(Gains) - excluded	49,707	(5,849)	49,707	(5,849)
Profit excluding Fuel Hedge Losses	15,260	11,371	16,180	9,794
Total Fuel Hedge (Loss)/Gain	(100,523)	5,849	(100,523)	5,849
Fuel Hedge (Loss)/Gain - Total Monthly Payouts	(49,707)	5,849	(49,707)	5,849
Loss From Unwinding Fuel Hedge Contracts	(50,816)	-	(50,816)	-
Taxation	(190)	(210)		
Net (Loss)/Profit •	(85,453)	17,010	(84,343)	15,643

Chairman's Statement & Chief Executive's Review



Chairman's Statement



Air Mauritius has completed an exceptional financial year. Since the turn of 2008, the industry environment has been fraught with uncertainty as highly volatile fuel price and shrinking demand weighed down on the financial situation of airlines worldwide. From that perspective, the operating performance of Air Mauritius has been remarkable. Excluding the losses on fuel hedging, the group has posted positive results of Euro 15.1 million which is quite remarkable in these times of crisis. However, the loss of the Group after accounting for the fuel hedging losses amounts to Euro 85.5 million. Timely measures taken by the company are paying off and we can look forward to the future with a reasonable measure of hope even though the gloom of the industry is far from having dissipated.

The 500 industry leaders gathered in Kuala Lumpur for the 65th Annual General Assembly of IATA generally agreed that the industry is going through decisive moments. The industry environment has been so uncertain that IATA has had to alter industry performance forecasts for 2008 several times. The projected profit of USD 4.5 billion for 2008 in March 2008 was revised to a loss of USD 2.3 billion in June and a loss of USD 6.1 billion in August. Today IATA estimates the total industry loss for 2008 at USD 10.4 billion.

2008/09 posed a set of challenges with different magnitude which took the entire industry through unprecedented drama. The price of fuel rose rapidly and peaked at USD147 per barrel in July 2008. Fuel alone accounted for more than 35 per cent of airline operating costs.

More than 30 airlines worldwide did not withstand the pressure and filed for bankruptcy. Air Mauritius was among the strong airlines which showed resilience. Our efforts to transform the Company which brought about the 2007/08 turnaround were reinforced in 2008/09. They were complemented with additional measures like network rationalisation, the adjustment of capacity to match demand as well as overall cost management programmes as we had to cope with an additional fuel bill of Euro 32 million for the first half year ending September 2008. At the time the market was already slowing down, demand was sensitive and fuel costs could only be partially offset by fuel surcharge.

As most airlines we also had to buy protection from the instability of oil prices. We hedged our fuel consumption following the parameters of the Company's Risk Management Policy. The price of oil falling by more than USD 110 in less than 5 months defied all predictions and as a result we incurred substantial hedging losses. A majority of airlines around the world were affected and a significant proportion of the USD 10.4 billion industry loss of 2008 is attributable to hedging losses.

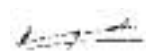
Furthermore IATA announced that the revenue environment for 2009 would be the worse in 50 years. Giovanni Bisignani, IATA's Director General and CEO qualified the high oil prices and falling demand as a 'toxic combination' poisoning the profitability of the industry. The figures published at the beginning of 2009 confirmed these predictions. In March 2009, passenger demand worldwide fell by 11.1 percent, freight demand fell by 21.4 percent and average load factors lost 5.4 points to reach 72.1 percent. The situation called for drastic action throughout the industry. Capacity has been adjusted to match demand. More than 1200 aircraft were grounded in 2008 and it is expected that 400 more will be grounded in 2009. Some airlines delayed aircraft deliveries to improve cash flow. Measures were announced that affected airline employees worldwide; job cuts, pay cuts, early retirement and leave without pay schemes. Most airlines had to raise additional capital in order to meet financial obligations and certain cases warranted government intervention. The Indian and Chinese government had to inject more than a billion dollar each to keep their airlines afloat.

At Air Mauritius, in addition to a number of restructuring measures aimed at ensuring long term business sustainability, we had to be prepared for the worse. We earmarked the sales of our noncore assets and a right issue as last recourse measures in case a further significant fall in the price of oil. Given our improving financial situation it is not likely that we will have to take such drastic action. We have managed to circumvent the loss associated with our hedging obligations and up to now government has not had to inject funds in the Company. We have only had recourse to government guarantees to hedge counterparts abroad and to financial institutions in Mauritius.

The way the Company has coped with adversity has been remarkable. We have not flinched in our responsibilities to the country as a national airline. We have safeguarded the trade and travel links bridging the island of Mauritius to the rest of the world by consistently providing quality and reliable service. We have stood by the tourist industry in these times of crisis.

We wish to express our gratitude to all stakeholders whose support has been crucial to Air Mauritius during the past financial year; all the employees of the Company, whose hard work and commitment has been decisive, the government of Mauritius who supported us all the way, all the stakeholders of the tourism sector and the population of Mauritius in general. We have a special word of thanks for our Prime Minister, Honourable Dr. Navinchandra Ramgoolam, G.C.S.K. whose faith in the people of Air Mauritius never faltered and the Vice Prime Minister and Minister of Tourism, Leisure and External Communications, Honourable Xavier-Luc Duval, G.C.S.K. who brilliantly led the concerted effort to manage a crisis that stormed across the whole aviation world and that did not spare Air Mauritius.

Now as the worse is behind us, we can look forward to better days and a stronger Air Mauritius that we are building together.



Raj Ringadoo
Acting Chairman
June 2009

Chief Executive's Review



IN SUMMARY

The airline industry will probably remember the last financial year as one of the worst in its history. We, at Air Mauritius, shall also remember it as one where our Company withstood a major test and was bold enough to take decisions that would mitigate the effects of the unprecedented international crisis and secure its future. Our financial profile for 2008/09 was dominated by what can be termed as the 'perfect storm'. It saw the rarest conjunction of extremely volatile fuel prices, falling demand and an unfavourable EURO-USD exchange rate. The extreme fuel price volatility turned our coherent fuel price risk management activities into a daunting cash drain. Deploying a plan to weather this storm took a substantial amount of our time, focus and energy, but much to the credit of all the Team Members of Air Mauritius, we never lost track of our business fundamentals. We not only managed our way through the cash crisis but persevered in our

mission to build a strong and resilient company poised to take up the renewed challenges of an industry environment in constant mutation. We have, as a result of our fuel hedging losses, incurred a Loss for the year of Euro 85.4 million. We are pleased to report that the fuel hedging losses and related cash flows have now been contained. On the other hand, on a positive note the Company has generated an Operating Profit (excluding the fuel hedge losses) of Euro 16.2 million for the year in spite of the extreme and unprecedented industry environment which is a clear evidence of our sound business fundamentals.

THE NATIONAL CARRIER OF MAURITIUS

Competition is getting tougher and our role as the national carrier constitutes an increasingly challenging responsibility. Since its creation, our Company has lived up to this responsibility, consistently ensuring trade and travel links between our island and the rest of the world.

We have also become pivotal to tourism, one of the main drivers of the Mauritian economy. In these times of crisis, Air Mauritius has, by its actions, continued to reinforce that it is vital to this country and worthy of the support of its most prominent stakeholders including the government and local industry partners. Our Company remains the preferred carrier on Mauritian routes together with the major share of sales out of Mauritius.

2008 - SOARING FUEL PRICES

The effort that the Air Mauritius team has put in since the start of 2008 has indeed been formidable. When we embarked on our 3 year Transformation Programme late 2006 the financial targets set were to say the least a substantial challenge. This challenge became daunting during the first half of 2008 when the Company had to promptly respond to soaring fuel prices. We adjusted capacity in order to optimise load factors on several routes. Narrow bodied operations were streamlined around one A319-100 aircraft as from 15th September 2008. The Fuel Efficiency Gap Analysis (FEGA) conducted by IATA consultants concluded that we had already made considerable progress on our fuel efficiency initiatives of the Transformation Programme. These measures were intensified and complemented with additional FEGA initiatives. In a bid to rationalise our network, we ceased operations to Sydney in September 2008 and our operations to Switzerland were concentrated on Geneva as from 24 January 2009. Efficiency was reinforced in the mindset of the organisation and in addition we initiated various cost management programmes and reviewed our processes. Discretionary costs were constantly kept in check or eliminated altogether. The Transformation Programme has helped to achieve the targeted savings of Euro 50 million committed to and has contributed substantially to the resilience of Air Mauritius.

HEDGING – A LEGITIMATE FINANCIAL INSTRUMENT USED BY MOST AIRLINES

Faced with the extreme volatility of fuel prices and as most airlines did we took the decision to hedge our fuel consumption. We gradually increased our hedging activities to cover 80 percent of our expected fuel consumption at an average price of USD 104 a barrel over a period of 2 years. At that time, market forecasts indicated that fuel prices would have gone well above the USD 150 a barrel. Subsequent events defied all predictions and fuel prices fell from USD 147 a barrel in July 2008 to USD 33 a barrel in December 2008. Consistent with most airlines that followed a fuel hedging strategy we suffered substantial fuel hedging losses as a result of the overall drop in prices. These losses amounting to 100.5 million Euros for the year turned our hard earned Operating Profit to a loss.

A MULTI LAYERED RESTRUCTURING PROGRAMME

These financial pressures were exacerbated by the global economic crisis catching up on our main markets especially in the second semester and even more in the last quarter. We faced deteriorating conditions in all markets with intense destination competition, overcapacity and declining yields. The total passenger traffic for 2008/09 declined by 9.3 percent. We therefore had to take a further set of measures in the light of these new challenges. Accordingly, in addition to our Transformation Programme we introduced our Restructuring Programme designed to give focus to the then current priorities and 'chop a slice of the problem' at a time. The first part of the programme aimed at improving and securing the cash flow, which was the primary cause for concern at the time. We took measures that would allow us honour our financial obligations and ensure the sustainability of the business. Divesting from our noncore assets were earmarked as last resort measures to generate one off cash proceeds though it now seems unlikely that we will have resort to these measures.

The general industry environment is still very much uncertain and the continued downturn over the past months required that we take additional steps to manage our financial risks. We have done all possible to safeguard jobs and employee morale. Faced with the imperative to adjust resources to shrinking operations, we gave employees the possibility to choose more flexible working options. A further set of measures have been scheduled over the medium term containing more than 20 projects aimed at ensuring strict control over all our costs including our employee costs, revisiting business processes, renegotiating all supplier contracts, and improving the efficiency of crew operations and deployment.

Furthermore, in order to reduce the Company's future exposure for its existing fuel hedges we unwound 40 % of our fuel hedge contracts with the help of Lazard Nitixis financial advisors. This resulted in the materialisation of Euro 50.8 million losses which has been factored in the 2008/09 reported results. We secured the required funding to honour our financial obligations with the support of our major shareholder, the government, who provided various guarantees to achieve this. We have recently announced that we are now in a position to return back to our government certain of these guarantees no longer needed.

Chief Executive's Review

(Continued)

EMERGING AS A STRONGER AIRLINE

Our prompt reaction to the financial and business events and challenges has started to pay back. The past two months have been very encouraging. Our total revenue for April and May 2009 has exceeded our expectations and improved our situation and cash flow in particular. Our balance sheet is still weighed down by our hedging liabilities, but we have managed to procure all our cash needs. We are currently using a small level of our available facilities. Furthermore, our shareholders are not expected to make any capital injection at this stage. Faced with adversity, Air Mauritius did not only take corrective measures but embarked on various sales promotion campaigns initiated in collaboration with the Mauritius Tourist Promotion Authority and the travel and tourism industry partners in order to boost demand. These proactive measures are already yielding the intended results. In addition over the past months we have sought the participation of all the staff to generate creative ideas to save costs further and stimulate revenue. This participation structured by way of Task Forces is making significant progress on revamping our business.

The past financial year has also been a landmark year with many other positive achievements. The entire on-board product was revamped to better position us against the competition. The cabin reconfiguration programme from three to two class for the A340 fleet was completed in June 2008 is already resulting in a significant revenue improvement. Our new lie flat business class seats, the revamped business class service, the warmth conveyed by the new designs of our cabins and the attractive new uniforms were all very well received by our customers. The refreshment of the Air Mauritius brand culminated in the launch of the new corporate identity in November 2008.

Furthermore, we consolidated our network by reinforcing all our alliance partnerships. The latest agreement signed with Air France in October 2008 gives new dimension to the Charles de Gaulle hub and has enhanced our access to destinations in 48 countries covered by the Air France European network. This partnership has allowed Air Mauritius to consolidate its market base by having its code on Air France operated flights to 34 destinations in Europe, including France to consolidate its market base. Following the recent agreement with Malaysian Airlines we can now offer code share flights to Australia and several Asian destinations. We have also resumed our cooperation with Air Madagascar.

The Customer Relations Management (CRM) systems implemented in 2008 gives us the possibility to better process passenger requests and feedback. It has also allowed the revamp of our Kestrel Flyer loyalty programme. Measures to improve our overall customer experience have also started. We implemented internet check-in and in order to take our service even closer to our customers and we have set up check in counters at several hotels in Mauritius.

WE WILL BE REAPING THE FRUITS OF OUR EFFORTS

The signs that we are weathering the storm are clear. We are resolutely preparing Air Mauritius to bounce back and take full advantage of an eventual economic recovery. We are looking forward to reinforcing our fleet when we take delivery of a brand new A330-200 in October 2009. We need to uphold the sense of urgency and sustain our efforts to consistently manage costs and increase revenue. Overall, today we can reasonably say that we are hopeful for the future. Air Mauritius has boldly faced testing times and is emerging as a stronger airline. We need all our stakeholders to support the leadership in its efforts to drive the Company forward. We wish to extend our sincere gratitude to our customers for their loyalty, our team of employees who have worked hard during the past year and to all our partners who have supported us. Our special gratitude goes to the Government of the Republic of Mauritius. We look forward to the future when we will be reaping the fruits of our efforts.



Manoj R K Ujoodha, G.O.S.K.
Chief Executive Officer
June 2009

Glossary



Glossary

Turnover

Represents total revenue earned and fees 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

Group:

Profit attributable to the equity holders of the parents

Company:

The company is exempt from payment of tax.

Interest Cover

Profit before interest charges divided by interest payable.

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' interests.

Dividend Cover

Profit after tax divided by proposed/paid dividend

Return on assets

Profit after tax divided by total assets.

Gearing ratio

Total debt to equity.

Earning per share

Profit after tax and minority interest divided by number of shares issued.

Net assets 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 on hand and short term deposits.

Direct serviceable loans

Loans excluding defeased portions.

Revenue passengers-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 as a percentage of ATK.

Yield

Travelled revenue divided by RTK

Directors' Report & Business Review



Directors' Report & Business Review

Overview of the Business

The Directors have pleasure in presenting their Annual Report, Business Review and Financial Statements of Air Mauritius Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended March 31, 2009. The Financial Statements are set out on pages 54 to 104.

Results for the year

The Group reported a loss of Euro 85.5 million for the year ended March 31, 2009 compared to a profit of Euro 17 million in the previous year. The Company incurred a loss of Euro 84.3 million for the year compared to a profit of Euro 15.6 million for the last year. However, Profit for the Group and the Company before fuel hedging losses of Euro 100.5 million amounts to Euro 15.1 million and Euro 16.2 million respectively.

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 served 28 destinations touching four continents i.e Africa, Asia, Australia, and Europe during the year. The airline has a comparatively high proportion of point-to-point business and only less than 20% of its passenger airline revenues accounts for beyond point-to-point.

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

Economic value is generated by the 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 2009, the Group earned Euro 448.6 million in revenue as compared to Euro 448.1 million of the previous year. 85.6% of this revenue was generated from passenger traffic, 10.4% from cargo and 4% from other activities. During the period under review, the number of passengers carried was 1,192,158 and 31,085 tonnes of cargo were uplifted across the network. At the end of March 2009, the Group had 12 fixed wing aircraft in service and 3 helicopters.

Mauritius Estate Development Corporation Limited (MEDCOR).

The subsidiary company 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 MUR 74.6 million (Euro 1.8 million) as compared to MUR 39.0 million (Euro 0.9 million) for last year. This year, the fair value gain on investment property amounted to MUR 25.2 million (Euro 0.6 million) as compared to a fair value loss of MUR 1.3 (Euro 0.03 million) for previous year. The office space remained at 100% occupancy level during the year.

Pointe Coton Resort Hotel Company Limited

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

The company recorded a profit of MUR 9.8 million (Euro 0.23 million) compared to a profit of MUR 10.5 million (Euro 0.25 million) for 2007/08. The occupancy rate of the hotel went down to 59% from 64%.

Airmate Limited

Airmate Ltd is a wholly owned subsidiary of Air Mauritius Limited. It was incorporated in January 2006 to provide Call Centre and IT enabled services.

Airmate Ltd recorded a turnover of MUR 42.7 million (Euro 1.0 million) and a profit of MUR 2.0 million (Euro 0.05 million) as compared to a turnover of MUR 28.4 million (Euro 0.67 million) and a profit of MUR 0.4 million (Euro 0.01 million) for last year.

Directors' Report & Business Review

Overview of the Business (Continued)

Air Mauritius (S.A) (Pty) Limited

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

Shareholder 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.

STRATEGIC DEVELOPMENTS & INVESTMENTS Fleet composition

The aircraft fleet of Air Mauritius comprised of 8 wide bodied, 2 narrow bodied and 2 turbo prop aircraft at the end of the financial year 2008/09 as follows:

TYPE OF AIRCRAFT	OWNED / FINANCE LEASE	OPERATING LEASE	TOTAL	SEAT CAPACITY	ON FIRM ORDER
Airbus A340-300	3	2	5	298	-
Airbus A340-300E	-	2	2	300	-
Airbus A319-100	2	-	2	124	-
ATR 72 - 500	1	1	2	72	-
Airbus A330-200	-	1	1	275	1
Total	6	6	12	-	1
Bell Ranger Helicopter	3	-	3	4	-

Cabin reconfiguration

The whole of the A340-300 fleet was retrofitted from a three class into two class configuration during the year with the following layout:

The A340-300 Classic with a total of 298 seats with 34 Business Class seats at 60 inch pitch and 264 Economy Class seats at 31 inch pitch and the A340-300 Enhanced with a total of 300 seats with 34 Business Class seats at 60 inch pitch and 266 Economy Class seats at 31 inch pitch

The new Business Class cabin has been equipped with a new lie-flat seat based on industry standards with an

in-flight recline angle of 172 degrees. All Company's wide bodied aircraft operates with the new class configuration and new lie-flat business class seats as from July 2008.

Moreover, the new retrofit of the A319-100 fleet which has been completed in March 2009, offers a seating capacity of 124 seats (16 business and 108 economy), convertible into an all economy cabin layout of 132 seats, as compared to 120 seats (12 business and 108 economy) previously. Flights to Reunion are commercialised in all economy version of 132 seats.

Directors' Report & Business Review

Overview of the Business (Continued)

Fleet utilisation

The following table provides the average daily utilisation in hours of the Air Mauritius fleet for the last five financial years by aircraft type.

TYPE OF AIRCRAFT	2008/09	2007/08	2006/07	2005/06	2004/05
A340 - 300	12.4	13.6	14.2	14.4	14.5
A340 - 300E (since Dec 06)	13.3	14.8	15.1	n/a	n/a
A330 - 200 (since Dec 07)	10.6	12.0	n/a	n/a	n/a
A319 -100	7.1	6.8	8.4	8.5	8.5
ATR 72	5.6	6.3	6.8	6.7	7.4

Future fleet evolution

Air Mauritius will take delivery of a second A330-200 aircraft in October 2009. The Company is not renewing its lease agreement for one A340-300

aircraft expiring in October 2009 due to the anticipated decline in demand as a result of the economic recession.

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

Dubai is served on code share basis with Emirates Airlines.

As at 31 March 2009, the Company's network consisted of 23 online points.

Network developments during 2008/09:

Bangalore was added to the network in April 2008. Seasonal flights were operated on Madrid during the period June to October 2008 and Sydney and Zurich destinations were discontinued during the year.

Network expansion through airline partnerships

New consolidated cooperation agreements were concluded with Air France, Malaysia Airlines and Air Madagascar during the year 2008/09. The existing cooperation with Air India, Emirates, South African Airways and Kenya Airways were in place during the year 2008/09.

Air France

Air Mauritius and Air France have strengthened the existing partnership by concluding a new joint venture agreement as from October 2008. The new agreement has an extended scope which provides each airline the opportunity to carry its code beyond its partner's hub on flights operated by its partner or its franchisees. Air Mauritius has consequently been able to place its code to 34 European destinations beyond Paris including French provinces as from November 2008.

France: Brest, Bordeaux, Clermont Ferrand, Lyon, Montpellier, Marseilles, Mulhouse, Nice, Nantes, Pau-Pyrennes, Rennes, Strasbourg and Toulouse.

Directors' Report & Business Review

Overview of the Business (Continued)

UK: Aberdeen, Birmingham, Bristol, Edinburgh, London City, London Heathrow, Manchester, Newcastle and Southampton.

Spain: Barcelona, Bilbao, Madrid, Vigo and Asturias.

Germany: Munich, Düsseldorf and Frankfurt.

Austria: Vienna.

Italy: Bologna, Rome and Milan.

Furthermore, as from May 2009 two points in Switzerland (Geneva and Zurich) are also being served.

Malaysia Airlines

A new code share agreement effective November 2008 has been signed between Air Mauritius and Malaysia Airlines which involves free flow code share on the Mauritius/Kuala Lumpur route on flights operated by Air Mauritius and on destinations beyond Kuala Lumpur served by Malaysia Airlines. Air Mauritius has placed its code to four destinations beyond Kuala Lumpur and code share to new points in China and Malaysia for the forthcoming financial year 2009/10.

Air Madagascar

Air Mauritius and Air Madagascar have resumed their cooperation by putting in place a new agreement effective November 2008 offering daily flights between Mauritius and Madagascar. The agreement is based on a free flow code share.

Other partnerships

During the financial year 2008/09, Air Mauritius maintained its cooperation agreements with Emirates, Air India, South African Airways and Kenya Airways. These agreements are in the form of soft block code share seat arrangements which allow Air Mauritius the possibility to commercialise seats under its own code on flights operated to Mauritius by Emirates and South African Airways and to provide seats to Air India and Kenya Airways.

Aeropolitical Developments

Bilateral air services talks have been held between Mauritius and Sri Lanka in August 2008, Malaysia in January 2009 and Switzerland in April 2009 to review and enlarge existing traffic rights portfolio.

SALES AND DISTRIBUTION

In order to counteract the challenges posed by deteriorating economic conditions and high fuel prices, Air Mauritius reviewed its basic economic fundamentals of demand and supply. In order to match capacity with demand, Air Mauritius overall capacity was reduced by 7.1% for the year 2008/09 as compared to the previous year. Passenger load factor dropped slightly from 76.8% to 75.2%. Both traffic and passenger travel revenue went down by 9%.

Mauritius Station

Mauritius market is one of the main revenue contributors in the Air Mauritius Network. All measures have been adopted to consolidate market share to cope with a declining trend in demand.

A major change in the marketing environment for the Mauritius market in 2008/09 has been the introduction of net fares (zero commission) from April 2008. The concept of service fee was introduced and payable by all passengers at the time of ticket issuance. In this context, Air Mauritius implemented a service fee grid which was used as base by all travel agents in the market.

A new ticketing counter has been opened at Ebene Cyber Tower in January 2009. The ticketing counter at Rogers House has been closed and ticketing activities transferred to Air Mauritius Centre. In addition, a Business Centre has been set-up in Air Mauritius Centre to service corporate customers. Our Contact Centre remained an important channel for online and telesales. All facilities and logistics have been set up to promote Web sales.

MARKET RESEARCH

Passenger Satisfaction Survey

An ongoing passenger satisfaction survey was implemented in May 2008 on board by means of a questionnaire in four languages: English, French, German and Italian. This was complemented with qualitative study in the form of face to face interview and focus groups with passengers. The survey reflected the performance of service areas, and corrective actions as well as necessary improvements are in the process of being implemented.

Directors' Report & Business Review

Overview of the Business (Continued)

Mystery Shopping

The consolidated findings of the Mystery Shopping exercise carried out during the period May 2007 to April 2008 reflecting the standards of service quality that the Company was offering at our ticketing counters. The findings were circulated to all concerned for remedial actions, where necessary.

Market Studies

Market opportunities are explored on an on-going basis through market studies. During the year, market studies were carried out for Amsterdam, Madrid, Shanghai and Nordic countries.

CUSTOMER LOYALTY

New Loyalty Program

The new, redesigned Kestrelflyer programme was launched in March 2008 and supported by a new Siebel CRM system. During the year 2008/09, more than 12,000 new members joined the programme, out of which, 44% registered online. The number of members has grown to 55,800. We have improved our earn/burn ratio substantially to make the scheme more attractive.

The existing benefits for Kestrelflyer cardholders have been enhanced to include facilities such as priority check-in at "La Terrasse" lounge at the SSR International Airport for Elite Gold holders travelling Business Class, discount on duty free items to both Silver Plus and Gold Card holders at the Mauritius Duty Free Paradise Co. Ltd and discount with Avis Car Rental.

Potential Partnership

Air Mauritius is discussing potential partnerships with Airlines and non-airline partners. The new programme will enable Air Mauritius to beef up its offerings to its frequent flyers.

Siebel System

Siebel Loyalty module on-line features has helped us bring more visibility and accessibility of the programme features to the frequent flyers by providing access and possibility of managing their respective account online from their desktop. The

system can be accessed from different service points. The database enables better customer service, targeted attention and focus on high value accounts.

Customers

We have made several investments directed at improving the customer experience with the Company. These include products and services which have been outlined on our website www.airmauritius.com, which has also been upgraded and enhanced.

Air Mauritius has introduced new systems to make passenger travel simpler and more convenient. In line with IATA's 'Simplifying the Business' programme, it has implemented the Bar Coded Boarding Pass (BCBP) system at SSR International airport in Mauritius and at Sir Gaetan Duval airport in Rodrigues. The rollout of BCBP in other airports where Air Mauritius operates is also on-going so that the Company can reap the benefits of reduction of check-in related operation costs and improved use of airport space.

A new online Internet Check-in service has also been offered to passengers since July 2008. This service is available in Mauritius, Rodrigues, Paris, London and Reunion and will be gradually extended to other countries where the airline flies to. With this facility, passengers can check-in online through the Air Mauritius web site, select their seats and print their boarding pass before they proceed to the airport. Baggage drop off counters have also been set up, thereby offering fast track access for web check-in passengers.

Furthermore, as part of the Company's strategy to develop an enterprise wide CRM platform to better serve its customers, Air Mauritius has carried out the implementation of the Oracle Siebel system during the year. This encompasses the Sales, Marketing, Loyalty, Contact Centre, Complaint Management, and Help Desk activities of the Company. This CRM system is the enabler for the Company's Loyalty programme and assists the Company to enhance customer loyalty, better service corporate business, improve sales and manage customer recovery whilst optimising its service relationships with its important customers.

Directors' Report & Business Review

Overview of the Business (Continued)

REVENUE MANAGEMENT AND PRICING

Subsequent to the Mc Kinsey recommendations, Air Mauritius has contracted the services of Air France Consulting to fully implement the recommended initiatives on revenue management. A general audit of our revenue management organisation, processes and systems, has led to the identification of certain shortcomings and remedial action has been taken in respect thereof.

Processes

Our improved processes aim at eliminating seat wastages, matching demand to capacity and improving yield. We have also upgraded our system to improve our flight firming process. We monitor flights on a weekly basis and track poor flights regularly to proactively take actions to enhance revenue. Our pricing system is now more dynamic in order to stimulate demand on low performing flights and also to be more competitive. We have improved our monitoring of competition and adapted our pricing structure accordingly to grow our core business and develop new segments.

Fares distribution

In order to improve on our sales capabilities, Air Mauritius has simplified its fare structure from Europe. The model will be replicated on the other markets. Our tour operator fares have been made available through GDS, for wider access, which is having a direct positive impact on revenue.

COMMUNICATIONS & CORPORATE AFFAIRS

We unveiled our new corporate identity after 40 years on 18 November 2008. The new logo evolves from the previous one and represents a Paille en Queue in flight. It is strengthened by a visual motif inspired by the four stripes of the Mauritian flag. Our new visual identity has been designed for a better fit with the Air Mauritius positioning. The colours and design of the new uniforms launched in October 2008 is inspired from the tropical palette of the island and reinforces the mauritian identity.

Air Mauritius has been active in keeping stakeholders and the public informed of the Company matters through regular communications via various media. The Company published a bi-

monthly internal newsletter, AIRletter, to reach its employees based in Mauritius and overseas. The publication provided employees with a blend of corporate and leisure information to strengthen team cohesiveness and reinforce the sense of belonging to the organisation. It has also been a platform to promote employee participation and the sharing of ideas.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Air Mauritius pursued its policy on corporate social responsibility. It embraced IATA's Declaration on Commitment of Action on Climate Change signed by organisations across the air transport industry and supported the sensitisation campaign. We welcomed Mr Giovanni Bisignani, IATA Director General and CEO in Mauritius in October 2008. He addressed key policy makers on the subject of "Aviation and Environment : Impact on Small Islands" and contributed to raising awareness on environment issues in aviation. Air Mauritius also sustained its involvement in conservation projects and other CSR schemes already underway.

CABIN OPERATIONS

Service delivery

The Business Class service has been revamped according to the revised business class standards. The Economy Class service has also been redesigned. New service equipment, designed to match the new cabin colours were implemented on Paris & London routes as from October 2008 together with the launch of the new corporate uniform.

In order to ensure high quality service delivery and monitor passenger feedback, the third recurrent service training programme for cabin crew was carried out during the year.

Processing customer feedback

The SIEBEL project was implemented to capture, analyse and interpret information related to passenger complaints and anomalies encountered on board. The process is vital in the effective analysis of flight reports in Cabin Operations. Cabin Operations uses its Crew reporting system on SIEBEL as a platform to share the outcome of the analytics with stakeholders for prompt corrective actions.

Directors' Report & Business Review

Overview of the Business (Continued)

Catering

The audit and follow-up of caterers and suppliers is an ongoing process whilst self-audit questionnaires have been designed and implemented for caterers on Air Mauritius network. The investigation and follow-up of food safety incidents using the Siebel system has been implemented. Cabin crew service delivery in terms of food hygiene requirements has been reviewed and a glass policy has been implemented onboard.

TECHNICAL SERVICES

Air Mauritius is a European Aviation Safety Agency (EASA) Part 145 approved maintenance organisation and is approved to maintain aircraft by the Department of Civil Aviation of Mauritius.

Revenue generation

In addition to the technical handling of our aircraft and that of other airlines flying to Mauritius, Technical Services contracted third party maintenance agreements. These include Maritime Air Squadron which operates Government of Mauritius aircraft. As from May 2008, Air Mauritius provides maintenance support services to Air Tanzania.

Optimising efficiency

In order to optimise efficiency, Technical Services took a number of measures pertaining to inventory management, reduced investment in spares, logistics management, tooling and equipment among others.

Training

The Technical Training School has delivered courses to more than 750 participants during the financial year.

The Training School has the plan for obtaining the EASA part 147 approvals. The school is also currently working to prepare the course material for Category A license training. Defender and Dornier type training is also planned for the next financial year.

Aircraft reconfiguration

Technical Services performed the modification of our A340 fleet from a three class to a two class configuration in house.

GROUND OPERATIONS

Revenue and costs

Revenues from handling of other foreign airlines and their passengers were Euro 3.6 million, i.e., decrease of 8% as compared to last year. However, new revenue streams were identified from other areas, such as excess baggage, last minute upsells and Hotel Check-In.

Customer service

The Lounge services have been revamped to align with the two-class product of Air Mauritius fleet. The lounge is equipped with WIFI and menus have been reviewed. The lounge facility is now also being marketed to none business class and other none eligible passengers on availability basis.

The hotel customer service counters including check-in services and last minute upgrades have been introduced at 12 hotels around the island and there are plans to extend the service to 50 hotels over the next three years.

Training

Training programmes for new employees and refresher courses were carried out. The IATA Operational Safety Audit (IOSA) audit was successfully carried out for the Ground Operations in June 2008.

Outstations

At outstations, the costs and levels of services are being closely monitored. As such, the ground handling contracts for 4 outstations (India, Frankfurt, Madagascar, Kuala Lumpur) have been renegotiated resulting in considerable savings.

CARGO

The Company continued to optimise the belly-hold capacity deployed on flights based on customer demand whilst complementing it with dedicated regional all-cargo operations.

Directors' Report & Business Review

Overview of the Business (Continued)

Performance

During financial year 2008/09, Air Mauritius carried more than 31,000 tons of cargo for a total revenue of Euro 35 million. Due to the slowdown in world trade, the international cargo traffic witnessed more than 20% drop in cargo activities. Air Mauritius has also been affected. The decrease in cargo capacity in the network due to passenger demand coupled with the exchange rate effect and fierce competition from other airlines adversely affected yields

New developments

Customer service has been improved with the implementation of the Siebel CRM system which more effectively manages cargo claims and customer recovery. Air Mauritius is continuing to develop its platform for IATA E-freight capabilities which aims at achieving a paperless environment for cargo business by year 2010. The measure will reduce costs, improve shipping time, accuracy and competitiveness of air freight.

Way forward

Future growth will be primarily based on consolidating Mauritius as a logistic hub for the region and adding new markets. We will continue to cooperate with partner carriers to serve destinations where we do not operate directly.

WEBSITE IMPROVEMENTS

The Air Mauritius website is also being continuously enhanced to provide more services to its customers and improve online sales. The Company has partnered with Expedia to provide online packages including flight, hotel, travel insurance and sightseeing for its major markets such as UK, France, Germany and Italy. A wider choice of destinations and city pairs is also now available to provide more travel options to customers. In addition, the Company has implemented new systems to enable quicker and wider campaign management so as to inform its customers and Frequent Flyer members about promotional offers through email or SMS.

HUMAN RESOURCES

In order to support the development of a resilient organisation, capable to face new challenges, the Company's people strategy has been developed to enhance its ability to attract, motivate and retain key staff. The Company is in the process of recruiting a seasoned and experienced HR executive to implement the strategy and to manage the HR functions going forward.

An HR task force made up of cross-functional employees have been addressing a number of HR matters included various allowances paid as well as the design of a new performance management system, based on the balanced scorecard framework which has been rolled out at management level. Linked to the Performance Management Systems (PMS), the first steps to revisit our reward strategy has been developed through the design of a variable pay plan, taking into account the individual, as well as the Company's performance.

The Company participated in a remuneration survey in July 2008, giving an assessment of the Company's remuneration and benefits practices as compared to the Mauritian market. The implementation of a professional grade structure is another initiative which may be considered to respond to the Company's retention strategy. A proposal has been worked out accordingly, taking into account the market and internal relativities.

In order to evaluate jobs fairly and ensure that internal and external equity are achieved and maintained, a staff job evaluation system has been acquired, complementing the already existing methodology available for management level.

The employee relation dimension on its part has been more than dynamic with meetings held regularly with Unions and Management. Unions open issues are being attended to and dealt within deadlines agreed to between Management and Unions.

Directors' Report & Business Review

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Governance

Group management structures are designed to ensure enterprise-wide risks are properly identified, analysed, mitigated and managed. Responsibility for effective management of risk rests with the Company's Board of Directors with overall management of risks delegated to the Risk Management Steering Committee (RMSC). The following principles are applied by the Company and the Group:

- a) Responsibility: Group activities entail business risk and therefore risk management is everyone's responsibility. The Group must take into account its social, ethical and environmental responsibilities in setting risk parameters and target returns.
- b) Risk and return: ensuring that risk is taken in support of Group strategy and within its risk appetite as defined from time to time by the RMSC.
- c) Accountability: ensuring that there is an auditable system of evaluating, controlling and reporting on risks, and that decisions are taken within defined authority limits.
- d) Awareness and anticipation: creating an atmosphere of continuous learning and awareness of risks that impact the business throughout the Group.

Procedures and parameters for risk management are stipulated in the Company's Risk Management Manual, which is reviewed from time to time to ensure it remains relevant to the Company's activities.

As in previous years, the Board relied and placed its trust in those risk management structures, processes and measures to deal with the risks detailed below to which the airline is exposed. The extreme volatility of fuel prices during the third quarter of the year and the complex nature of fuel hedging transactions entered into by the Company resulted in the risk management processes becoming challenged.

In December 2008, the Board became aware of the liquidity crisis that the fuel hedging portfolio created in the business. It intervened and took direct control of the situation. Several financial and treasury advisors were engaged to assist the Board to consider and implement appropriate remedial steps. The following were some of the steps taken by the Board with the support of the Management to address the immediate liquidity crisis that existed and reduce the Company's future hedge portfolio exposures:

- Arranging guarantees from the main shareholder of the Company to procure additional banking facilities;
- Unwinding a portion of the hedge portfolio;
- Ensuring management implement immediate additional cost reduction actions;
- Identifying non-core assets that can be sold;
- Obtaining agreement from the main shareholder of the Company for a Euro 35 million facility if required;

The Board convened regularly (at times several times a week) over the past four months to monitor the situation and the implementation of remedial actions. Those measures coupled with the rebound of fuel prices and the favourable evolution of currencies and exchange rates have had a significant positive impact on the Company's current liquidity and financial position. Accordingly the decision to sell certain non-core assets and the contemplated rights issue have been deferred for now.

The entire risk management framework is being re-evaluated to consider where it needs to be augmented to prevent any similar occurrences going forward.

Risk Management Team

Management is accountable to the RMSC for the implementation and detailed monitoring of the risk management process. Provision is made for a Risk Management Team (RMT) to review risk management reports, as well as hedging transactions for fuel and currency. During the year the Team consisted only of the Executive Vice President Finance and Senior Manager Treasury. The Finance Department, acts as the Company's risk secretariat and is responsible for reporting all

Directors' Report & Business Review

Principal Risks and Uncertainties (Continued)

major risks to the RMSC. An overall risk map is prepared each year covering both financial and non-financial risks as part of the Company's budgeting process. This risk map is approved by the Board and forms the basis for budgeting assumptions each year.

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 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 imply that the Company is exposed to a number of risks. Many of these risks remain outside of the Company's control and are only mitigated to a certain extent. Major risks faced by the Company are given below:-

Declining traffic demand

The aviation industry worldwide is experiencing heavy difficulties as the gloomy economic outlook reduces demand for air travel. The Company has reassessed its business plans in order to reduce operating costs by retrenching network capacity, cancelling non-profitable routes, and reviewing its fleet in the face of an ongoing decline in air and cargo traffic.

Jet Fuel Price

Fuel hedging is an important tool for the airline industry; it evens out the peaks and troughs of the airline fuel costs and brings certainty to the Company's budget in a volatile market. The extreme volatility witnessed during this financial year has made this risk very difficult to manage, the more so at a time when passenger and cargo traffic and consequently oil consumption is being negatively impacted.

Competition

These past years, the Company has witnessed an increase in competition from other airlines on its routes as well as from indirect flights and charter services. 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 is responding 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.

Industrial relations

Providing and maintaining an unflinching, trustworthy, healthy, safe and secure working environment is of paramount importance to the organisation. The Company has a large unionised workforce comprising six unions and is aware that effective communication between Management and the unions should be in place in order to avoid disruptions in operations and adverse business performance. In the light of its financial difficulties and with a view to reducing costs and protecting employment, the Company has introduced a "special leave scheme" which encourages staff to take unpaid leave.

Reputation and adverse publicity

The Company faces reputation risk and consequently loss of public confidence when it is confronted with negative perception. It recognizes reputation as an ongoing risk and that the very survival of its business depends on continued credibility and trust. It is therefore constantly working to improve its image with all stakeholders. Its communications and public relations department ensures that both staff and general public are kept well informed about the Company's activities and performances.

Pandemics and Epidemics

The Company can be severely hit by pandemics (chikungunya and H1N1) as well as other health risks which are beyond its control. To this end, the Company has embarked into a sensitisation

Directors' Report & Business Review

Principal Risks and Uncertainties (Continued)

programme on Influenza A (H1N1) at the airport whose objectives are to inform employees about:

- a. the ways the infection may be transmitted,
- b. preventive actions that must be taken,
- c. arrangements made by the Relevant Authority to cope with any suspected or confirmed case
- d. the national response plan should there be a pandemic in Mauritius.

However, the Company faces a risk of massive cancellations should there be spread of Influenza A (H1N1) in Mauritius.

Operational Risk

The Company is exposed to many and varied risks associated with operations and marketing activities of the Company; such as demand and sales price variability, competitor threats, operational leverage, portfolio risk and product development risks, to the extent that they are independent of market risk. The following are some of the key aspects of business operational risks for the airline:

- Commercial strategy and product: the Company strives to fulfill its business objectives, to stay compliant, to continue to operate to the satisfaction of regulators and the law and to deliver its contractual obligations.
- Market and Economic factors: the Company is largely dependent on passengers and cargo shippers able and willing to pay for carriage by air. 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. It strives to retain its presence in the international market place and to offer products suited to the core tourism market and other segments.
- Technology and e-commerce risk: the modern working environment relies heavily on technology and e-commerce. The impact of e-commerce and/or technology failure or interruption is immediate and potentially devastating to the Company. 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.

- Supply chain risk: the Company is dependent on its suppliers and third parties for activities such as catering, maintenance and reservation systems. It is crucial to ensure punctual delivery of these time-critical contracted products; or else operations would be disrupted and the business results would suffer. The Company mitigates this risk by ensuring that contracts with these parties address these issues.
- Fleet grounding or restriction: the Company operates a number of aircraft types in its services. An accident or discovered defect even when this applies to another airline could be cause of grounding of part or all the fleet, thus causing disruptions to the business. The Company maintains an updated register of its contractors and counterparties.
- Business Disruption: 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 or her role in emergency situations.
- Political restrictions: route rights and landing rights are often determined by the country of destination. If route rights and permission to land were to be withdrawn, the operations of the Company would be disrupted and its financial performance impaired. The Company mitigates this risk by being a good citizen and operating within the law, to a high international aviation standards.

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,

Directors' Report & Business Review

Principal Risks and Uncertainties (Continued)

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 the Company's procedures and the requirements of the law. The Code, which is applicable to all Directors and staff, is one of the key pillars in the prevention of fraud and other malpractices. It is a central part of the implementation of high standards in corporate governance throughout the Company.

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

Legal and Regulatory Risk

The Company's business and reputation may be harmed if it fails to comply with applicable new or changed laws and regulations, or governance standards or changes in interpretation of laws and regulations. The Company through its Legal Section 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.

Flight Safety and Security

Our business depends on the absolute assurance of safe and secure operations, both in the air and on the ground. The Company has in place 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. Failure to prevent a major security or safety incident would harm both the Company's operations and financial performance.

Country Risk

As an airline operating to many countries, Air Mauritius faces country risks, such as devaluation of a currency, exchange controls, disease or epidemics outbreak forcing the Company to stop or suspend operations or inability to repatriate its funds as a result of adverse economic conditions or actions taken by Governments.

The Company works through its country managers and airline industry organisations to have an early warning system about adverse conditions in the different jurisdictions. Accordingly, action plans are developed to respond to the risk identified.

Business Continuity Plan

The Company has considered all foreseeable eventualities and has identified the action it needs to take to respond to a crisis into a formalised Business Continuity Plans (BCP) within the risk management framework. These include standby facilities as well as emergency procedures and management structures covering recovery from major accidents and/or disasters that have the potential to disrupt the entire business. The BCP programme forms an integral part of the management of enterprise wide risks covering ground operations, aircraft operations, information technology, security, safety and other business threats and ensures that the Company works effectively through it in an effort to regain its market position as speedily as possible.

Insurance

The Company carries insurance of types customary in the airline industry and at amounts deemed reasonable and adequate to protect its assets, 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.

Directors' Report & Business Review

Principal Risks and Uncertainties (Continued)

Claims not covered by or which exceed insurance

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

Financial Risk Management policies

The financial risk management policies of the Company require that the Company be hedged against variations in both jet fuel prices and exchange rates. The parameters which guide management in its hedging activities are detailed in the Company's Risk Management Manual which is a document approved by the Board. The Manual provides guidance on the following:

- (1) Hedge ratios
- (2) Hedging horizon
- (3) Transaction Limits
- (4) Approved Financial institutions
- (5) Approved instruments
- (6) Operating Procedures and internal controls

For jet fuel, the maximum hedging horizon is two years with minimum and maximum hedge ratios of 30% and 70% respectively. The hedging policy is similar for exchange rates except for the tenor which is limited to one year. Management can seek derogations from the Risk Management Steering Committee, a sub-committee of the Board, in order to increase/decrease the hedges above the maximum limit or below the minimum limit. In July 2008 for example, the Risk Management Steering Committee approved an increase of the oil hedging ratio above 70%.

The Risk Management Steering Committee is apprised of all hedge transactions entered into by Management.

Foreign Exchange

The currency pair to which the Company is most exposed is the EUR/USD. Indeed, the revenue

stream of the Company is principally in Euro with only a small percentage earned in US dollar. On the other hand, the Company pays the highest proportion of its expenses in US dollar. Consequently, the depreciation of the Euro vis a vis the US dollar represents a risk which the Company needs to manage.

2008/09 was a mixed year for the Euro. During the first four months of the financial year, the single European currency traded above 1.55 on average and even reached a record high level of 1.60 against the US dollar. In order to benefit as much as possible from the strong Euro, the Company kept its hedge ratio for the first half of the financial year below the minimum limit to 21%. A reversal of trend in the EUR/USD was noted as from August 2008. The Company responded to this turn of events by increasing its hedge ratio for last six months to 42% bringing the overall hedge ratio for the financial year to 32%.

Obligations in other currencies were matched with receipts in similar currencies and surpluses were sold on a hedged or spot basis mainly against the US dollar.

Jet Fuel Price Risk

2008/09 was characterised by unprecedented volatility in oil prices. During the first months of the year, oil prices broke record after record to reach a high of \$147/bbl in July 08. Subsequently, prices fell all the way to \$33/bbl in December 08. The fall was in effect much sharper than the rise.

This volatility caused enormous problems for Air Mauritius. Indeed, during the financial year, the Company had significantly increased its hedge ratio over the next two years in order to protect itself against the high volatility of the oil market. The decision was taken at the time when prices were rising rapidly and, in view of growing demand from emerging markets and supply constraints, forecasts were for levels to remain well above USD150/bbl going forward. Although fuel surcharges were being increased, the additional revenues were not sufficient to mitigate the negative impact of the rise in fuel prices on the bottom line.

In the light of those challenges, Air Mauritius through its Risk Management Steering Committee, decided to significantly increase its hedge ratio

Directors' Report & Business Review

Principal Risks and Uncertainties (Continued)

from 45% to 80% for the next two financial years. As a result of the financial and economic crisis which started unfolding in September 2008, oil prices fell sharply resulting in the mark-to-market of the hedge transactions being heavily in favour of the hedge counterparties.

In February 2009, Air Mauritius decided to appoint Lazard as financial advisor to help it manage its fuel hedging portfolio. Following recommendations of the latter, the Company decided to unwind forty percent of its mark-to-market positions in March 09. The unwinding of positions resulted in the crystallisation of losses amounting to Euro 50.8 million. The hedging risk exposure of the Company has been reduced accordingly. As at March 31, 2009, the mark-to-market on the remaining portfolio stood at EUR 72.2 million. The Company used principally the cash collaterals previously deposited with the hedging counterparties to complete the unwinding.

Further positions were closed out during April 2009 bringing the total proportion unwound to forty-five percent of the mark-to-market of the initial portfolio.

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. Those measures ensure that credit risks are minimised.

Interest rate risk

The Company finances its aircraft principally in Euro and US dollars. Increases in interest rates of the Euro zone and US, can therefore have a negative impact on the bottom line. The Company 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 which generate higher interest income when rates increase and as a result lessens the impact of higher interest rate expense.

Liquidity risk

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

With the sharp fall in oil prices, Air Mauritius had to post significant cash collaterals with its hedging counterparties pursuant to an ISDA / CSA (Credit Support Annex) agreement signed with those parties. In order to meet those collateral obligations, the Company negotiated overdraft facilities of Euro 44.7 million with commercial banks and a loan of Euro 16.7 million with the National Pension Funds. Those facilities were guaranteed by the Government of Mauritius. Also, a loan of EUR 4.2 million was taken with Medcor Ltd.

The closing of a significant proportion of the hedging portfolio has significantly reduced the liquidity risks faced by the Company.

Directors' Report & Business Review

Performance and Development of the Business

PERFORMANCE AND DEVELOPMENT OF THE BUSINESS

Financial Performance

The discussion below covers the two years ended March 31, 2009 and March 31, 2008. It is based on the Group's Financial Statements which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Loss of the Group for the year was Euro 85.5 million as opposed to a profit of Euro 17.0 million achieved in the previous year. Group Operating profit which was of Euro 24.7 million in 2007/08 deteriorated in a loss of Euro 30.6 million this year. The loss was attributable to a large extent to the adverse effect of the fuel hedging contracts made by the Company. Revenue Per Available Seat Kilometre (RASK) was marginally down by 2.4%, while Cost Per Available Seat Kilometre (CASK) went up by 8.9% mainly because of the hedge cost of Euro 49.7 million.

Business Segments

Airline business

The airline business segment result for the financial year 2009 was a loss of Euro 84.3 million compared with a profit of Euro 15.6 million in 2008. The result achieved during the year was largely due to the loss of the fuel hedging activities undertaken by the Company and also due to the global and financial economic crisis.

Directors' Report & Business Review

Performance and Development of the Business (Continued)

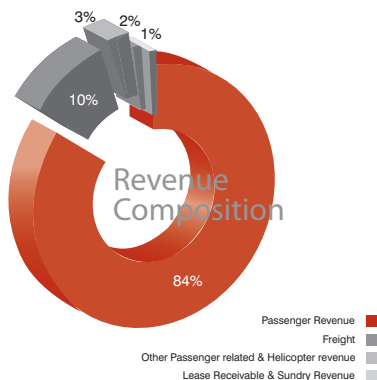
SEGMENTAL INFORMATION

1. By Product

(a) Aircraft Operations

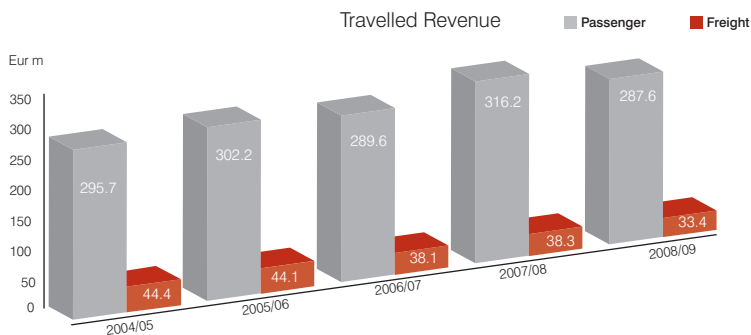
Revenue generated from aircraft operations amounted to Euro 341.2 million for the period under review as compared to Euro 373.5 million for financial year 2007/08. Both Passenger and freight revenue which are the main sources of income for the Company registered significant fall of 9% and 12.8% respectively when compared to the previous financial year. On the other hand, lease receivable, sundry revenue, excess baggage, mail and courier revenue increased substantially compared to 2007/08. Passenger revenue remains the core business of the Company with 84% share of the total aircraft operations revenue.

Revenue Composition	EUR million	% Change over Last Year
Passenger Revenue	287.6	(9.0)
Freight	33.4	(12.8)
Other Passenger related & Helicopter revenue	9.6	(20.7)
Lease Receivable & Sundry Revenue	7.0	52.2
Excess Baggage, Mail & Courier	3.6	56.5
Total	341.2	(8.6)



(b) Ground Operations

Traffic and technical handling services provided to other airlines operating to Mauritius also generates revenue for the Company. For the financial year 2008/09, revenue derived from these services represented 1.9% of total aircraft operations.



Directors' Report & Business Review

Performance and Development of the Business (Continued)

2. Geographical

(i) Geographical by Route

Travelled Revenue breakdown by route *

Operating Region	EUR million
Europe	183.1
Asia	55.5
Africa/Middle East/Indian Ocean	64.1
Australia	24.9
Total	327.6

* Excluding Helicopter Revenue, Lease Receivable & Sundry Revenue

Europe - 56%

The European region witnessed a fall of 1 point in its share of travelled revenue from 57% in 2007/08 to 56% this year. Both Revenue Tonne Kilometres and Available Tonne Kilometres were down by 12.1% and 8.5% respectively.

Asia - 17%

Asia share of travelled revenue remained unchanged at 17%. Available Tonne Kilometres went down by 13.8%, whilst Revenue Tonne Kilometres decreased by 10.7%.

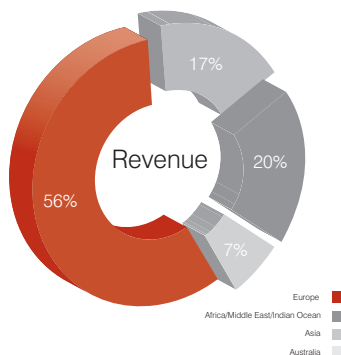
Africa / Middle East / Indian Ocean - 20%

The share of travelled revenue of these three regions registered an increase of one point from 19% in 2007/08 to 20%. Revenue Tonne Kilometres dropped significantly by 9.5% despite a small decrease of 0.7% in Available Tonne Kilometres.

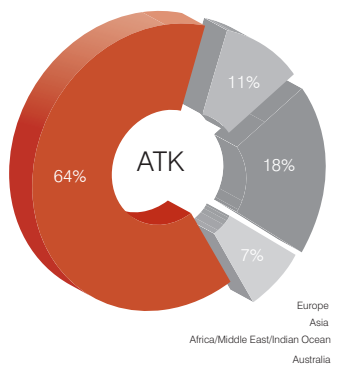
Australia - 7%

Australia maintained its share of travelled revenue at 7%. Both Revenue Tonne Kilometres and Available Tonne Kilometres went down by 3.8% and 4.4% respectively.

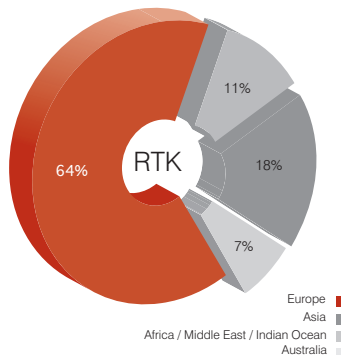
Travelled Revenue by route



Available Tonne Kilometres (ATK)



Revenue Tonnes Kilometres (RTK)



Directors' Report & Business Review

Performance and Development of the Business (Continued)

(ii) Geographical by Destination

Travelled Revenue breakdown by destination *

Destination	EUR million
Europe	156.5
Mauritius	68.0
Asia	27.3
Indian Ocean	37.4
Africa & Middle East	18.3
Australia	17.8
America	2.3
Total	327.6

* Excluding Helicopter Revenue, Lease Receivable & Sundry Revenue

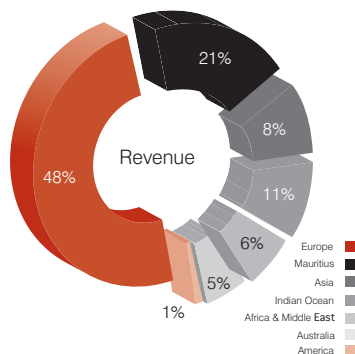
Revenue by destination is defined as the income generated from the original point of sale.

For Europe, France, United Kingdom, Germany, Italy and Switzerland are the main contributors. The share of revenue of Europe slipped by 1 point from 49% in 2007/08 to 48% this year, but it remains by far the top revenue provider of the airline.

Mauritius improved its share of revenue by 2 points from 19% in 2007/08 to 21% for the period under review and remains the second highest revenue contributor behind Europe.

Indian Ocean which is composed mainly of the islands of Madagascar, Reunion and Seychelles registered an increase in its share of revenue from 10% in 2007/08 to 11% this year.

Travelled Revenue by Destination



Asia which groups the Indian sub continent and the far east countries such as Hong Kong, Malaysia and Singapore witnessed a fall in its share of revenue from 9% in 2007/08 to 8% in this financial year.

Africa and Middle East represented mainly by South Africa, Kenya and United Arab Emirates maintained its share of revenue at 6%.

The Australian continent recorded a fall of 1 point in its share of revenue from 6% to 5%.

The share of revenue of USA and Canada which represent America remained unchanged at 1%.

Directors' Report & Business Review

Performance and Development of the Business (Continued)

Geographical by Routes (Passenger only)

Operating Region	Number	% Change	EUR million	% Change over last year
Europe	416,498	(10.6)	160.3	(11.1)
Africa & Middle East	158,929	(9.3)	30.4	(13.1)
Asia	206,127	(13.6)	47.3	(10.1)
Australia	68,202	(1.1)	23.2	3.1
Indian Ocean	342,402	(5.4)	26.5	2.7
Total	1,192,158	(9.0)	287.7	(9.0)

Network

The number of passenger uplifts for financial year 2008/09 witnessed a decrease of 9% to reach 1,192,158, a direct consequence of the fall in demand due to the world recession. Similarly, passenger revenue declined by 9.0% compared to the 9.1% growth in 2007/08. On the other hand, yield was comparable to the previous financial year.

The Company continued to focus on matching capacity with demand and which resulted in a reduction of 7.1% in seats offered in the network to 1,659,037. Consequently, Passenger Load Factor went down by only 1.6 points from 76.8% in 2007/08 to 75.2%.

Europe

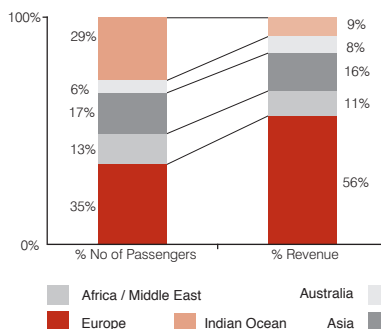
Europe registered a decrease of 10.6% in the number of passengers carried from 466,001 in 2007/08 to 416,498 this year. On the other hand, passenger revenue contracted by 11.1% to Euro 160.3 million as a result of a slight fall in yield by 0.7%. Seats offered on the European routes were low by 6.5% and Passenger Load Factor also went down by 3.4 points to 75.6%.

Africa & Middle East

Passengers carried in these regions dropped by 9.3% to reach 158,929. However, passenger revenue fell by 13.1% to Euro 30.4 million due to a deterioration in yield by 4.4%. Passenger Load Factor improved by 2.6 points to 74.4% with the decrease in seat capacity on these routes.

Asia

Asia which groups India and the Far East registered a fall of 13.6% in the number of uplifts from 238,589 in 2007/08 to 206,127. However, revenue was down by only 10.1% owing to an improvement of 3.6% in yield on



these routes. Passenger Load Factor witnessed a slight increase of 0.8 point to 74.7%.

Australia

Australia is the only region which registered the lowest decline in traffic with a decrease of only 1.1%. Passenger revenue was on the upward curve with an increase of 3.1% compared to the previous year due to a 3.9% rise in yield. A reduction in seat capacity by 4.9% on the Australian destinations resulted in a positive variance of 3.3 points in the load factor.

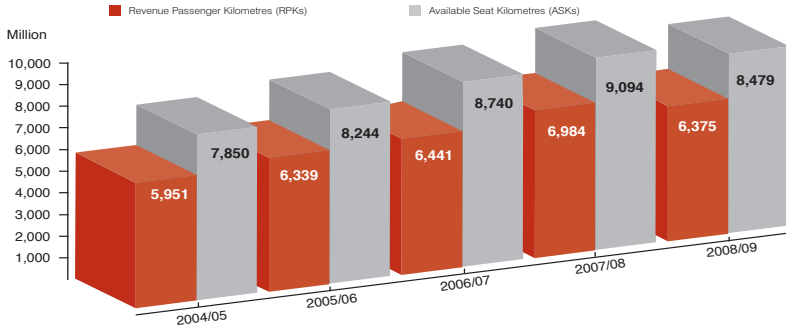
Indian Ocean

The regional segment recorded a fall of 5.4% in the number of passengers uplifted from 361,889 to 342,402. However, revenue was up by 2.7% to Euro 26.5 million, owing to an increase in yield on these routes by 8.4%. Seats offered registered a fall of 4.2% compared to 2007/08 and Passenger Load Factor was lower by 3.1 points from 71.3% to 68.3%.

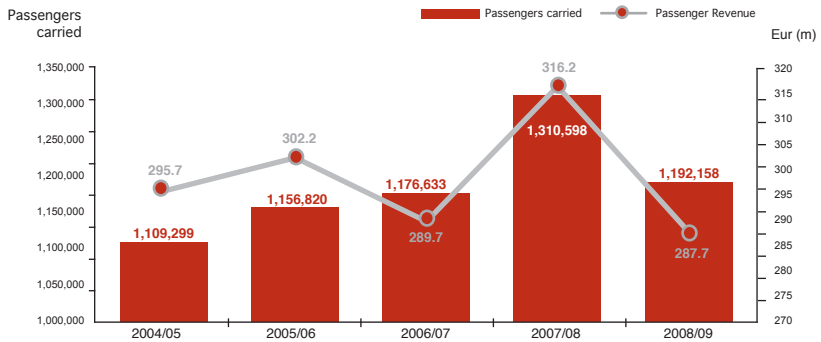
Directors' Report & Business Review

Performance and Development of the Business (Continued)

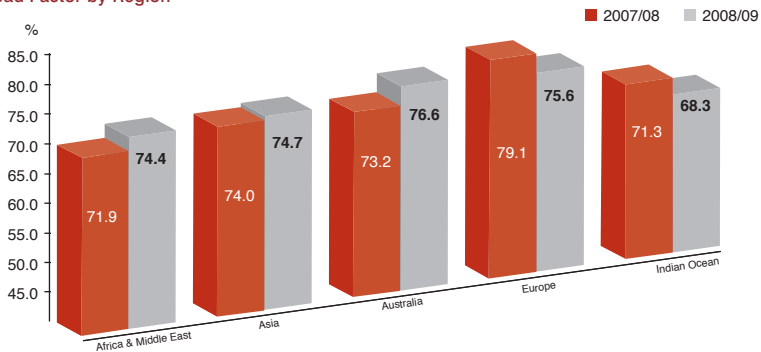
Passenger Capacity and Output



Passenger Carried & Revenue



Load Factor by Region



Directors' Report & Business Review

Performance and Development of the Business (Continued)

Cargo analysis

Geographical by Routes

Operating Region	Tonnes	% Change over Last Year	EUR million	% Change over Last Year
Europe	12,985	(15.4)	19.0	(17.7)
Africa/Middle East/Indian Ocean	11,595	(13.5)	6.2	5.1
Asia	4,925	(21.4)	6.9	(13.8)
Australia	1,580	(11.8)	1.3	-
Total	31,085	(15.6)	33.4	(12.8)

Network

Cargo traffic dipped by 15.6% from 36,809 tonnes in 2007/08 to 31,085 tonnes this year. Consequently, revenue contracted by 12.8% compared to the previous financial year.

Europe

Europe witnessed important decreases in both tonnage and revenue by 15.4% and 17.7% respectively

Africa / Middle East / Indian Ocean

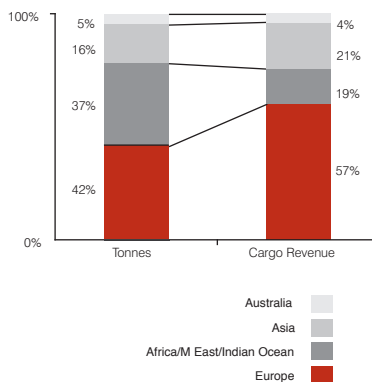
Cargo tonnage carried on these segments plummeted by 13.5% from 13,399 to 11,595. On the other hand, revenue was up by 5.1% on account of an improvement in yield.

Asia

Asia registered substantial fall in tonnage by 21.4% and to a lesser extent in revenue by 13.8%.

Australia

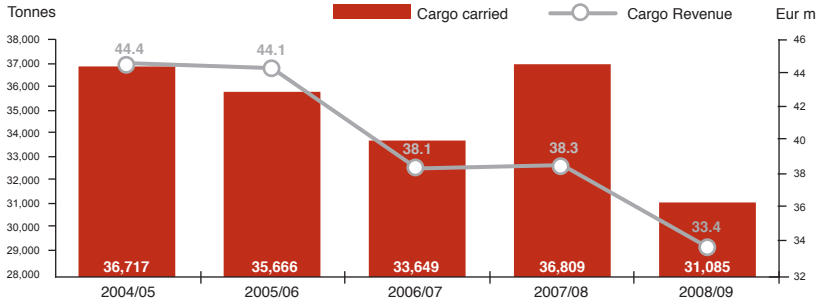
The Australian region recorded a fall of 11.8% in cargo tonnage carried, but revenue was comparable to the previous financial year.



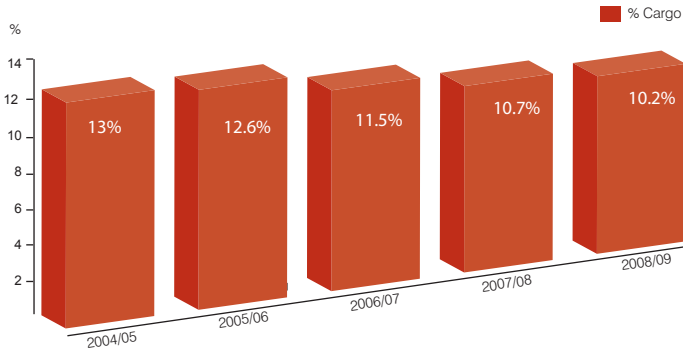
Directors' Report & Business Review

Performance and Development of the Business (Continued)

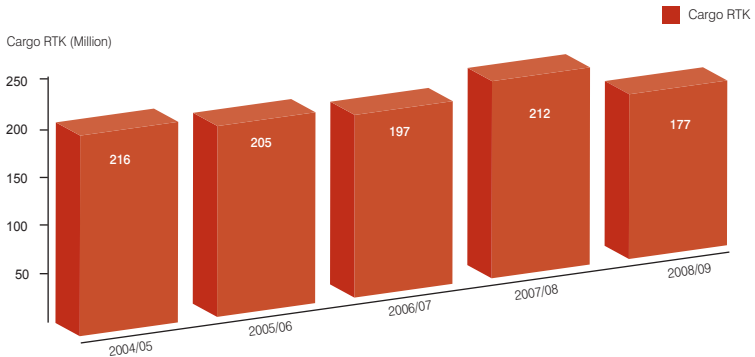
Cargo Carried & Revenue



Contribution of Cargo to Gross Travelled Revenue



Cargo - Revenue Tonne Kilometres



Directors' Report & Business Review

Performance and Development of the Business (Continued)

Revenue

Group revenue for the year slightly increased from Euro 448.1 million to Euro 448.6 million as compared to last year.

Passenger revenue was down by 9.0 percent to reach Euro 287.7 million. Passenger yield per RPK was comparable to the previous year and load factor was lower by 2.1 points to 75.2%. Capacity in terms of ASKs was down compared to last year.

Cargo revenue decreased from Euro 38.3 million to Euro 33.4 million as compared to last year due to a decline in volume uplifted.

Revenue on fuel surcharge witnessed a significant increase of 47.5% as compared to last year.

included a hedge loss of Euro 49.7 million as compared to a hedge gain of Euro 5.8 million for last year. The fuel price has on average increased by 5.9% as compared to last year.

The other operating costs, which include mainly lease payable and flight equipment insurance, increased by Euro 2.8 million compared to previous year due to greater disbursements made to joint venture partners.

The depreciation and amortisation costs went up by 13% compared to the previous year on account of accelerated depreciation on aircraft accessories and spares for one of the A340, which will be returned to the lessor.

Expenditure

Total operating costs for the year went up by 15.1% as compared to last year mainly due to an increase of 46.4% in fuel costs. The increase in fuel costs

The operating costs, such as crew costs, landing fees, en route charges & handling charges went down as compared to previous year mainly due to lower level of activities in 2008/09.

OPERATING EXPENDITURE	2008/09 Euro m	2007/08 Euro m	Increase/(Decrease) %
Fuel costs	212.2	145.0	46.4
Employee costs	46.3	48.6	(4.6)
Maintenance & Overhaul	42.1	40.2	4.8
Aircraft operating lease costs	26.7	26.2	1.8
Landing fees and en route charges	26.3	27.4	(4.0)
Handling charges, ground services, catering and other inflight costs	38.0	42.2	(10.0)
Marketing and Distribution direct costs	26.6	31.4	(15.4)
Depreciation & amortisation	19.9	17.6	13.0
Crew costs	13.6	15.6	(12.8)
Other operating costs	8.3	5.5	50.7
Total Group operating expenditure	460.0	399.7	15.1

Financial Derivatives

Net unrealised losses on fuel derivatives were Euro 72.2 million (2008: net unrealised gains Euro 3.9 million), reflecting the unrealised losses on fuel derivative hedges required to be recognised directly in equity under International Accounting Standard (IAS) 39.

In March 2009 the Company entered into close-out transactions to unwind 40 percent of its fuel hedge contracts. This resulted in fuel hedge losses amounting to Euro 50.8 million (MUR 2.1 billion)

Directors' Report & Business Review

Receipts and returns to shareholders

Earnings per Share

Loss attributable to shareholders for the year was Euro 85.7 million. This is equivalent to a loss of Euro 0.84 cents per share or Rupees 35.31 per share.

Working Capital

At March 31, 2009, net current liabilities were Euro 131 million as compared to net current assets of Euro 10.5 million as at March 31, 2008.

Cash Flow

The net negative cash & cash equivalents (after bank overdrafts) of the Group as at March 31, 2009 amounted to Euro 21.3 million (Mur 944 million) compared to a positive total of Euro 82.6 million (Mur 3.4 billion) at March 31, 2008. This drop is mainly the result of the disbursement made on account of fuel hedge losses of Euro 100.5 million (Mur 4.2 billion)

Gearing ratio

The gearing ratio at March 31, 2008 was 3.4:1 as compared 0.5:1 of the previous year. This was mainly due to the decrease in retained earnings which were used to pay the hedging losses and also to overdraft contracted by the Group.

RECEIPTS AND RETURNS TO SHAREHOLDERS

Dividend Policy

The Company has a policy of paying 30% of profits each year as dividend, subject to the solvency test. In determining the level of dividend, consideration is given to the Company's future funding requirements. The directors recommended not to declare a dividend for the year ended March 31, 2009. The Company declared a dividend of MUR 1.50 per share (totalling Euro 3.7 million) for the year ended March 31, 2008.

Shares and Shareholders

The authorised share capital of the Company is MUR 2,000,000,000 (Euro 81,566,000) divided into 200,000,000 ordinary shares of MUR 10 each. The number of ordinary shares issued and fully paid in Air Mauritius Limited as at March 31, 2009 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 March 31, 2009, the shareholding of Air Mauritius Limited was as follows. The shareholder analysis at March 31, 2009 was as follows:

RANGE OF SHARES	NO. OF SHAREHOLDERS	NO. OF VOTING RIGHTS	% OF SHARE CAPITAL	% OF ALL SHAREHOLDERS
1 - 1,000	10,763	4,190,073	4.1%	88%
1,001 - 5,000	1,087	2,366,623	2.3%	8.9%
5,001 - 10,000	195	1,404,888	1.4%	1.6%
10,001 - 25,000	102	1,578,359	1.5%	0.8%
25,001 - 50,000	35	1,215,194	1.2%	0.3%
50,001 - 100,000	20	1,444,519	1.4%	0.2%
100,001 - 1,000,000	12	2,935,925	2.9%	0.1%
Over 1,000,000	10	87,169,419	85.2%	0.1%
Total	12,224	102,305,000	100%	100%

Directors' Report & Business Review

Receipts and returns to shareholders (Continued)

Significant Holdings

The following shareholders held more than 5% of the ordinary share capital of the Company.

SHAREHOLDERS	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
Pershing LLC	6.01	-	6.01

During the year British Airways sold its shareholding in both Air Mauritius Holding Ltd. and Air Mauritius Limited.

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

Directors

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

Qualification of Directors

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

Appointment of Directors

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

Related Party Transactions

Related Party Transactions are performed at arms length and these are disclosed in Note 35 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

Directors' Report & Business Review

Operating and financial statistics

traded with Air Mauritius and details of the value of these transactions are as follows:

	2009 €'000	2008 €'000
Expenses	24,961	24,680
Income	726	718
Amount payable	4,255	2,723
Amount receivable	407	341

Shareholders Information

Information relating to share price information, reporting dates, dividend declaration and payment dates and meetings of shareholders are shown on page 114.

OPERATING AND FINANCIAL STATISTICS

	2009	2008	2007	2006	2005
Traffic and Capacity					
Revenue passenger km (RPK) m	6,375	6,984	6,441	6,339	5,951
Available seat km (ASK) m	8,479	9,094	8,740	8,244	7,850
Passenger load factor %	76.0	76.8	74.6	76.9	75.8
Cargo tonne km (CTK) m	177	212	197	205	216
Total revenue tonne kilometres (RTK) m	751	844	779	779	754
Total available tonne kilometres (ATK) m	1,267	1,385	1,366	1,320	1,248
Overall load factor %	59.3	60.4	57.0	59.0	60.4
Passengers carried '000	1,192	1,311	1,177	1,157	1,109
Tonnes of cargo carried '000	31,085	36,809	33,649	35,666	36,717
Revenue flights	9,803	10,616	11,087	12,494	12,539
Financial					
Net (loss)/profit margin %	(19.1)	3.8	(1.6)	1.9	5.5
EBITDA m	(15.0)	75.0	47.6	63.0	75.7
Gearing Ratio	3.4:1	0.5:1	0.8:1	0.7:1	1:1
Total traffic revenue per RTK cents	0.43	0.42	0.42	0.45	0.45
Total traffic revenue per ATK cents	0.26	0.26	0.24	0.26	0.27
Total expenditure on operations per RTK cents	0.53	0.46	0.48	0.47	0.43
Total expenditure on operations per ATK cents	0.31	0.28	0.27	0.28	0.26
Passenger revenue per RPK cents	0.05	0.05	0.04	0.05	0.05
Passenger revenue per ASK cents	0.03	0.03	0.03	0.04	0.04
Cargo revenue per CTK cents	0.19	0.18	0.19	0.21	0.21
Average fuel price (US cents/US gallon)	309.6	257.5	212.9	194.2	141.1
Operations					
Aircraft in service at year end	12	12	11	12	12
Punctuality - within 15 minutes %	76.1	71.3	77.8	78.3	72.8
Dispatch Reliability overall %	96.2	97.6	98.0	97.7	97.7

Directors' Report & Business Review

The Board of Directors

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 Sanjay Bhuckory who resigned from the Board on 09 January 2009, Robbie Baird who resigned on 09 July 2008, Aisha Timol who was appointed on 01 September 2008 and R Menon who was appointed on 19 June 2008.

RINGADOO Raj – Acting Chairman

Mr Raj Ringadoo was appointed to the board on 08 March 2006 and he is currently serving as Acting Chairman of the board. He is also the Chairman of The State Investment Corporation Ltd, the investment arm of the Government of Mauritius. He was Chief Manager at the Development Bank of Mauritius and retired at the end of April 2005. He is also the chairperson of the Audit Committee of Air Mauritius.

UJOODHA R.K Manoj, G.O.S.K. Chief Executive Officer

Mr Manoj R.K Ujoodha, G.O.S.K. was appointed to the Board as Managing Director on 20 November 2006. In February 2007, the position of Managing Director was changed by the shareholders to that of Chief Executive Officer. He previously worked for the British American Tobacco Group in various roles in Mauritius, South Africa, Senegal, Zambia and Zimbabwe over the past sixteen years.

DABEE Dheerendra Kumar, SC

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 Board and Legal Adviser to a number of public organisations. He was appointed to the Board on 22 June 1998.

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.

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.

MENON Raghu

Mr Raghu Menon was appointed to the Board on 19 June 2008. He was the Chairman and Managing Director of Air India and has served as Additional Secretary & Financial Advisor, Ministry of Information & Broadcasting and as Special Secretary & Financial Advisor, Ministry of Civil Aviation of India.

BEEGOO Kremchand

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

MANSOOR Ali

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

GUJADHUR Ramapatee, 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, he was a member of the MCB Top Management team since 1988.

ROY Premila

Mrs Premila Roy was appointed to the Board on 30 September 2005. She is currently the Permanent Secretary of the External Communications Division of the Ministry of Tourism, Leisure and External Communications.

Directors' Report & Business Review

Corporate Governance

SEEBALLUCK Suresh

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

TIMOL Aisha, 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 the public and private sectors and has previously served on Air Mauritius Limited and Air Mauritius Holding Limited from September 2005 to September 2006 when she also chaired the Audit Committee.

PUSSIAU Antoine

Mr Antoine Pussiau was appointed to the Board on March 27, 2008. He is currently the Executive Vice President for Caribbean and Indian Ocean of Air France/KLM. Mr Pussiau was for 2 years the Personal Assistant of the Chief Executive Officer of Air France.

Resignation

Mr. Sanjay Bhuckory resigned as chairman and member of the Board on 09 January 2009.

Mr. Robbie Baird resigned as Board director on 09 July 2008

COMPANY SECRETARY

Foad 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 44 to 49.

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance with the Board being accountable to the Company's shareholders for good governance. 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.

The Board is led by the Chairman while the executive management of the Company is led by the Chief Executive Officer. Their respective roles are separate and are recognised in terms of The Report on Corporate Governance for Mauritius.

Board composition

There were 13 directors serving on the Board of Air Mauritius as at March 31, 2009. All were non-executive directors except for the Chief Executive Officer, Mr Manoj R K Ujoodha, G.O.S.K. The executive presence is complemented by the presence of the Executive Vice President Finance, and the Executive Vice President Strategic Planning at Board and Board Committee meetings. 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. Two of these are independent directors as defined in the Report on Corporate Governance for Mauritius.

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 shareholders and others are understood and met.

Directors' Report & Business Review

Corporate Governance (Continued)

Board Meetings

The Board of the Company routinely meets at least four 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 drawn up a schedule of matters reserved for Board decision and has also 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 51 and a statement on going concern is given on page 46.

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 typically distributed in the week prior to the relevant meeting. All Board members have access to the Company Secretary for any further information they require. In addition, the Secretary ensures that the Board members receive an appropriate induction and further training as necessary. The appointment and removal of the Secretary is a matter for the Board as a whole. Independent professional advice would be 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. The Company does not have any employee share option plan. Details of Directors' shareholding in the Company are given on page 49 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 48 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 summarised on page 48.

The Chief Executive Officer serves as a non-executive director on the boards of subsidiary companies, associates and also on the board of Airports of Mauritius Limited (AML). Directors' fees paid to the Chief Executive Officer for these services are included in the remuneration report. Page 47 shows the Board memberships across the Group.

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.

Directors' Report & Business Review

Corporate Governance (Continued)

	STATUS	BOARD	GAPC	AC	RMSC	SORSC
Chairman						
Mr Sanjay Bhuckory (up to 09 Jan 2009)	N	6/6	7/7	n/a	5/5	2/2
Chief Executive Officer						
Mr Manoj R K Ujoodha, G.O.S.K.	E	17/17	8/8	n/a	5/5	3/3
Directors						
Mr Robbie Baird (up to 09 July 2009)	N	0/1	n/a	n/a	n/a	n/a
Mr Kremchand Beegoo	I	15/17	8/8	6/7	n/a	3/3
Mr Dheerendra Kumar Dabee, S.C	N	15/17	8/8	7/7	n/a	3/3
Mr Antoine Pussiau	N	3/17	n/a	n/a	n/a	n/a
(alternate Mr Olivier Prévost)						
Mr Philippe Espitalier-Noël	N	14/17	6/8	n/a	4/5	3/3
Mr Ramapatee Gujadhur, C.S.K.	I	15/17	6/8	n/a	n/a	2/3
Mr Ali Mansoor	N	15/17	2/8	n/a	n/a	n/a
Mr Raj Ringadoo	N	15/17	5/8	7/7	4/5	n/a
Mrs Premila Roy	N	16/17	8/8	5/6	4/5	n/a
Mr Suresh Seeballuck	N	5/17	4/8	n/a	n/a	n/a
Mr Timothy Taylor	N	15/17	8/8	7/7	n/a	n/a
Mrs Aisha Timol, G.O.S.K. (as from 01 Sept 2008)	N	14/15	2/8	n/a	n/a	n/a
Mr Raghu Menon (as from 19 June 2008)	N	0/17	n/a	n/a	n/a	n/a
(alternate Mrs Anita Khurana)						

E = Executive Director

I = Independent Director

N = Non Executive Director

n/a : Not a member

Company Secretary: Foad Nooraully

Auditors: Ernst & Young

GAPC General Affairs and Policy Committee

AC Audit Committee

RMSC Risk Management Steering Committee

SORSC Senior Officers Remuneration and Selection Committee

CGC Corporate Governance Committee

Attendance: Number of meetings attended/total eligible to attend

There was no Corporate Governance Committee meeting held during the financial year.

LEADERSHIP TEAM

The leadership team of Air Mauritius Limited comprises the Chief Executive Officer, Mr Manoj R.K Ujoodha, G.O.S.K. and the following senior executives.

Indradev Buton

Is the Executive Vice President-Strategic and Planning. He joined Air Mauritius in July 1986. He is in charge of strategic planning, international affairs, as well as, fleet and operational planning for the Company.

Jacques Gentil

Is the Executive Vice President-Technical Services. He joined the Company in April 1978. He is responsible for the maintenance of the airline's fleet of aircraft as well as technical handling of own and third party aircraft.

Captain Pramil Banyamandhub

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

Directors' Report & Business Review

Board Committees

Donald Payen

Is the Executive Vice President-Communications and Corporate Affairs and since February 2009 he is acting as Executive Vice President Sales and 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 since 01 July 2008. Following the departure of the Executive Vice President Finance in January 2009, he acted in that capacity from January to March 2009. He joined the Company on 01 April 1989.

Resignation

Mr Ashvin Ramdin resigned as Executive Vice President Human Resources and Organisational Development on 06 December 2008.

Mr Cornwell Muleya formally resigned as Executive Vice President Finance on 01 March 2009.

Mr Sushil Duth Baguant resigned as Executive Vice President Information Systems and Cargo on 01 February 2009

Retirement

Mr Sheo Kumar Gujadhur retired as Executive Vice President – Internal Audit from the Company on 01 August 2008

Mr Vijay Coomar Singh (Raj) Bhujohory retired as Executive Vice President Sales & Distribution from the Company on 01 February 2009

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.

BOARD COMMITTEES

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

GAPC:	General Affairs and Policy Committee
AC:	Audit Committee
RMSC:	Risk Management Steering Committee
SORSC:	Senior Officers Remuneration and Selection Committee
CGC:	Corporate Governance Committee

Report of the General Affairs & Policy Committee (GAPC)

This Committee comprises Board members resident in Mauritius. The Board has delegated its powers to this Committee to deal with matters that arise in the period between scheduled board meetings.

Members: Sanjay Bhuckory (Chairman – up to 09 January 2009), Manoj R.K Ujoodha, G.O.S.K., Dheerendra Kumar Dabee, SC, Philippe Espitalier-Noël, Ramapatee Gujadhur, C.S.K., Raj Ringadoo, Timothy Taylor, Suresh Seeballuck, Premila Roy, Kremchand Beegoo, Ali Mansoor, Aisha Timol, G.O.S.K. (as from 01 September 2008) **Secretary:** Foad Nooraully

In attendance: Cornwell Muleya, (Executive Vice President Finance – up to 01 March 2009), Indradev Buton, (Executive Vice President Strategic Planning). The Committee held 8 meetings during the period and among other issues approved the Company's budgets and three year plan.

Report of the Audit Committee

Members: Raj Ringadoo (Chairperson), Dheerendra Kumar Dabee, SC, Timothy Taylor, Premila Roy, Kremchand Beegoo. **Secretary:** Foad Nooraully
In attendance: Manoj R.K Ujoodha, G.O.S.K.,

Directors' Report & Business Review

Board Committees (Continued)

Sheo Kumar Gujadhur (up to 01 August 2008) Cornwell Muleya (up to 01 March 2009), Vijay Seetul (as from 01 July 2008), 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 met 7 times during the year and its 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;
- 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:

(a) Financial reporting:

The Committee reviewed the draft annual and interim reports before recommending their publication to the Board. The Committee discussed with the Chief Executive Officer, Executive Vice President Finance 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 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 Company'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 determines the fees paid to external auditors each year. Details of the fees paid to the external auditor during the financial year 2009 can be found on page 49. 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

Members: Sanjay Bhuckory (Chairman – up to 09 January 2009), Manoj R.K Ujoodha, G.O.S.K. Dheerendra K Dabee, Ramapatee Gujadhur, Kremchand Beegoo, Philippe Espitalier-Noël.

Secretary: Foad Nooraully. **In attendance:** Cornwell Muleya (up to 01 March 2009), Ashvin Ramdin (up to 06 December 2008)

The Committee is responsible for approving all the policies governing the compensation paid to the

Directors' Report & Business Review

Board Committees (Continued)

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.

Pay Policy – Executive Directors

The Company's pay policy for executive directors and senior management is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate managers. The remuneration packages offered are comparable in structure with other airlines and businesses of similar size and nature to the Company. In fixing packages, the Committee has regard to the compensation commitments which would result in the event of early termination.

Service Contracts

Particulars of the service contract of the Executive Director are disclosed in the Remuneration Report on page 48 of the Annual Report.

Chairman's and Non-Executive Directors' Fees

The Chairman's fee and the fees for other non-executive directors are determined by the shareholders at the Annual Meeting. The Chairman is paid a monthly fee of MUR 75,000 (Euro 1,784) while the other non-executive directors are each paid a monthly fee of MUR 15,000 (Euro 357). Board Directors are also eligible for non-contractual travel concessions.

Report of the Risk Management Steering Committee

Members: Sanjay Bhuckory (Chairman – up to 09 January 2009), Manoj R.K Ujoodha, G.O.S.K., Philippe Espitalier-Noël, Premila Roy, Raj Ringadoo.

In Attendance: Cornwell Muleya (up to 01 March 2009), Vijay Seetul (up to 30 June 2008)

Secretary: Meenakshi Sandrasagren

The Committee's terms of reference include:

- Ensuring there is a system of risk assessment across the Company on an on-going basis;
- Reviewing the effectiveness of the Company's risk management system including risk assessment reports;
- Assisting the Board to understand the total risks facing the 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 5 times during the year to review the risk management methodology and approved processes for the measurement and identification of non-financial risks. It reviewed the risk maps prepared by the Risk Management section and approved the action plans to be taken by the Company to mitigate the significant risks identified.

During the year, the committee reviewed hedge parameters for both currency and fuel and ensured that the transactions were done within the parameters set out in the Risk Management Manual of the Company.

Report of the Corporate Governance Committee

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: Sanjay Bhuckory (Chairman - up to 09 January 2009), Manoj R.K Ujoodha, G.O.S.K., Dheendra Kumar Dabee, SC, Philippe Espitalier-Noël, Ramapatee Gujadhur, C.S.K., Raj Ringadoo, Timothy Taylor, Suresh Seeballuck, Premila Roy, Kremchand Beegoo, Ali Mansoor. **Secretary:** Fooad Noorauly.

In attendance: Cornwell Muleya, (Executive Vice President Finance – up to 01 March 2009), Indradev Buton, (Executive Vice President Strategic Planning).

Communication with Shareholders

The Company maintains regular contact with its larger institutional shareholders through its meetings

Directors' Report & Business Review

Board Committees (Continued)

with the Chairman, the Chief Executive and the Executive Vice President Finance. 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 opportunity for the Board to discuss all matters relating to the Company and its performance with shareholders. At these meetings, issues related to corporate governance, Company operations and Group performance are raised by the shareholders and responded to by the Directors. In addition, the Chief Executive's address at the Annual Meeting responds to any issues raised by shareholders in writing, in advance of the meeting. Shareholders also express their views freely by voting for resolutions at the Annual Meeting.

Donations

As in previous years, the Group and Company did not make any donations to political parties. The Company continued to provide support in the form of rebated tickets and promotions to social organisations. Donations made by Air Mauritius Limited during the financial year amounted to Euro 1,474.

Going concern

After review the cash flows and economic conditions, the directors consider that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the financial statements have been prepared on a going concern basis.

Cascade Holding Structure

The Cascade Holding Structure is shown on page 107 of this Annual Report. The list of shareholders holding 5% or more of the ordinary share capital of the Company is shown on page 36.

Directors' Report & Business Review

Directorship of the Group

DIRECTORSHIP OF 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 Sanjay Bhuckory (up to 09 January 2009)	Chairman	Chairman	Chairman	Chairman	Chairman	Chairman
Mr Manoj R K Ujoodha, G.O.S.K.	●	●	●	●	●	●
Mr Ramapatee Gujadhur, C.S.K.		●				
Mr Robbie Baird (up to 09 July 08)	●					
Mr Kremchand Beegoo		●				
Mr Dheerendra K Dabee S.C	●	●				
Mr Antoine Pussiau (alternate Mr Olivier Prévost)	●	●				
Mr Philippe Espitalier –Noël	●	●				
Mr Ali Mansoor	●	●				
Mr Raj Ringadoo	●	●	●	●		
Mrs Premila Roy	●	●				
Mr Timothy Taylor	●	●				
Mr Suresh Seeballuck	●	●			●	●
Mrs Aisha Timol, G.O.S.K. (as from 01 Sept 2008)	●	●				
Mr Raghu Menon (alternate Mrs Anita Khurana)	●	●				

DIRECTORSHIP IN OTHER LISTED COMPANIES

NAME OF DIRECTORS	DIRECTORSHIP IN OTHER LISTED COMPANIES
Mr Philippe Espitalier-Noel	Ascensia Limited Rogers and Company Limited
Mr Ali Mansoor	State Bank of Mauritius Ltd.
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 Dabee	State Bank of Mauritius Ltd.

Directors' Report & Business Review

Remuneration Report

Remuneration and benefits

	2009 €'000	2008 €'000
Remuneration and benefits of the Executive Director	177	227
Fees paid during the year to Non-Executive Directors*	71	72
	248	299
Fees paid to the Executive Director by subsidiaries	1	1
Fees paid to the Non-Executive Directors by subsidiaries ss subsidiaries Corporations	6	7
	255	307

* Monthly fees paid to each Non-Executive Director amounts to MUR 15,000 (Euro 357) except for the Chairman who was paid a monthly fee of MUR 75,000 (Euro 1,784). 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 present Executive Director is for a period of three years starting November 20, 2006 and is renewable on mutually agreed terms. The notice period for termination of the contract by either the Company or the Director is three months.

The contract provides for compensation upon termination for any reason other than gross misconduct. Such compensation provides for a percentage of the aggregate of the basic salary that would have been earned for the remaining period of the contract of employment to be paid in such circumstances. Under this clause, a compensation scaling up to 70% of one year's remuneration would be payable only if the contract was to be terminated before November 20, 2009.

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 10 million in the aggregate (including defense costs).

Excess Layer cover:

USD 10 million in the aggregate including costs and expenses.

Directors' Report & Business Review

Remuneration Report (Continued)

Directors' share interests

	Ordinary shares held on March 31, 2009	
	Direct	Indirect
Mr Manoj R K Ujoodha G.O.S.K.	1,244	480
Mr Kremchand Beegoo	188	-
Mr Ramapatee Gujadhur, C.S.K.	102	4,300
Mr Raj Ringadoo	-	900
Mr Timothy Taylor	1,415	-
Mrs Aisha Timol, G.O.S.K.	620	620

The other Directors do not hold any shares of the Company whether directly or indirectly. None of the Directors have a direct or indirect interest in the equity of the subsidiaries.


Auditors remuneration

The remuneration payable to the auditors was as follows:

	The Company		Subsidiaries	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Audit services	57	63	7	7
Other services	3	3	2	2

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 18, 2009 and signed on its behalf by :



Mr Raj Ringadoo
Acting Chairman



Mr Manoj R K Ujoodha, G.O.S.K.
Chief Executive Officer

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)



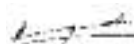
Mr Foad Noorally
Company Secretary
June 2009

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 42. Having made enquiries of fellow directors and of the Company's 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 Raj Ringadoo
Acting Chairman
June 2009



Mr Manoj R K Ujoodha, G.O.S.K.
Chief Executive Officer

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 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.

Director's 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 Mauritian Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Internal Control

The directors are responsible for taking such steps, as are reasonably open to them, to safeguard the assets of the Group and 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.

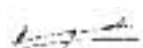
Such systems should ensure that all transactions are authorised and recorded and that any material irregularities are detected and rectified within a reasonable time frame. The Group has an established Internal Audit function which assists management in effectively discharging its responsibilities. The Internal Audit function is independent of management and 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

Directors are responsible for the risks affecting the Group and Company's business activities. Through the Risk Management Steering Committee (RMSC), the directors ensures that appropriate measures, policies and procedures and other controls and structures are implemented to mitigate those risks.

Governance

The Directors endeavour to apply principles of good governance at the level of the Group and the Company.



Mr Raj Ringadoo
Acting Chairman
June 2009



Mr Manoj R K Ujoodha, G.O.S.K.
Chief Executive Officer

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 balance sheets as at March 31, 2009 and the income statements, statements of changes in equity and cash flow statements 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 Mauritian Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 positions of the Group and the Company at March 31, 2009 and of their financial performances and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

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. 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 and 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.

ERNST & YOUNG
Port Louis
Mauritius
June 18, 2009

PATRICK NG TSEUNG, A.C.A
Signing Partner

Financial Statements



Balance sheets

as at March 31, 2009

	Notes	THE GROUP		THE COMPANY	
		2009 €'000	2008 €000	2009 €'000	2008 €000
ASSETS					
Non-current assets					
Property, plant and equipment	6	261,917	277,938	258,061	272,883
Investment property	7	9,581	8,975	-	-
Intangible assets	8	694	1,038	673	1,004
Investment in subsidiary companies	9	-	-	27,155	27,155
Investment in associated company	10	127	302	102	102
Available-for-sale investments	11	423	2,085	423	2,085
Other financial assets	12	381	880	381	880
Deferred tax asset	13	44	216	-	-
Long term deposits	14	7,533	15,280	7,533	15,280
Long term receivable	15	562	827	562	827
		281,262	307,541	294,890	320,216
Current assets					
Inventories	16	12,977	12,865	12,955	12,831
Trade and other receivables	17	60,878	63,959	60,340	63,280
Other financial assets	12	2,710	6,304	2,710	3,015
Cash and short-term deposits	18	23,407	82,592	21,980	78,546
		99,972	165,720	97,985	157,672
Assets classified as held for sale	19	5,574	-	5,574	-
Total assets		386,808	473,261	398,449	477,888
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	20	41,724	41,724	41,724	41,724
Share premium		18,869	18,869	18,869	18,869
Other reserves		(80,719)	(6,786)	(68,295)	4,178
Retained earnings		59,557	145,231	56,798	141,141
		39,431	199,038	49,096	205,912
Minority interests		1,842	1,970	-	-
Total equity		41,273	201,008	49,096	205,912
Non-current liabilities					
Borrowings and financial derivatives	21	79,052	84,081	78,689	83,603
Provisions	22	35,517	32,955	35,403	32,850
		114,569	117,036	114,092	116,453
Current liabilities					
Trade and other payables	23	116,271	128,031	116,474	128,418
Borrowings and financial derivatives	21	114,695	23,474	118,787	23,393
Dividends	24	-	3,712	-	3,712
		230,966	155,217	235,261	155,523
Total equity and liabilities		386,808	473,261	398,449	477,888

These financial statements were approved by the Board of Directors on June 18, 2009.



Mr Raj Ringadoo
Acting Chairman



Mr Manoj R K Ujoodha, G.O.S.K.
Chief Executive Officer

The notes on pages 60 to 104 form an integral part of these financial statements.
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Income Statements

for the year ended March 31, 2009

Notes	THE GROUP		THE COMPANY		
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	
Operating revenue	25	448,645	448,077	446,765	445,888
Operating expenses excluding fuel hedge (losses) / gains		(410,297)	(405,567)	(410,279)	(405,063)
Fuel hedge (losses) / gains		(49,707)	5,849	(49,707)	5,849
Operating expenses	25	(460,004)	(399,718)	(459,986)	(399,214)
Gross (loss)/profit		(11,359)	48,359	(13,221)	46,674
Administrative expenses		(24,422)	(25,982)	(23,526)	(25,231)
Other operating income		4,624	2,248	4,539	2,183
Fair value gain on investment property	7	600	81	-	-
Operating (loss)/ profit	26	(30,557)	24,706	(32,208)	23,626
Share of (loss)/profit of associate	10(c)	(66)	2	-	-
Finance revenue	27	2,982	9,803	5,436	9,245
Finance costs	28	(6,806)	(17,291)	(6,755)	(17,228)
(Loss)/profit before derecognition of financial liabilities		(34,447)	17,220	(33,527)	15,643
Loss on derecognition of financial liabilities	29	(50,816)	-	(50,816)	-
(Loss)/profit before taxation		(85,263)	17,220	(84,343)	15,643
Taxation	30	(190)	(210)	-	-
(Loss)/profit for the year		(85,453)	17,010	(84,343)	15,643
(Loss)/profit for the year attributable to:					
- Equity holders of the parent		(85,674)	16,827		
- Minority interests		221	183		
		(85,453)	17,010		
(Loss)/earnings per share (Eur)	31	(0.84)	0.17		

The notes on pages 60 to 104 form an integral part of these financial statements.
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Statements of Changes in Equity

for the year ended March 31, 2009

The Group	Share Capital €000	Share Premium €000	Fair Value Reserve* €000	Translation Reserve on Consolidation** €000	Hedge Equity Reserve*** €000	Retained Earnings €000	Shareholders' Interest €000	Minority Interest €000	Total Equity €000
Balance at April 01, 2007	41,724	18,869	2,554	(11,724)	(1,085)	132,116	182,454	1,715	184,169
Exchange differences	-	-	(179)	751	-	-	572	72	644
Fair value gain on available-for-sale investments	-	-	129	-	-	-	129	-	129
Cash flow hedge adjustment on swap instrument on loans	-	-	-	-	226	-	226	-	226
Cash flow hedge adjustment on financial derivative asset and liability	-	-	-	-	1,692	-	1,692	-	1,692
Release to income statement	-	-	-	-	850	-	850	-	850
Net income and expense recognised directly in equity	41,724	18,869	2,504	(10,973)	1,683	132,116	185,323	1,787	187,710
Profit for the year	-	-	-	-	-	16,827	16,827	183	17,010
Total income and expense for the year	41,724	18,869	2,504	(10,973)	1,683	148,943	202,750	1,970	204,720
Dividends (note 24)	-	-	-	-	-	(3,712)	(3,712)	-	(3,712)
Balance at March 31, 2008	41,724	18,869	2,504	(10,973)	1,683	145,231	199,038	1,970	201,008
Balance at April 01, 2008	41,724	18,869	2,504	(10,973)	1,683	145,231	199,038	1,970	201,008
Exchange differences	-	-	(10)	(1,451)	-	-	(1,461)	(141)	(1,602)
Fair value loss on available-for-sale investments	-	-	(200)	-	-	-	(200)	-	(200)
Cash flow hedge adjustment on swap instrument on loans	-	-	-	-	7	-	7	-	7
Cash flow hedge adjustment on financial derivative asset and liability	-	-	-	-	(166,575)	-	(166,575)	-	(166,575)
Release to income statement	-	-	(1,435)	-	95,731	-	94,296	-	94,296
Net income and expense recognised directly in equity	41,724	18,869	859	(12,424)	(89,154)	145,231	125,105	1,829	126,934
Loss for the year	-	-	-	-	-	(85,674)	(85,674)	221	(85,453)
Total income and expense for the year	41,724	18,869	859	(12,424)	(89,154)	59,557	39,431	2,050	41,481
Dividends (note 24)	-	-	-	-	-	-	-	(209)	(209)
Balance at March 31, 2009	41,724	18,869	859	(12,424)	(69,154)	59,557	39,431	1,842	41,273

Other reserves in the balance sheets include:

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

** Translation reserve on consolidation is used to record exchange differences arising from the translation of the financial statements of 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 notes on pages 60 to 104 form an integral part of these financial statements.

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Statements of Changes in Equity

for the year ended March 31, 2009

The Company	Share Capital €000	Share Premium €000	Fair Value Reserve* €000	Hedge Equity Reserve** €000	Retained Earnings €000	Total €000
Balance at April 01, 2007	41,724	18,869	2,544	(1,085)	129,210	191,262
Fair value gain on available-for-sale investments	-	-	129	-	-	129
Exchange differences	-	-	(178)	-	-	(178)
Cash flow hedge adjustment on swap instrument on loans	-	-	-	226	-	226
Cash flow hedge on financial derivative asset and liability	-	-	-	1,692	-	1,692
Release to income statement	-	-	-	850	-	850
Net income and expense recognised directly in equity	41,724	18,869	2,495	1,683	129,210	193,981
Profit for the year	-	-	-	-	15,643	15,643
Total income and expense for the year	41,724	18,869	2,495	1,683	144,853	209,824
Dividends (note 24)	-	-	-	-	(3,712)	(3,712)
Balance at March 31, 2008	41,724	18,869	2,495	1,683	141,141	205,912
Balance at April 01, 2008	41,724	18,869	2,495	1,683	141,141	205,912
Fair value loss on available-for-sale investments	-	-	(201)	-	-	(201)
Cash flow hedge adjustment on swap instrument on loans	-	-	-	7	-	7
Cash flow hedge on financial derivative asset and liability	-	-	-	(166,575)	-	(166,575)
Release to income statement	-	-	(1,435)	95,731	-	94,296
Net income and expense recognised directly in equity	41,724	18,869	859	(69,154)	141,141	133,439
Loss for the year	-	-	-	-	(84,343)	(84,343)
Balance at March 31, 2009	41,724	18,869	859	(69,154)	56,798	49,096

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

** 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 notes on pages 60 to 104 form an integral part of these financial statements.
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Cash flow statements

for the year ended March 31, 2009

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €'000
Cash flows from operating activities				
(Loss)/Profit before taxation	(85,263)	17,220	(84,343)	15,643
Adjustments for :				
Depreciation on property, plant and equipment	39,228	31,609	38,940	31,326
Amortisation of intangible assets	486	391	466	368
Impairment of engine overhaul	-	934	-	934
Fair value gain on investment property	(600)	(81)	-	-
Loss on sale of property, plant and equipment	137	110	139	109
Profit on sale of available-for-sale investments	(1,296)	-	(1,296)	-
Deferred credit released to income statement	-	(576)	-	(576)
Employee benefit liability	439	1,560	422	1,548
End of contract gratuity	491	696	491	696
Maintenance cost	678	3,389	678	3,389
Unrealised foreign exchange losses	6,064	3,638	6,064	3,638
Interest and investment income	(2,919)	(3,742)	(5,436)	(3,192)
Interest expense	5,536	6,118	5,485	6,055
Share of loss/(profit) after tax of associate	66	(2)	-	-
Cash flows from operating activities before changes in working capital	(36,953)	61,264	(38,390)	59,938
Changes in working capital				
Inventories	(560)	1,003	(570)	998
Trade and other receivables	12,496	(2,619)	12,489	(3,020)
Trade and other payables	(17,731)	9,715	(17,630)	10,188
Cash (used in)/generated from operations	(42,748)	69,363	(44,101)	68,104
Interest received	2,533	3,119	2,130	3,023
Interest paid	(5,863)	(7,873)	(5,812)	(7,810)
Tax paid	-	(5)	-	-
Net cash flows (used in) / from operating activities	(46,078)	64,604	(47,783)	63,317
Investing activities				
Purchase of property, plant and equipment	(30,769)	(14,176)	(30,713)	(14,131)
Purchase of intangible assets	(143)	(1,184)	(135)	(1,184)
Purchase of held-to-maturity investments	-	(3,058)	-	-
Redemption of held-to-maturity investments	3,410	5,566	-	114
Predelivery payments	(5,677)	(3,358)	(5,677)	(3,358)
Predelivery payments refunded	-	11,274	-	11,274
Proceeds on sale of property, plant and equipment	209	81	204	81
Proceeds on sale of available-for-sale of investments	1,318	-	1,318	-
Deposits recovered	265	570	265	570
Dividends received	207	74	3,306	74
Net cash flows used in investing activities	(31,180)	(4,211)	(31,432)	(6,560)
Net cash flow before financing activities	(77,258)	60,393	(79,215)	56,757

Cash Flow Statements

for the year ended March 31, 2009

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Financing activities				
Payments on borrowings	(21,990)	(32,157)	(21,911)	(31,940)
Proceeds from borrowings	119	2,895	4,123	2,895
Dividends paid	(3,790)	-	(3,712)	-
Net cash flows used in financing activities	(25,661)	(29,262)	(21,500)	(29,045)
Net change in cash and cash equivalents	(102,919)	31,131	(100,715)	27,712
Movement in cash and cash equivalents				
At April 01,	82,592	52,037	78,546	51,612
Exchange loss	(1,000)	(576)	(585)	(778)
(Decrease)/increase	(102,919)	31,131	(100,715)	27,712
At March 31, (note 18)	(21,327)	82,592	(22,754)	78,546

The notes on pages 60 to 104 form an integral part of these financial statements.
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Notes to the Financial Statements

for the year ended March 31, 2009

1. CORPORATE INFORMATION

Air Mauritius Limited 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, 2009 were authorised for issue by the Board of Directors on June 18, 2009 and the balance sheets were signed on the Board's behalf by R. Ringadoo and R.K. Ujoodha, G.O.S.K. 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 consolidated financial statements of the Group are presented in Euros and all values rounded to the nearest thousand (Euro '000) except when otherwise stated.

The financial statements have been prepared on a historical cost basis except for investment properties, derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets that have been measured at fair value.

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 consolidate 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 are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

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 January 1, 2008.

- IFRIC 11/IFRS 2 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 14/IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 39/IFRS 7 October 2008 (Amendments) - Reclassification of Financial Assets

Notes to the Financial Statements

for the year ended March 31, 2009

IFRIC 11/IFRS 2 - Group and Treasury Share Transactions

The Group has adopted IFRIC Interpretation 11 insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an employee-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group amended its accounting policy accordingly. The Group has not issued instruments caught by this interpretation.

IFRIC 12 - Service Concession Arrangements

IFRIC 12 applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is a service concession operator and, therefore, this interpretation has no impact on the Group.

IFRIC 14/IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The limit on a defined benefit asset, minimum funding requirements and their interaction, provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as it is not subject to any minimum funding requirements.

IAS 39/IFRS 7 October 2008 (Amendments) - Reclassification of Financial Assets

These amendments allow reclassifications of certain financial instruments held-for-trading to either held-to-maturity, loans and receivables or available-for-sale categories. The amendments also allow the transfer of certain instruments from available-for-sale to loans and receivables. The Group and the Company did not make use of these amendments to reclassify any of its financial instruments between the effective date of these amendments which is July 1, 2008, and March 31, 2009. There is thus no impact on the Group's and the Company's financial statements.

4.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Group has not early adopted them:

- IFRS 8: Operating Segments (effective as from January 01, 2009)
- IFRIC 13: Customer Loyalty Programmes (effective as from July 01, 2008)
- IFRIC 15: Agreements for the Construction of Real Estate (effective as from January 01, 2009)
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (effective as from October 01, 2008)
- IFRIC 17: Distributions of Non-Cash Assets to Owners (effective as from July 01, 2009)
- IFRIC 18: Transfers of Assets from Customers (effective as from July 01, 2009)
- IAS 1: Presentation of Financial Statements - Revised May 2008 (effective as from January 01, 2009)
- IAS 16: Property, Plant and Equipment - Revised May 2008 (effective as from January 01, 2009)
- IAS 19: Employee Benefits - Revised May 2008 (effective from as January 01, 2009)
- IAS 20: Government Grants and Disclosure of Government Assistance - Revised May 2008 (effective as from January 01, 2009)
- IAS 23: Borrowing Costs - Revised May 2008 (effective as from January 01, 2009)
- IAS 27: Consolidated and Separate Financial Statements - Revised May 2008 (effective as from July 01, 2009)
- IAS 28: Investments in Associates - Revised May 2008 (effective as from January 01, 2009)

Notes to the Financial Statements

for the year ended March 31, 2009

- IAS 29: Financial Reporting in Hyperinflationary Economies - Revised May 2008 (effective as from January 01, 2009)
- IAS 31: Interests in Joint Ventures - Revised May 2008 (effective as from January 01, 2009)
- IAS 32: Financial Instruments: Presentation - Revised May 2008 (effective as from January 01, 2009)
- IAS 36: Impairment of Assets - Revised May 2008 (effective as from January 01, 2009)
- IAS 38 : Intangible Assets - Revised May 2008 (effective as from January 01, 2009)
- IAS 39: Financial Instruments: Recognition and Measurement - Revised May 2008 (effective as from January 01, 2009)
- IAS 40: Investment Property - Revised May 2008 (effective as from January 01, 2009)
- IAS 41: Agriculture - Revised May 2008 (effective as from January 01, 2009)
- IFRS 1: First-time Adoption of International Financial Reporting Standards - Revised May 2008 (effective as from January 01, 2009)
- IFRS 2: Share-Based Payment - Revised May 2008 (effective as from January 01, 2009)
- IFRS 3: Business Combinations – Revised May 2008 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 01, 2009)
- IFRS 5: Non-current Assets Held for Sale and Discontinued Operations - Revised May 2008 (effective as from July 01, 2009)

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

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, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

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

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 equity 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 Company 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.

Notes to the Financial Statements

for the year ended March 31, 2009

Estimates and assumptions

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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) *Retirement benefit obligations*

The determination of employee benefit costs and related provisions, as described in note 4.4(q) and as detailed in note 21 to the financial statements, requires the use of actuarial calculations or other assumptions that include significant estimates in respect of, inter alia, the discount rate, the expected return on plan assets, future salary increases, future medical cost increases and future pension increases. These significant estimates are assessed annually by the directors with the actuaries where applicable. Differences between actual and estimates are recorded as actuarial gains or losses.

(iii) *Provision for Frequent Flyer Programme*

The provision for liability in respect of the redemption under the Frequent Flyer Programme, a customer loyalty scheme, is determined using various assumptions concerning the future behaviour of the members.

Those include the following assumptions:

- The rewards for free tickets are non-displacing to fare paying passengers, and therefore the incremental costs method is considered as appropriate in estimating the liability; and
- The ratio of the level of free travel to overall traffic is insignificant.
- The carrying amount of the provision for the Frequent Flyer Programme was estimated at Euro 4.9M.

(iv) *Contractual maintenance expenses*

Contractual maintenance expenses are provided for in accordance with the terms of maintenance agreements on aircraft. The provisions are generally based on the number of hours flown by each aircraft/engine and an estimated rate. The long term portion of the provision is not discounted to its present value due to uncertainties with respect to the final maintenance costs to be incurred when compared to the estimated rate applied. Further details are given in note 21.

(v) *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

Notes to the Financial Statements

for the year ended March 31, 2009

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:

	2009		2008	
	Closing	Average	Closing	Average
EUR /ZAR	12.755	12.469	12.817	10.099
EUR /USD	1.327	1.424	1.580	1.334
EUR /AUD	1.926	1.821	1.724	1.632
EUR /GBP	0.926	0.835	0.792	0.706
EUR /MUR	44.320	42.031	41.342	42.14

(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 balance sheet 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 balance sheet date.

Exchange differences arising on the settlement and the retranslation of monetary items are recognised in the income statement.

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 (f).

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 balance sheet date.

Their results for the period are translated into Euro at the average exchange rate for the period. The exchange differences arising from the translation of the foreign operations are taken to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(c) Property, plant and equipment

All property, plant and equipment are stated at historical 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 is 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.

The useful lives and residual values of all property, plant and equipment are reviewed and 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:	
- Galley equipment	10
- Inflight entertainment equipment	10
- Cabin interior and seating	10
- Airframes	5 - 12.5
Aircraft rotables spares	5 - 20
Buildings and hangars on leasehold land	2 - 10
Plant and equipment	20
Furniture & fittings	10 - 20
Computer and office equipment	10 - 33
Motor vehicles	20
Sundry assets	10
Improvement to building	10
Aircraft and engine overhaul	

See note on next page

Notes to the Financial Statements

for the year ended March 31, 2009

Leasehold land is not capitalised and the lease payments are charged to the income statement 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 for owned and finance leased aircraft/engines. Other non-heavy maintenance and overhaul costs are charged to the income statement on consumption or as incurred.

(d) Investment property

Investment property are 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 are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment property are included in the profit or loss in the year in which they arise.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner

occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

(e) Investments in subsidiary and associated companies

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 acquiror, in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Associate

Investments in associated company is accounted in the consolidated financial statements using the equity method. Under this method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. The income statement reflects the share of the results of operations of the associate. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill is assessed for impairment every year. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The carrying amount of the investment is reduced to recognise any impairment in the value of individual investments. When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition is discontinued except to the extent of the Group's commitment.

Notes to the Financial Statements

for the year ended March 31, 2009

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

In the separate company financial statements, investment in associated company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of individual investments.

(f) Investments and other financial assets

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 financial assets, 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.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in profit or loss.

(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. 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 income 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 financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in 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 balance sheet 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.

(g) Derecognition of financial assets and liabilities

(i) Financial assets

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;

Notes to the Financial Statements

for the year ended March 31, 2009

- 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 right to receive cash flows from an asset 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing 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.

(h) Impairment of financial assets

The group assesses at each balance sheet 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.

(i) Due from loans and advances to customers

For amounts due from loans and advances to customers 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 been 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 been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

Notes to the Financial Statements

for the year ended March 31, 2009

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.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each balance sheet 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 the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in equity.

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 as part of 'Interest and similar income'. 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 the income statement, the impairment loss is reversed through the income statement.

(i) Cash and Cash Equivalents

Cash and short term deposits in the balance sheet 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 cash flow statements, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

(j) 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 (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.

(k) Financial Liabilities

(i) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(ii) 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.

(iii) Financial guarantee liabilities

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

Notes to the Financial Statements

for the year ended March 31, 2009

best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount initially recognised.

(l) 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 period; 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 net 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

Where a derivative financial instrument hedges the exposure to changes in the fair value of a recognised asset or liability, the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the income statement.

(ii) Cash Flow Hedge

Where a derivative financial instrument hedges the exposure to variability in the cash flows of recognised assets or liabilities or anticipated transactions or firm commitments, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement.

When a hedged anticipated transaction or firm commitment results in the recognition of a non-financial asset or non-financial liability, the cumulative gain or loss on the hedging instrument recognised in equity is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss recognised in equity is transferred to the income statement at the same time that the hedged transaction affects net profit or loss and included in the same line item as the hedged transaction.

If a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, or if the hedge transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in profit or loss.

(m) 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 is reimbursed to the Group when the agreed maintenance is carried out.

(n) 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 depend on whether the aircraft engine is owned / finance leased by the Group or rented under an operating lease.

Notes to the Financial Statements

for the year ended March 31, 2009

(i) 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.

(ii) 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.

(o) 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 the income statement when the asset is derecognised.

(p) 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.

(q) Leases

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

- There is a change in contractual terms, other than a renewal or extension of the arrangement;
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- There is a change in the determination of whether fulfilment is dependant on a specified asset; or
- 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 balance sheet 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 the income statement 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 the income statement 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.

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for the year ended March 31, 2009

(r) Retirement Benefit Obligations

(i) Defined benefit plans

The Company contributes to a pension scheme, which is a Defined Benefit plan. Under this plan the qualifying employees are entitled to retirement benefits up to a maximum of 66.6% of final salary on attainment of a retirement age of 60. The assets of the fund are held and administered by a trust specifically created for that purpose. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. For the year ended March 31, 2008 the valuation exercise was carried out by Hewitt LY, Actuaries and Consultants. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and reduced by the fair value of plan assets.

Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in 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 post retirement medical cover under the Air Mauritius Limited Provident Fund and the severance allowance payable to employees of its subsidiaries in accordance with the Labour Act. 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 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 balance sheet date.

(s) 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 balance sheet date.

(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. 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, retirement benefit obligations 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 income tax assets and deferred income 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

Notes to the Financial Statements

for the year ended March 31, 2009

→ 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 balance sheet.

(t) Impairment of non-financial assets

The Group reviews the carrying amounts of its assets at each balance sheet 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(u) Borrowing costs

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

(v) Customer Loyalty Programme

The Company operates a customer loyalty programme (known as frequent flyer programme) that entitles travellers to accumulate mileage credits convertible into free tickets and other benefits. The provision for the potential obligation that will arise when the member becomes entitled to promised frequent flyer rewards is estimated based on incremental costs and an assumed level of redemption of frequent flyer miles earned. The provision is reduced to reflect the outstanding obligation as members redeem awards or as their entitlement to awards expires after 3 years.

The incremental costs accrued include fuel, catering servicing costs and costs of redemption on airline and non-airline partners. These costs are charged to operating costs when the provision is raised.

(w) Revenue recognition

(i) Passenger and cargo sales

Passenger tickets and cargo airway bills including fuel surcharges, net of discounts are recorded as current liabilities in the 'Sales In Advance of Carriage' account and are recognised as revenue only when the transportation service is provided. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses. Unused tickets are recognised as revenue on a systematic basis.

(ii) Room revenue, sale of food and beverages and income from other normal hotel services

Revenue is recognised upon amounts invoiced and customers' acceptance, net of Value Added Tax and discounts.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment has been established.

(iv) Interest income

Interest is recognised as it accrues (using the effective interest 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.

(x) Segmental reporting

The Group considers that segmentation of its business should be viewed as a function of products or services rather than geography. Although revenue is often managed and reported geographically, costs are considered in a functional rather than on a geographical basis.

Furthermore, the risks and returns faced by the Group are dominated by the nature of products and services

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(business segments) offered rather than where the products and services are offered (geographical segments).

For the Group the key revenue generating asset, the aircraft fleet, is deployed flexibly across the entire route network making an analysis by geographical area meaningless.

Based on the above, the Group has opted to use its different types of products or services as primary basis of segmentation. The geographical segments using the destination basis are being used as secondary basis.

(i) Business Segments (Primary)

The main business segments of the Group are aircraft operations, ground operations, investment property, hotel and restaurant services and call centre.

(ii) Geographical Segments (Secondary)

Operating Revenue by destination

This method considers the location of the Group's customers and allocates sales on this basis.

Allocation is based on the origin of the sales of passenger tickets for aircraft operation and provision of ground operations services.

(y) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise bank loans, finance leases and trade 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 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 IATA, CAS and 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 17. 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 financial 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 both its financial investments and financial assets (e.g. accounts receivables and other financial assets), 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.

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for the year ended March 31, 2009

The table below summarises the maturity profile of the Group's financial liabilities at March 31, based on contractual undiscounted payments.

The Group	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
At March 31, 2009	€000	€000	€000	€000	€000	€000
Interest bearing loans and borrowings	44,734	10,936	15,183	58,951	9,532	139,336
Financial derivatives	-	17,027	41,102	14,116	-	72,245
Collateral payment	(11,408)	-	-	-	-	(11,408)
Trade and other payables	-	84,877	28,292	3,102	-	116,271
	33,326	112,840	84,577	76,169	9,532	316,444
At March 31, 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans and borrowings	-	8,636	17,565	71,905	21,719	119,825
Financial derivatives	-	716	1,488	199	-	2,403
Trade and other payables	-	92,289	32,509	3,233	-	128,031
	-	101,641	51,562	75,337	21,719	250,259

The Company	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
At March 31, 2009	€000	€000	€000	€000	€000	€000
Interest bearing loans and borrowings	44,734	10,936	19,275	58,588	9,532	143,065
Financial derivatives	-	17,027	41,102	14,116	-	72,245
Collateral payment	(11,408)	-	-	-	-	(11,408)
Trade and other payables	-	85,029	28,343	3,102	-	116,474
	33,326	112,992	88,720	75,806	9,532	320,376
At March 31, 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans and borrowings	-	8,496	17,146	71,905	21,719	119,266
Financial derivatives	-	716	1,488	199	-	2,403
Trade and other payables	-	92,676	32,509	3,233	-	128,418
	-	101,888	51,143	75,337	21,719	250,087

Notes to the Financial Statements

for the year ended March 31, 2009

(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, 2009, approximately 19% of the Group's borrowings were at a fixed rate of interest (2008: 29%).

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity.

The Group and the Company

	Increase/ decrease in basis points	Effect on profit before tax €'000
2009		
Euro	+15	(40)
US dollar	+20	(287)
Euro	-10	26
US dollar	-15	215
2008		
Euro	+15	(43)
US dollar	+20	(301)
Euro	-10	28
US dollar	-15	226

(iv) Price risk on fuel derivatives

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, 2009, the fair value of the Group's derivative financial asset relating to commodity hedges was Eur 72,245k.

The Group and the Company

	Increase/ decrease in USD	Effect on profit before tax €'000	Effect on equity €'000
2009			
Increase in fuel price	+10	13,631	4,400
Decrease in fuel price	-10	(22,210)	(5,105)
2008			
Increase in fuel price	+10	-	-
Decrease in fuel price	-10	-	-

(v) Foreign currency risk

Revenue is generated principally in Euro while USD mainly influences the determination of costs. Therefore, prospective cost in non-euro operations will be hedged in this manner 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 and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's and the Company's equity (due to changes in the fair value of forward exchange contracts).

Notes to the Financial Statements

for the year ended March 31, 2009

The Group and the Company

	Increase/ decrease in US dollar rate	Effect on profit before tax €'000	Effect on equity €'000
2009	+5%	(10,216)	(1,983)
	-5%	9,243	2,482
2008	+5%	(9,911)	116
	-5%	8,606	(105)

(vi) Hedging by the Company

The Risk Management Steering Committee sets out the objectives and policies for hedging transactions. As derivatives are only used for the purposes of risk management, accordingly, 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 fuel and foreign exchange derivative instruments are both accounted for as "cash flow hedges" as per IAS 39.

In 2002, the Company entered into swap agreements in order to convert the majority of its USD-denominated loan obligations into Euro. These arrangements have mitigated the Company's currency exposure while maintaining the same interest rate risk profiles.

These arrangements comprise both an element of "fair value hedge" and "cash flow hedge" as defined by IAS 39.

(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 and March 31, 2009 and March 31, 2008. The Group has given priority to cash flow management in the recent months but is also monitoring its gearing ratio. The Board has considered the necessity of an issue of shares but has postponed its decision until, and if, the need arises.

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. Interest bearing loans and borrowings exclude derivatives and collaterals. Capital comprises equity attributable to the equity holders of the parent.

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Interest bearing loans and borrowings	132,809	105,152	136,538	104,593
Equity	39,431	199,038	49,097	205,912
Gearing ratio	337%	53%	278%	51%

Notes to the Financial Statements

for the year ended March 31, 2009

(viii) Financial Instruments

Fair values

Set out below is a comparison by category and class of carrying amounts and fair values of all of the Group's financial instruments, which are carried in the financial statements:

The Group

	Category	Carrying amount		Fair value	
		2009	2008	2009	2008
		€'000	€'000	€'000	€'000
Financial assets					
Cash	L.R	23,407	82,592	23,407	82,592
Available-for-sale investments	A.F.S	423	2,085	423	2,085
Held-to-maturity investments	H.T.M	-	3,289	-	3,467
Derivative financial instruments	F.V.T.P.L	3,091	3,895	3,091	3,895
Collateral payments	L.R	11,408	-	11,408	-
Trade and other receivables	L.R	46,426	63,959	46,426	63,959
Financial liabilities					
Bank overdraft	F.L	(44,734)	-	(44,734)	-
Interest-bearing-loans and borrowings:					
- Obligations under finance	F.L	(86,269)	(102,597)	(86,269)	(102,597)
- Fixed rate borrowings	F.L	(1,907)	(2,555)	(1,907)	(2,555)
Derivative financial instruments	F.V.T.P.L	(72,245)	(2,403)	(60,938)	(2,403)
Trade and other payables	F.L	(116,271)	(128,031)	(116,271)	(128,031)

The Company

	Category	Carrying amount		Fair value	
		2009	2008	2009	2008
		€'000	€'000	€'000	€'000
Financial assets					
Cash	L.R	21,980	78,546	21,980	78,546
Available-for-sale investments	A.F.S	423	2,085	423	2,085
Derivative financial instruments	F.V.T.P.L	3,091	3,895	3,091	3,895
Collateral payments	L.R	11,408	-	11,408	-
Trade and other receivables	L.R	45,888	63,280	45,888	63,280
Financial liabilities					
Bank overdraft	F.L	(44,734)	-	(44,734)	-
Interest-bearing-loans and borrowings:					
- Obligations under finance	F.L	(86,269)	(102,597)	(86,269)	(102,597)
- Fixed rate borrowings	F.L	(5,636)	(2,555)	(5,636)	(2,555)
Derivative financial instruments	F.V.T.P.L	(72,245)	(2,403)	(60,938)	(2,403)
Trade and other payables	F.L	(116,474)	(128,418)	(116,474)	(128,418)

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

Notes to the Financial Statements

for the year ended March 31, 2009

6. PROPERTY, PLANT AND EQUIPMENT

The Group	Aircraft on lease		Aircraft accessories		Aircraft & engine spares		Aircraft 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	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Cost																								
At April 01, 2007	373,002	21,506	29,168	34,741	30,263	17,940	6,294	10,544	5,122	163	528,743													
Transfer	(103,849)	103,849	-	-	(65)	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reclassified from investment property (note 7)	-	-	-	-	1,657	-	-	-	-	-	1,657	-	-	-	-	-	-	-	-	-	-	-	1,657	
Additions	-	-	140	10,993	1,110	826	102	725	168	110	14,174	-	-	-	-	-	-	-	-	-	-	-	14,174	
Disposals	-	-	-	(7,006)	(44)	(90)	(329)	(331)	(219)	(138)	(8,157)	-	-	-	-	-	-	-	-	-	-	-	(8,157)	
Exchange differences	-	-	-	-	87	31	9	1	6	-	122	-	-	-	-	-	-	-	-	-	-	-	122	
At March 31, 2008	269,153	125,355	29,308	38,728	33,073	18,642	6,135	10,945	5,065	135	536,539													
Transfer to assets held-for-sale (note 9)	-	-	(11,784)	-	(874)	-	-	-	-	-	(11,784)	-	-	-	-	-	-	-	-	-	-	-	(11,784)	
Reclassified to investment property (note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(874)	
Additions	-	11,909	804	16,405	197	411	143	450	400	50	30,769	-	-	-	-	-	-	-	-	-	-	-	30,769	
Disposals	-	(218)	(1,167)	(13,109)	(4)	(93)	(71)	(388)	(844)	-	(15,884)	-	-	-	-	-	-	-	-	-	-	-	(15,884)	
Exchange differences	-	-	-	-	(164)	(54)	(23)	(12)	(9)	-	(238)	-	-	-	-	-	-	-	-	-	-	-	(238)	
At March 31, 2009	269,153	137,046	17,161	42,024	32,228	18,906	6,184	10,895	4,616	185	538,488													
Depreciation																								
At April 01, 2007	131,769	20,504	17,974	14,274	15,998	15,994	5,189	9,138	2,952	129	233,921													
Transfer	(45,053)	45,053	-	-	(6)	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Charge for the year	13,797	2,692	273	10,774	1,295	707	335	836	857	44	31,609	-	-	-	-	-	-	-	-	-	-	-	31,609	
Disposals	-	-	-	(6,072)	(33)	(76)	(209)	(272)	(208)	(135)	(7,005)	-	-	-	-	-	-	-	-	-	-	-	(7,005)	
Exchange differences	-	-	-	-	42	29	5	2	(2)	-	76	-	-	-	-	-	-	-	-	-	-	-	76	
At March 31, 2008	100,513	68,249	18,247	18,976	17,302	16,648	5,326	9,704	3,599	38	258,601													
Transfer to assets held-for-sale (note 9)	-	-	(6,210)	-	-	-	-	-	-	-	(6,210)	-	-	-	-	-	-	-	-	-	-	-	(6,210)	
Charge for the year	10,976	7,909	1,775	14,640	1,293	789	311	720	784	31	39,228	-	-	-	-	-	-	-	-	-	-	-	39,228	
Disposals	-	(194)	(489)	(12,963)	(9)	(93)	(88)	(377)	(771)	(14,868)	(14,868)	-	-	-	-	-	-	-	-	-	-	-	(14,868)	
Exchange differences	-	-	-	-	(87)	(50)	(16)	(14)	(3)	-	(170)	-	-	-	-	-	-	-	-	-	-	-	(170)	
At March 31, 2009	111,489	76,054	13,323	20,653	18,505	17,294	5,553	10,033	3,609	69	276,581													
Netbook value																								
At March 31, 2009	157,664	60,992	3,838	21,371	13,723	1,612	631	962	1,007	116	261,917													
At March 31, 2008	168,640	57,106	11,082	19,752	15,771	1,994	809	1,241	1,466	97	277,938													

Note: Certain aircraft and accessories have been pledged as security against borrowings of the Group. The reclassification from property, plant and equipment to investment property is in respect of a property previously occupied by the Group, which has been given up and relinquished.

Notes to the Financial Statements

for the year ended March 31, 2009

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company	Buildings & equipment										Motor vehicles		Total
	Aircraft on-lease	Aircraft accessories	Aircraft spares	Aircraft & engine overhaul	Aircraft hangs on leasehold land	Plant & equipment	Furniture & fittings	Computer & office equipment	owned	leased	€'000	€'000	
Cost													
At April 01, 2007	373,002	21,506	29,168	34,741	26,046	17,126	6,006	10,349	5,044	163	-	523,151	
Transfer	(103,849)		-	-	-	-	-	-	-	-	-	-	
Additions	-	-	140	10,983	1,109	819	97	714	149	110	-	14,131	
Disposals	-	-	-	(7,006)	(44)	(90)	(329)	(331)	(219)	(138)	-	(8,157)	
At March 31, 2008	269,153	125,355	29,308	38,728	27,111	17,855	5,774	10,732	4,974	135	-	529,125	
Transfer to assets held for sale (note 19)	-	-	(11,784)	-	-	-	-	-	-	-	-	(11,784)	
Additions	-	11,909	804	16,465	197	397	141	441	369	50	-	30,713	
Disposals	-	(218)	(1,167)	(13,109)	(4)	(91)	(69)	(386)	(822)	-	-	(15,866)	
At March 31, 2009	269,153	137,046	17,161	42,024	27,304	18,161	5,846	10,787	4,521	185	-	532,188	
Depreciation													
At April 01, 2007	131,769	20,504	17,974	14,274	15,139	15,311	4,976	8,960	2,885	129	-	231,921	
Transfer	(45,053)		-	-	-	-	-	-	-	-	-	-	
Charge for the year	13,797	2,692	273	10,774	1,074	682	318	822	860	44	-	31,326	
Disposals	-	-	-	(6,072)	(33)	(76)	(209)	(272)	(208)	(135)	-	(7,005)	
At March 31, 2008	100,513	68,249	18,247	18,976	16,180	15,917	5,085	9,510	3,527	38	-	256,242	
Transfer to assets held for sale (note 19)	-	-	(6,210)	-	-	-	-	-	-	-	-	(6,210)	
Charge for the year	10,976	7,909	1,775	14,640	1,068	769	295	705	772	31	-	38,940	
Disposals	-	(104)	(489)	(12,963)	(3)	(91)	(68)	(377)	(750)	-	-	(14,845)	
At March 31, 2009	111,489	76,054	13,323	20,653	17,245	16,595	5,312	9,838	3,549	69	-	274,127	
Net book value													
At March 31, 2009	157,664	60,992	3,838	21,371	10,059	1,566	534	949	972	116	-	259,061	
At March 31, 2008	168,640	57,106	11,061	19,762	10,931	1,938	689	1,222	1,447	97	-	272,883	

(Note: Certain aircraft and accessories have been pledged as security against borrowings of the Company.)

Notes to the Financial Statements

for the year ended March 31, 2009

7. INVESTMENT PROPERTY

The Group

At April 01,
Transfer from/(to) property, plant and equipment (note 6)
Exchange difference
Fair value gain

2009	2008
€'000	€'000
8,975	10,060
874	(1,657)
(868)	491
600	81
9,581	8,975

At March 31,

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 at March 31, 2009 and at March 31, 2008, Property and Assets Valuation Ltd, Chartered Valuer,

which has recent experience in the valuation of investment property of the same nature and location. The basis used for valuation is the open market value approach.

The reclassification from property, plant and equipment is in respect of a property previously occupied by the Group which has been given up and rented out.

- (a) Rental income from the investment property
(b) Operating expenses arising on the investment property:
- that generated rental income during the year
- that did not generate rental income during the year

2009	2008
€'000	€'000
1,145	1,148
308	237
-	-

8. INTANGIBLE ASSETS

Carrying amounts

Computer software (see below)
Goodwill on acquisition of subsidiary

THE GROUP		THE COMPANY	
2009	2008	2009	2008
€'000	€'000	€'000	€'000
680	1,024	673	1,004
14	14	-	-
694	1,038	673	1,004

Computer software

Cost

At April 01,
Additions
Disposals
Exchange differences

At March 31,

Amortisation

At April 01,
Charge for the year
Disposals
Exchange differences

At March 31,

Net book value

At March 31,

4,914	3,729	4,843	3,659
143	1,184	135	1,184
-	(2)	-	-
(5)	3	-	-
5,052	4,914	4,978	4,843
3,890	3,499	3,839	3,471
486	391	466	368
-	(1)	-	-
(4)	1	-	-
4,372	3,890	4,305	3,839
680	1,024	673	1,004

Notes to the Financial Statements

for the year ended March 31, 2009

9. INVESTMENT IN SUBSIDIARY COMPANIES

The Company

Cost

At April 01, and March 31,

2009	2008
€'000	€'000
27,155	27,155

Details of the subsidiary companies 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	
				2009	2008
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%
Information technology					
Airmate Ltd	Mauritius	Ordinary	171	100%	100%
Helicopter operations					
Mauritius Helicopter Ltd (Dormant)	Mauritius	Ordinary	0.1	100%	100%

10. INVESTMENT IN ASSOCIATED COMPANY

(a) Carrying value of investment in associate

	2009	2008
	€'000	€'000
Cost	102	102
Share of post-acquisition profits, net of dividend received	25	200
Carrying value	127	302

(b) Interests in associated company

The associated company which is incorporated in Mauritius, is as follows:

Name of company	Country of operation	Class of shares held	Nominal value of investment €'000	Percentage holding	
				2009	2008
The Mauritius Shopping Paradise Co. Ltd	Mauritius	Ordinary	102	41.65%	41.65%

Notes to the Financial Statements

for the year ended March 31, 2009

10. INVESTMENT IN ASSOCIATED COMPANY (Continued)

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

	2009 €'000	2008 €'000
Total assets	724	1,021
Total liabilities	(420)	(295)
Net assets	304	726
Group's share of associate's net assets	127	302
Revenue	-	-
(Loss)/Profit after tax for the period	(158)	4
Group's share of associate's (loss)/profit	(66)	2
Group's share of associate's movement in reserves	(396)	43

11. AVAILABLE-FOR-SALE INVESTMENTS

	2009		Total €'000	2008
	Quoted €'000	Unquoted €'000		Total €'000
The Group and the Company				
At April 01,	1,462	623	2,085	1,956
Disposal	(1,462)	-	(1,462)	-
Fair value loss	-	(200)	(200)	129
At March 31,	-	423	423	2,085

Quoted and unquoted investments represent holdings of less than 5% held by the Group and the Company.

12. OTHER FINANCIAL ASSETS

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Held-to-maturity investments	-	3,289	-	-
Derivative financial instruments [note 38 (b)]	3,091	3,895	3,091	3,895
	3,091	7,184	3,091	3,895
Less maturing within one year	(2,710)	(6,304)	(2,710)	(3,015)
Maturing after one and before two years	381	880	381	880

Notes to the Financial Statements

for the year ended March 31, 2009

13. DEFERRED TAX ASSET

	2009 €'000	2008 €'000
The Group		
At April 01,	216	485
Exchange differences	18	(59)
Charge to income statement (note 30)	(190)	(210)
At March 31,	44	216
Deferred tax assets are attributable to the following items:		
	2009 €'000	2008 €'000
Provisions	15	92
Accelerated depreciation	29	124
	44	216

The deferred tax asset relates to accelerated depreciation and provisions in Mauritius Estate Development Corporation Limited and has been computed at the current tax rate of 15% (2008: 15%).

Unused tax losses

Unused tax losses of the Group that have not been recognised as deferred tax asset amount to € 2.9M (2008: € 2.9M).

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Tax exemption of the Company

The Company is not taxable by virtue of an agreement with the Government of Mauritius. No deferred tax has, as a result, been provided for in the financial statements of the Company.

14. LONG TERM DEPOSITS

	2009 €'000	2008 €'000
The Group and the Company		
Predelivery payment (note 17)	14,452	8,776
Deposits on operating leases	7,533	6,504
	21,985	15,280
Less: short-term portion included in trade and other receivables(note 17)	(14,452)	-
	7,533	15,280

15. LONG TERM RECEIVABLE

	2009 €'000	2008 €'000
The Group and the Company		
Loan	562	827

The loan is secured by a floating charge on the assets of the counterparty. The major part of the loan bears no interest and has been fair valued

using effective interest rate method. The rate of interest on the remaining loan is 7.3% per annum.

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Aircraft spares - at net realisable value	9,631	10,038	9,631	10,038
Cabin services - at net realisable value	2,111	1,637	2,111	1,637
Others - at cost	1,235	1,190	1,213	1,156
	12,977	12,865	12,955	12,831

Notes to the Financial Statements

for the year ended March 31, 2009

17. TRADE AND OTHER RECEIVABLES (CURRENT)

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
Trade receivables	36,342	55,552	36,109	54,939
Receivable from subsidiary companies	-	-	251	233
Predelivery payment (note 14)	14,452	-	14,452	-
Other receivables and prepayments	10,084	8,407	9,528	8,108
	60,878	63,959	60,340	63,280

Outstanding balances receivable from related parties, identified under note 35, 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, 2009, trade receivables at nominal value of €2,496 (2008: €1,660k) for the Group and €2,341k (2008: €1,526k) for the Company were impaired and fully provided for.

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

The Group

At April 01, 2007
Charge for the year
Utilised

Unused amounts reversed

At March 31, 2008
Charge for the year

At March 31, 2009

Individually impaired €'000
1,719
251
(2)
(308)
1,660
836
2,496

The Company

At April 01, 2007
Charge for the year
Utilised

At March 31, 2008
Charge for the year

At March 31, 2009

Individually impaired €'000
1,285
241
-
1,526
815
2,341

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

	Total €'000	Past due but not impaired			
		< 30 days €'000	30 - 60 days €'000	60 - 180 days €'000	> 180 days €'000
The Group					
At March 31, 2009	36,342	34,156	733	770	683
At March 31, 2008	55,552	47,765	1,718	3,747	2,323
The Company					
At March 31, 2009	36,109	34,015	710	703	681
At March 31, 2008	54,939	47,402	1,656	3,666	2,215

Notes to the Financial Statements

for the year ended March 31, 2009

18. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Cash and short term deposits	23,407	82,592	21,980	78,546
Bank overdraft (note 21)	(44,734)	-	(44,734)	-
	(21,327)	82,592	(22,754)	78,546

Cash resources include deposits and bank accounts totalling € 16M (2008: € 72.5M) which earn

interest at rates ranging between 0.2% and 10% per annum.

19. ASSETS HELD-FOR-SALE

In February 2009, the directors resolved to dispose 3 Airbus A340 engines. These assets have been classified as held-for-sale and are presented separately on the balance sheet.

The proceeds for the engines are expected to exceed the net carrying amount of relevant assets. The carrying amount of the engines classified as held-for-sale amounted to €5,574k.

20. SHARE CAPITAL

The Group and the Company

Authorised

Ordinary shares of MUR 10 each

Issued and fully paid

Ordinary shares of MUR 10 each

	2009 Number	2008 Number	2009 €'000	2008 €'000
Authorised	200,000,000	200,000,000	81,566	81,566
Issued and fully paid	102,305,000	102,305,000	41,724	41,724

The ordinary shares are denominated in Mauritian rupees.

21. BORROWINGS AND FINANCIAL DERIVATIVES

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Non-current				
Bank loans [notes (b) & 38(a)]	1,087	1,811	724	1,333
Obligations under finance leases [notes (c) & 38(a)]	63,849	82,071	63,849	82,071
Financial derivatives [note 38(a)]	14,116	199	14,116	199
	79,052	84,081	78,689	83,603
Current				
Bank overdraft [note 18 & 38 (a)]	44,734	-	44,734	-
Bank loans	820	744	738	663
Loan from Subsidiary	-	-	4,174	-
Obligations under finance leases [note (c)]	22,420	20,526	22,420	20,526
Financial derivatives [note 38(a)]	58,129	2,204	58,129	2,204
Collateral payment	(11,408)	-	(11,408)	-
	114,695	23,474	118,787	23,393
Total borrowings and financial derivatives	193,747	107,555	197,476	106,996

Notes to the Financial Statements

for the year ended March 31, 2009

21. BORROWINGS AND FINANCIAL DERIVATIVES (Continued)

(a) Details of the borrowings and financial derivatives are given in note 38(a).

(b) Bank loans

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Repayable by instalments:				
- within one year	820	744	738	663
- after one year and before two years	815	760	724	671
- after two years and before five years	272	987	-	662
- after five years	-	64	-	-
	1,907	2,555	1,462	1,996

The Group and the Company

(c) Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Amounts payable under finance leases:				
- within one year	25,298	25,456	22,420	20,526
- after one year and before two years	25,054	25,168	23,241	21,295
- after two years and before five years	32,810	44,991	31,331	40,500
- after five years	9,532	21,655	9,277	20,276
	92,694	117,270	86,269	102,597
Less: Future finance charges	(6,425)	(14,673)	-	-
Present value of lease obligations	86,269	102,597	86,269	102,597
Less: Amount due for settlement within 1 year			(22,420)	(20,526)
Amount due for settlement after 1 year			63,849	82,071

The Company has acquired certain aircraft under finance leases. The average remaining lease terms for these contracts are 1 to 6 years. Borrowing rates vary according to LIBOR and EURIBOR on which the lease agreements have been negotiated.

The loan of one of the subsidiaries is secured by floating charges on the assets of that subsidiary as well as a corporate guarantee given by the holding company (see note 33).

(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 bank overdrafts are secured by guarantee provided by Government of Mauritius, bearing interest ranging from 8.15% to 8.25%.

The Company's borrowings are secured by fixed charges over all aircraft on lease and aircraft and accessories.

(e) Collateral payments

The Group has pledged cash collaterals security payment on its financial derivatives. The counter parties have the right of set off against the Group's liabilities and the obligation to return the security to the Group.

Notes to the Financial Statements

for the year ended March 31, 2009

22. PROVISIONS

Amount of provisions recognised in the Balance Sheets:

Defined benefit pension schemes [note (a)]
Other post retirement benefits [note (b)]
End of contract gratuity for pilots [note (c)]
Contractual maintenance expenses [note (d)]

THE GROUP		THE COMPANY	
2009 €'000	2008 €000	2009 €'000	2008 €000
13,171	13,046	13,171	13,046
2,647	2,341	2,533	2,236
1,477	1,701	1,477	1,701
18,222	15,867	18,222	15,867
35,517	32,955	35,403	32,850

(a) Defined benefit pension schemes

(i) The amounts recognised in the Balance Sheets are as follows:

THE GROUP		THE COMPANY	
2009 €'000	2008 €000	2009 €'000	2008 €000
57,611	50,864	57,611	50,864
(35,487)	(39,028)	(35,487)	(39,028)
22,124	11,836	22,124	11,836
(8,953)	1,210	(8,953)	1,210
13,171	13,046	13,171	13,046

(ii) The amounts recognised in the Income Statements are as follows:

THE GROUP		THE COMPANY	
2009 €'000	2008 €000	2009 €'000	2008 €000
2,245	2,208	2,245	2,208
4,935	4,665	4,935	4,665
(4,078)	(4,046)	(4,078)	(4,046)
3,102	2,827	3,102	2,827

(iii) Changes in present value of the defined benefit obligation are as follows:

THE GROUP		THE COMPANY	
2009 €'000	2008 €000	2009 €'000	2008 €000
50,864	43,115	50,864	43,115
2,245	2,208	2,245	2,208
4,935	4,665	4,935	4,665
(1,219)	(898)	(1,219)	(898)
4,204	-	4,204	-
(3,418)	1,774	(3,418)	1,774
57,611	50,864	57,611	50,864

Notes to the Financial Statements

for the year ended March 31, 2009

22. PROVISIONS (Continued)

(iv) Changes in fair value of plan assets is as follows:

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
Opening fair value of plan assets	39,028	34,793	39,028	34,793
Expected return	4,078	4,046	4,078	4,046
Contributions by employer	2,101	2,244	2,101	2,244
Benefits paid	(1,219)	(898)	(1,219)	(898)
Asset losses	(5,878)	(2,588)	(5,878)	(2,588)
Exchange differences	(2,623)	1,431	(2,623)	1,431
Closing fair value of plan assets	35,487	39,028	35,487	39,028

(v) The Group expects to contribute €2.3M to its defined benefit plans in the year ending March 31, 2010.

(vi) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	THE GROUP		THE COMPANY	
	2009 %	2008 %	2009 %	2008 %
Local bonds	-	6	-	6
Property	5	-	5	-
Overseas bonds and equities	36	-	36	-
Others	59	94	59	94
	100	100	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

(vii) Obligations, assets and experience adjustments:

	2009 €'000	2008 €000	2007 €000	2006 €000
The Group and the Company				
Defined benefit obligations	(57,611)	(50,864)	(43,115)	(46,167)
Fair value of plan assets	35,487	39,028	34,793	33,561
Deficit	(22,124)	(11,836)	(8,322)	(12,606)
Experience adjustment on plan assets	(5,878)	(2,588)	1,825	212
Experience adjustment on plan liabilities	-	-	-	1,965

(viii) Movement in the liability recognised in the Balance Sheets:

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
At April 01,	13,046	11,970	13,046	11,970
Total expense	3,103	2,827	3,103	2,827
Contributions paid	(2,101)	(2,244)	(2,101)	(2,244)
Exchange differences	(877)	493	(877)	493
At March 31,	13,171	13,046	13,171	13,046
Actual return on plan assets	(1,800)	1,458	(1,800)	1,458

Notes to the Financial Statements

for the year ended March 31, 2009

22. PROVISIONS (Continued)

(b) Other post retirement benefits

(i) The amounts recognised in the Balance Sheets are as follows:

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
Present value of funded obligations	3,299	3,371	3,299	3,371
Fair value of plan assets	(1,009)	(1,062)	(1,009)	(1,062)
	2,290	2,309	2,290	2,309
Present value of unfunded obligations	522	416	415	319
Unrecognised actuarial losses	(165)	(384)	(172)	(392)
Liability in the Balance Sheets	2,647	2,341	2,533	2,236

(ii) The amounts recognised in the Income Statements are as follows:

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
Current service cost	737	721	728	712
Interest cost	321	289	312	281
Expected return on plan assets	(101)	(95)	(101)	(95)
Actuarial loss recognised	70	53	70	58
Total included in staff costs (note 26(b))	1,027	968	1,009	956

(iii) Changes in present value of the defined benefit obligation are as follows:

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
Opening funded defined benefit obligation	3,787	2,718	3,689	2,718
Opening unfunded defined benefit obligation	416	351	297	275
Current service cost	737	721	728	712
Employee cost	522	525	522	525
Interest cost	321	289	312	281
Benefits paid	(1,119)	(946)	(1,121)	(946)
Liability losses	(169)	-	(169)	-
Exchange differences	(674)	129	(544)	124
Closing defined benefit obligation	3,821	3,787	3,714	3,689
Analysed as follows:				
- Closing funded defined benefit obligation	3,299	3,371	3,299	3,371
- Closing unfunded defined benefit obligation	522	416	415	318
	3,821	3,787	3,714	3,689

Notes to the Financial Statements

for the year ended March 31, 2009

22. PROVISIONS (Continued)

(b) Other post retirement benefits (Continued)

(iv) Changes in fair value of plan assets is as follows:

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
Opening fair value of plan assets	1,062	921	1,062	921
Expected return	101	95	101	95
Contributions by employer	561	557	561	557
Employee contributions	522	525	522	525
Benefits paid	(1,121)	(946)	(1,121)	(946)
Asset losses	(44)	(129)	(44)	(129)
Exchange differences	(72)	39	(72)	39
Closing fair value of plan assets	1,009	1,062	1,009	1,062

(v) The Group expects to contribute €0.6M to its other post retirement benefit plan in the year ending March 31, 2010.

(vi) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	THE GROUP		THE COMPANY	
	2009 %	2008 %	2009 %	2008 %
Others	100	100	100	100

(vii) Obligations, assets and experience adjustments:

	2009 €'000	2008 €000	2007 €'000	2006 €000
The Group and the Company				
Defined benefit obligations	(3,714)	(3,690)	(2,994)	(2,315)
Fair value of plan assets	1,009	1,062	921	933
Deficit	(2,705)	(2,628)	(2,073)	(1,382)
Experience adjustment on plan assets	(44)	(129)	(21)	(76)
Experience adjustment on plan liabilities	-	-	(247)	298

(viii) Movement in the liability recognised in the Balance Sheets:

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
At April 01,	2,341	1,852	2,236	1,764
Exchange difference	(137)	78	(150)	73
Total expense	1,026	968	1,008	956
Contributions paid	(583)	(557)	(561)	(557)
At March 31,	2,647	2,341	2,533	2,236
Actual return on plan assets	57	(34)	57	(34)

Notes to the Financial Statements

for the year ended March 31, 2009

22. PROVISIONS (Continued)

(b) Other post retirement benefits (Continued)

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	2009	2008
	%	%
Discount rate	10.5	10.5
Expected return on plan assets	11.0	11.0
Future salary increases	9.0	9.0
Future medical cost increases	10.5	10.5
Future pension increases	4.0	4.0

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.
(iii) Sensitivity analysis:

	2009	2008
	€'000	€'000
Increase in benefit obligation at end of period resulting from a 1% increase in medical cost increase	869	978
Decrease in benefit obligation at end of period resulting from a 1% decrease in medical cost increase	(666)	(742)
Increase in current service and interest costs resulting from a 1% increase in medical cost increase	169	155
Decrease in current service and interest costs resulting from a 1% decrease in medical cost increase	(127)	(116)

- (iv) Where the plan is funded, the overall expected rate of return on plan assets is determined by reference to market yields on bonds and expected yield differences on other types of assets held.

(c) End of contract gratuity for pilots

The amounts recognised in the Balance Sheets are as follows:

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
At April 01,	2,103	1,407	2,103	1,407
Accrued for the year (note 26(b))	1,333	1,259	1,333	1,259
Payments	(793)	(607)	(793)	(607)
Exchange differences	(49)	44	(49)	44
At March 31,	2,594	2,103	2,594	2,103
Provided as follows:				
- less than one year (note 23)	1,117	402	1,117	402
- after one year and before two years	1,072	842	1,072	842
- after two years and before five years	405	859	405	859
- after five years	-	-	-	-
	1,477	1,701	1,477	1,701
	2,594	2,103	2,594	2,103

Notes to the Financial Statements

for the year ended March 31, 2009

22. PROVISIONS (Continued)

(d) Contractual maintenance expenses

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
At April 01,	17,171	13,782	17,171	13,782
Accrued for the year	10,019	9,421	10,019	9,421
Payment	(262)	(4,568)	(262)	(4,568)
Exchange differences	3,243	(1,464)	3,243	(1,464)
At March 31,	30,171	17,171	30,171	17,171
Provided as follows:				
- less than one year (note 23)	11,949	1,304	11,949	1,304
- after one year and before two years	-	1,213	-	1,213
- after two years and before five years	3,835	11,554	3,835	11,554
- after five years	14,387	3,100	14,387	3,100
	18,222	15,867	18,222	15,867
	30,171	17,171	30,171	17,171

23. TRADE AND OTHER PAYABLES (CURRENT)

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Trade payables	46,716	64,338	46,490	64,134
Sales in advance of carriage (see note below)	53,811	56,263	53,811	56,263
Amounts due to subsidiary companies	-	-	657	638
Other payables and accruals	2,678	5,724	2,450	5,677
End of contract gratuity for pilots [note 22(c)]	1,117	402	1,117	402
Contractual maintenance expenses [note 22(d)]	11,949	1,304	11,949	1,304
	116,271	128,031	116,474	128,418

Outstanding balances due to related parties, as detailed in note 35, 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.

24. DIVIDENDS

	2009 €'000	2008 €'000
The Group and the Company		
Dividends declared but not yet paid	-	3,712

No dividend has been declared by the Board of Directors for the year ended March 31, 2009 (2008: MUR 1.50 per share). The dividend declared for the year ended March 31, 2008 was paid in April 2009.

Notes to the Financial Statements

for the year ended March 31, 2009

25. SEGMENT INFORMATION

(a) Primary reporting - Business Segments

	THE COMPANY			TOTAL			SUBSIDIARY COMPANIES						TOTAL	
	2009	2009	2008	2009	2009	2008	Investment Property	Hotel & Restaurant	Call Centre	Adjustment / Unallocated	2009	2008	2009	2008
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Aircraft operators	2009	2009	2008	The Company										
	€000	€000	€000	2009	2009	2008	2009	2009	2008	2008	2009	2008	2009	2008
Operating revenue	440,371	440,369	6,394	4,923	446,765	445,888	1,145	1,146	1,349	1,016	668	(1,590)	(976)	448,077
Operating expenses	(455,253)	(395,083)	(3,733)	(4,131)	(459,986)	(389,214)	(315)	(461)	(406)	(429)	(590)	1,550	976	(460,004)
Segment results	(15,882)	45,276	2,661	798	(13,221)	46,674	600	687	863	920	169	-	-	(383,718)
Administrative expenses				(23,526)	(25,231)				(771)	(673)	(125)	(72)		(11,359)
Share of result of associate														(24,422)
Other operating income				4,539	2,183				77	53	7	4		(66)
Fair value gain on investment property									600	81				4,624
Finance revenue				5,436	9,245				527	536	114	4		600
Finance cost				(6,755)	(17,228)				(51)	(63)				2,982
(Loss)/profit before derecognition of financial liabilities	83,527	15,643	1,958	1,312	1,958	1,312	1,958	1,312	232	249	55	14	(3,165)	2
Loss on derecognition of financial liabilities				(60,816)										(50,816)
(Loss)/profit before taxation	(84,343)	15,643	1,958	1,312	(84,343)	15,643	1,958	1,312	232	249	55	14	(3,165)	2
Taxation														(190)
(Loss)/profit for the year	(84,343)	15,643	1,958	1,312	(84,343)	15,643	1,775	1,102	232	249	48	14	(3,165)	2
(Loss)/profit attributable to:														
- Equity holders of the parent														(85,674)
- Minority interests														221
														(85,453)
														17,220
														(190)
														(85,453)
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														(85,453)
														17,220
														(190)
														(85,453)
														17,220
														(190)
														(85,453)
														17,220

Notes to the Financial Statements

for the year ended March 31, 2009

25. SEGMENT INFORMATION (Continued)

The Group and the Company

(b) Secondary reporting geographical segments (excluding fuel surcharge)	2009	2008
	€'000	€'000
Traffic revenue by destination:		
Europe	156,236	176,940
Africa	18,236	22,652
Asia	27,205	32,642
Australia	17,757	19,974
North America	2,337	2,467
Mauritius	88,500	90,016
Indian Ocean	37,166	33,862
	347,437	378,553

The Group and the Company

(c) Main analysis of traffic revenue	2009		2008	
	€'000	%	€'000	%
Passenger (including helicopter revenue)	288,932	83	317,952	84
Cargo	33,360	10	38,262	10
Others	25,145	7	22,339	6
	347,437	100	378,553	100

26. OPERATING PROFIT

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
(a) Operating profit is arrived after:				
Crediting:				
Rental income	1,260	1,266	115	118
Deferred credit	-	576	-	576
Loss on disposal of property, plant and equipment	(139)	(109)	(139)	(109)
Gain on fuel hedging	-	5,849	-	5,849
Charging:				
Included in operating expenses				
Depreciation of property, plant and equipment	36,161	28,454	35,884	28,182
Operating lease rental	26,667	26,229	26,667	26,229
Cost of inventories recognised as expenses	4,467	8,548	4,285	8,332
Increase in provision for stock obsolescence	316	393	316	387
Loss on fuel hedging	49,707	-	49,707	-
Staff costs	47,057	46,012	46,193	45,370
Included in administrative expenses				
Depreciation of property, plant and equipment	3,067	3,155	3,056	3,144
Increase/(decrease) in provision for impairment on trade receivables	836	(59)	815	241
Amortisation of intangible assets	486	391	466	368
Staff costs	5,770	6,584	5,575	6,470

Notes to the Financial Statements

for the year ended March 31, 2009

26. OPERATING PROFIT (Continued)

(b) Analysis of staff costs

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Salaries and wages	44,759	45,267	43,784	44,567
Social security costs	2,212	1,982	2,146	1,938
Defined benefit pension scheme (note 22(a)(ii))	3,102	2,827	3,102	2,827
Other post retirement benefits (note 22(b)(ii))	1,027	968	1,009	956
End of contract gratuity for pilots (note 22(c))	1,333	1,259	1,333	1,259
Defined contribution pension scheme	394	293	394	293
	52,827	52,596	51,768	51,840

27. FINANCE REVENUE

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Finance revenue				
Interest income from defeased deposits	-	5,477	-	5,477
Other interest income	2,712	4,252	2,130	3,694
Dividend income - quoted	98	62	98	62
- unquoted	172	12	3,208	12
	2,982	9,803	5,436	9,245

28. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Foreign exchange				
Loss realised on transactions	3,496	2,327	3,496	2,327
Release of provision on blocked funds	(418)	(318)	(418)	(318)
Unrealised loss on translation of monetary assets and liabilities	2,986	1,629	2,986	1,629
Net (gain)/loss on currency hedging	(4,794)	2,058	(4,794)	2,058
	1,270	5,696	1,270	5,696
Interest expense				
Defeased liabilities	-	5,477	-	5,477
Finance leases	4,507	5,929	4,507	5,929
Bank overdraft	750	-	750	-
Other loan	108	-	108	-
Bank loans	171	189	120	126
	5,536	11,595	5,485	11,532
Total	6,806	17,291	6,755	17,228

Notes to the Financial Statements

for the year ended March 31, 2009

29 LOSS ON DERECOGNITION OF FINANCIAL LIABILITIES

In March 2009, the Company unwound 40% of its fuel hedge contracts. The loss of the derecognition of this financial liability amounted to €51m has been recognised in income statement .

30. TAXATION

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
(a) Income tax				
Deferred tax charge for the year (note 13)	190	210	-	-
(b) Tax reconciliation				
(Loss)/profit before tax	(85,263)	17,220	(84,343)	15,643
Tax at the rate of 15% (2008: 15%)	(12,790)	2,583	(12,651)	2,347
Expenses not allowable for tax purposes	1,235	64	1,268	56
Exempt income	(2,921)	(16)	(3,306)	(11)
Fair value gain	-	12	-	-
Unrealised exchange gain	(547)	479	(547)	479
Expenditure qualifying for 200% deduction	-	(18)	-	-
Deferred tax under provided in previous year	(23)	(23)	-	-
Effect of tax exemptions	15,236	(2,871)	15,236	(2,871)
Tax charge for the year	190	210	-	-

31. (LOSS)/EARNINGS PER SHARE

	2009 €'000	2008 €'000
The Group		
(Loss)/earnings per share is based on:		
(Loss)/profit for the year	(85,674)	16,827
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.

32. COMMITMENTS

	2009 €'000	2008 €'000
The Group and the Company		
(a) Capital commitments		
(i) Commitments for the acquisition of property, plant and equipment	-	7,531

(ii) The Company has committed to take delivery of one Airbus A330-200 by October 2009. It is intended that this aircraft will be financed using operating lease arrangements.

Notes to the Financial Statements

for the year ended March 31, 2009

32. COMMITMENTS (Continued)

(b) Operating lease commitments

The Group and the Company have the following commitments under non-cancellable operating leases:

- within one year
- after one year and before two years
- after two years and before five years
- after five years

2009	2008
€000	€000
30,071	27,783
27,104	27,776
77,395	75,365
104,012	113,744
238,582	244,668

The Group has entered into commercial leases on certain aircraft and accessories. The remaining lease duration period ranges from 2 to 11 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.

33. CONTINGENT LIABILITIES

The Company

Guarantee

Guarantee in respect of subsidiary company loan

2009	2008
€000	€000
254	319

The Company has guaranteed a portion of a loan taken out by one of its subsidiaries. The obligation to honour this guarantee is contingent on the subsidiary defaulting on its loan repayments, which the directors consider not probable.

timing and outcome of these claims is dependent upon the judicial system and cannot be reasonably assessed. The amount of liability recognised at March 31, 2009 with respect to these litigations amounts to €1.1M (2008: €1.4M)

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 €3.9M (2008: €4.5M). The

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 these guarantees.

34. SUBSTANTIAL SHAREHOLDERS

At March 31, 2009, the following shareholders held more than 5% of the ordinary share capital of the Company.

	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
Pershing LLC	6.01	-	6.01

Notes to the Financial Statements

for the year ended March 31, 2009

35. RELATED PARTY TRANSACTIONS

(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.

	2009 €'000	2008 €000
Income for the year	3,274	3,914
Expenses for the year	19,205	17,476
Amount receivable as at March 31,	787	803
Amount payable as at March 31,	2,103	1,018
Government guarantee (note 39)	109,900	-

(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.

(iii) Compensation

	THE GROUP		THE COMPANY	
	2009 €'000	2008 €000	2009 €'000	2008 €000
Short-term benefits	1,204	1,236	1,195	1,223
Termination benefits	277	-	277	-
Post-employment benefits:				
- Defined benefit	118	114	118	114
- Defined contribution	-	3	-	3
	1,599	1,353	1,590	1,340

The termination benefits relate to compensation paid to certain employees on termination of contract of employment.

(iv) Other related parties

(1) Mr Philippe Espitalier-Noël, who is a Director of the Company, is also the Chief Executive of Rogers & Co. Ltd (Rogers). Rogers has a number of subsidiaries and these companies have transacted with the Group during the financial year. Transactions relating to these entities are as follows:

	2009 €'000	2008 €000
Income for the year	33,232	24,205
Expenses for the year	1,286	1,914
Amount receivable as at March 31,	2,353	2,293
Amount payable as at March 31,	118	172

Notes to the Financial Statements

for the year ended March 31, 2009

35. RELATED PARTY TRANSACTIONS (Continued)

(2) Mr Raghu Menon, 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:

	2009 €'000	2008 €'000
Expenses for the year	1,243	1,306
Amount payable as at March 31,	89	97

(3) Mr Kremchand Beegoo, who is a Director of the Company, is also the Managing Director of Cargotech Ltd and Budget Travel Services Ltd. These two companies have transacted with the Group. Transactions relating to these entities are as follows:

	2009 €'000	2008 €'000
Income for the year	3,253	3,948
Amount receivable as at March 31,	100	304

(v) 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, 2009, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2008: 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.

(vi) Subsidiaries and associate

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.

	2009 €'000	2008 €'000
Income for the year	76	58
Expenses for the year	1,474	918
Amount receivable as at March 31,	44	233
Amount payable as at March 31,	552	638

As described in note 33, the Company has guaranteed a portion of a loan taken out by one of its subsidiaries.

36. 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.

37. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Between the balance sheet date and the date the financial statements were authorised for issue, there has been the following events:

Non Adjusting events:

(i) Unwinding of 5% fuel hedge

After the balance sheet date, the Company unwound some fuel hedge contracts amounting to €4.7M.

(ii) Other loan

The Company obtained a loan of €17.3M in April 2009.

Notes to the Financial Statements

for the year ended March 31, 2009

38. DETAILS OF BORROWINGS AND FINANCIAL DERIVATIVES

(a) Borrowings and swap arrangements

The Group and the Company		March 31, 2009		March 31, 2008		
		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
Base currency	Interest rate %					
Leased aircraft under swap arrangements						
Fixed interest bearing loan						
EUR	4.55% - 4.58%	21,087	n/a	28,865	n/a	April 2011
Variable interest bearing loan						
EUR	Libor + 0.1% - 0.95%	39,017	n/a	46,011	n/a	October 2007 to March 2015
USD	Libor + 0.4%	18,466	n/a	19,380	n/a	October 2012
USD	8.06%	7,699	n/a	8,341	n/a	October 2011
Bank loans						
Fixed interest bearing loan						
EUR	5 %	1,126	n/a	1,689	n/a	October 2010
Variable interest bearing loan						
USD	Euribor + 0.797% - 0.819 %	235	101	307	199	June 2006 to April 2010
Other Loans						
MUR	9.35%	4,174	n/a	-	n/a	March 2010
Bank overdraft						
MUR	8.15% - 8.25%	44,701	n/a	-	n/a	On demand
GBP	8.15% - 8.25%	15	n/a	-	n/a	On demand
EUR	8.15% - 8.25%	18	n/a	-	n/a	On demand
Financial derivatives (note 21)						
Collateral payment		-	72,245	-	2,204	August 2010
		-	(11,408)	-	-	On demand
Company total		136,538	60,938	104,593	2,403	
Other loans						
MUR	8% - 11%	445	n/a	559	n/a	June 2013
MUR	9.35%	(4,174)	n/a	-	n/a	March 2010
Group total		132,809	60,938	105,152	2,403	

Except for financial assets, as described in notes 12, 15 and 18, all other financial assets and liabilities are at call and do not bear any interest rate.

Notes to the Financial Statements

for the year ended March 31, 2009

38. DETAILS OF BORROWINGS AND FINANCIAL DERIVATIVES (Continued)

(b) Derivative financial instruments

The Group and the Company

Currency derivatives (note i)

Fair value of commodity derivatives:

- Liabilities (note (ii) and 21)

- Assets (notes (ii) and 12)

2009	2008
€'000	€'000
3,091	(2,203)
(72,245)	-
(69,154)	3,895
	1,692

(i) Currency derivatives

OTC Traded

Forward rate agreements: **At March 31, 2009**

At March 31, 2008

Amount with remaining life:			
Less than three months	Between three months and one year	More than one year	Total
€'000	€'000	€'000	Fair value gain/(loss) €'000
1,811	899	381	3,091
(550)	(1,653)	-	(2,203)

(ii) Fair value of commodity derivatives

At March 31, 2009

Liabilities

OTC Traded

Swaps

Collars

Corridor

Collateral payment

Amount with remaining life:			
Less than three months	Between three months and one year	More than one year	Total
€'000	€'000	€'000	Fair value loss €'000
6,082	17,310	6,629	30,021
5,651	16,952	7,487	30,090
5,294	6,840	-	12,134
17,027	41,102	14,116	72,245
			11,408

At March 31, 2008

Asset

OTC Traded

Swaps

Corridor

352	620	-	972
1,241	802	880	2,923
1,593	1,422	880	3,895

These derivative financial instruments have been accounted for as cash flow hedges as per the requirements of IAS 39.

Notes to the Financial Statements

for the year ended March 31, 2009

39. GOING CONCERN

During the year, the Group entered into a number of financial contracts to hedge its ongoing and future fuel costs. As the price of oil experienced a significant drop, the Group incurred heavy losses on these contracts (including book losses) and was called upon by its counterparties to secure those losses by way of cash collaterals. In addition to the hedging losses, the Group experienced a decrease in operational cash flows arising from the global economic downturn and a reduction in demand.

In order to mitigate the risks of a default on the Group's ongoing financial obligations should market conditions continue to deteriorate, management have considered a number of possible measures including:

- restructure the hedging portfolio including winding up some of the hedging contracts;

- securing Government's continuing financial support;
- sale of certain assets of the Group;
- raising short, medium and long term financing in the form of equity and / or debts; and
- revenue enhancing and cost reduction measures.

Subsequent to the year end, the financial forecast of the Group improved significantly with the positive outcome of some of the measures implemented by management (including the winding up of some of the hedging contracts), a recovery of oil prices and strengthening of the Euro against the United States Dollar. These have relieved the pressures on the cash flows of the Group resulted in some of the other measures listed above becoming unnecessary in the immediate future. In light of the recent upturn in the Group's financial situation and government's financial support, the Group's and the Company's financial statements have been prepared on the going concern basis.

Notes to the Financial Statements

for the year ended March 31, 2009

40. FINANCIAL SUMMARY

(a) The Group

	2009 €'000	2008 €'000	2007 €'000
INCOME STATEMENTS			
Turnover	448,645	448,077	414,231
Share of results of associates	(66)	2	5
(Loss)/profit before taxation	(85,263)	17,220	(6,473)
(Loss)/profit for the year	(85,453)	17,010	(6,669)
Minority interests	221	183	(130)
(Loss)/profit attributable to the shareholders	(85,674)	16,827	(6,799)
BALANCE SHEETS			
Non-current assets	281,262	307,541	322,218
Current assets	99,972	165,720	232,018
Assets held for sale	5,574	-	-
Current liabilities	(230,966)	(155,217)	(234,897)
Non-current liabilities	(114,569)	(117,036)	(135,170)
SHARE CAPITAL			
<i>Authorised</i>			
Ordinary shares of MUR 10 each	81,566	81,566	81,566
<i>Issued and fully paid</i>			
Ordinary shares of MUR 10 each	41,724	41,724	41,724
RESERVES			
Share premium	18,869	18,869	18,869
Other reserves	(80,719)	(6,786)	(10,255)
Retained earnings	59,557	145,231	132,116
EARNINGS AND DIVIDENDS			
<i>Dividends</i>			
- Rate (%)	-	15	-
- Ordinary shares (€'000)	-	3,712	-
- Per ordinary share (€)	-	0.04	-
(Loss)/earnings per ordinary share (€)	(0.84)	0.17	(0.07)
<i>Number of ordinary shares:</i>			
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, 2009

40. FINANCIAL SUMMARY (Continued)

b) The Company

	2009 €'000	2008 €'000	2007 €'000
INCOME STATEMENTS			
Turnover	446,765	445,888	411,988
(Loss)/profit for the year	(84,343)	15,643	(7,910)
BALANCE SHEETS			
Non-current assets	294,890	320,216	335,035
Current assets	97,986	157,672	226,018
Assets held for sale	5,574	30,748	-
Current liabilities	(235,261)	(155,523)	(235,328)
Non-current liabilities	(114,092)	(116,453)	(134,453)
SHARE CAPITAL			
<i>Authorised</i>			
Ordinary shares of MUR 10 each	81,566	81,566	81,566
<i>Issued and fully paid</i>			
Ordinary shares of MUR 10 each	41,724	41,724	41,724
RESERVES			
Share premium	18,869	18,869	18,869
Other reserves	(68,295)	4,178	1,459
Retained earnings	56,799	141,141	129,210
EARNINGS AND DIVIDENDS			
<i>Dividends</i>			
- Rate (%)	-	15	-
- Ordinary shares (€'000)	-	3,712	-
- Per ordinary share (€)	-	0.04	-
<i>Number of ordinary shares</i>			
Authorised	200,000,000	200,000,000	200,000,000
Issued	102,305,000	102,305,000	102,305,000

Translation of the Balance Sheets

for the year ended March 31, 2009

	THE GROUP		THE COMPANY	
	2009 MUR 'm	2008 MUR 'm	2009 MUR 'm	2008 MUR 'm
ASSETS				
Non-current assets				
Property, plant and equipment	11,608	11,491	11,437	11,282
Investment property	425	371	-	-
Intangible assets	31	43	30	42
Investment in subsidiary companies	-	-	1,204	1,123
Investment in associated companies	6	12	5	4
Available-for-sale investments	19	86	19	86
Other financial assets	17	36	17	36
Deferred tax asset	2	9	-	-
Long term deposits	334	632	334	632
Long term receivable	25	34	25	34
	12,467	12,714	13,070	13,238
Current assets				
Inventories	575	532	574	530
Trade and other receivables	2,698	2,644	2,673	2,616
Other financial assets	120	261	120	125
Cash and cash equivalents	1,037	3,415	974	3,247
	4,430	6,852	4,341	6,518
Assets classified as held for sale	247	-	247	-
Total assets	17,144	19,566	17,658	19,756
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	1,849	1,725	1,849	1,725
Share premium	836	780	836	780
Other reserves	(3,577)	(281)	(3,027)	173
Retained earnings	2,640	6,004	2,517	5,835
	1,748	8,228	2,175	8,513
Minority interests	82	81	-	-
Total equity	1,830	8,309	2,175	8,513
Non-current liabilities				
Borrowings and financial derivatives	3,504	3,477	3,487	3,456
Provisions	1,574	1,363	1,569	1,358
	5,078	4,840	5,056	4,814
Current liabilities				
Trade and other payables	5,153	5,294	5,162	5,309
Borrowings and financial derivatives	5,083	970	5,265	967
Dividends	-	153	-	153
	10,236	6,417	10,427	6,429
Total equity and liabilities	17,144	19,566	17,658	19,756

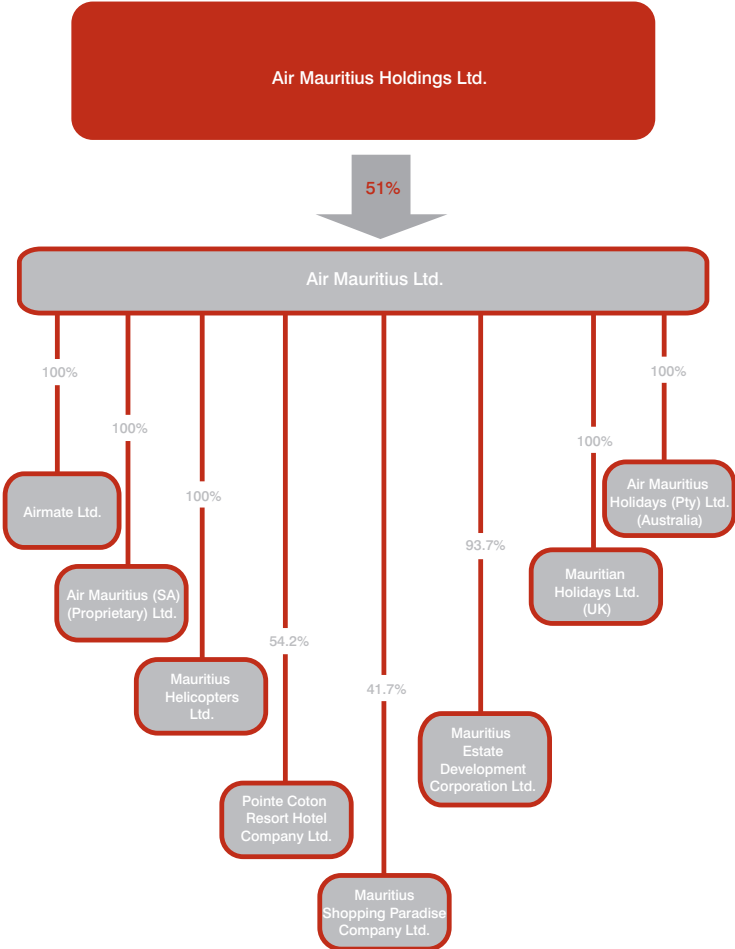
The above balance sheets translated to Mauritian rupees using the Eur/Mur rates prevailing at each respective balance sheet date are provided for information purposes only and do not form part of the audited financial statements.

Cascade Holding Structure



Cascade Holding Structure

Air Mauritius Limited



Shareholders of Air Mauritius Holding Ltd	% 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 holds 93.7% of the shares of Mauritius Estate Development Corporation Limited (MEDCOR) a real estate Company. The Board Directors of MEDCOR are:

- Sanjay Bhuckory – **Chairman**
(up to 09 January 2009)
- Manoj R.K Ujoodha, G.O.S.K.
- Ramapatee Gujadhur, C.S.K.
- Vijay Seetul
(up to 30 June 2008)
- Raj Ringadoo
(Alternate Banoomatee Veerasamy)
- Sushil Duth Baguant
(up to 01 February 2009)
- Secretary: Foad Nooraully

Pointe Coton Resort Hotel Company Limited

Air Mauritius 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 Limited are:

- Sanjay Bhuckory – **Chairman**
(up to 09 January 2009)
- Manoj R.K Ujoodha, G.O.S.K.
- Vijay Seetul
(up to 30 June 2008)
- Anista Ramphul-Punchoo
- Patrice Leal
(Alternate Stephane Leal)
- Raj Ringadoo
(Alternate Banoomatee Veerasamy)
- **Secretary:** Foad Nooraully

Air Mauritius (S.A.) (Proprietary) Limited

In South Africa, the Company operates through a 100% owned subsidiary Air Mauritius (S.A.) (Proprietary) Limited which acts as 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:

- Manoj R.K Ujoodha, G.O.S.K.
- Ben Ambishen Balasooopramanien
(up to 31 December 2008)
- Isidore Bronstein
- **Secretary:** Scribe Holding (PTY) Ltd
South Africa

Airmate Ltd

The Company is a 100% subsidiary, which provides call centre services to the airline. It became operational in June 2006. The Board members are as follows:

- Sanjay Bhuckory – Chairman
(up to 09 January 2009)
- Manoj R.K Ujoodha, G.O.S.K.
- Sushil Duth Baguant
(Up to 01 February 2009)
- Cornwell Muleya
(up to 01 March 2009)
- Suresh Seeballuck
- **Secretary:** Foad Nooraully

Mauritian Holidays Ltd (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:** Ranjeeta Dussoye Sookha

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

(Continued)

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:

- Donald Payen
- Vijay Coomar Singh Bhujohory
(up to 01 February 2009)
- **Secretary:** Donald Payen

Mauritius Helicopter Limited

This is a newly incorporated 100% subsidiary. It is not yet operational, awaiting the grant of an Air Operator Certificate. The Board members are as follows:

- Sanjay Bhuckory – **Chairman**
(up to 09 January 2009)
- Manoj R.K Ujoodha, G.O.S.K.
- Suresh Seeballuck
- Sushil Duth Baguant (up to 01 February 2009)
- Cornwell Muleya (up to 01 March 2009)
- Pramil Banymandhub
- **Secretary:** Foad Nooraully

Shareholders Information

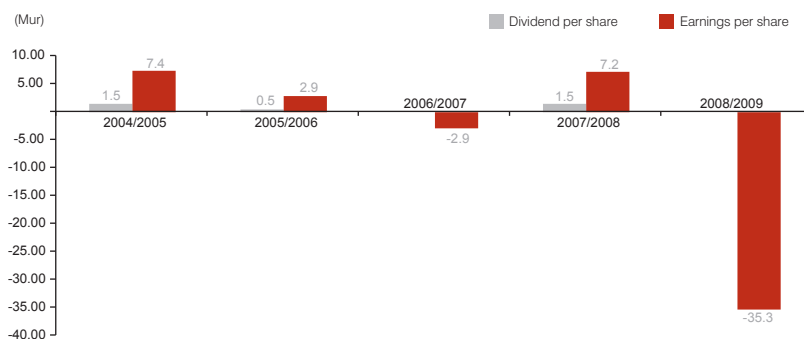


Shareholders Information

Key Data per Share

	2008/09 Amount (MUR)	2007/08 Amount (MUR)
Market Capitalisation	920,745,000	2,649,699,500
Highest Closing Price	25.80	26.00
Lowest Closing Price	8.50	16.10
Closing Price	9.00	25.90
Average Price	16.35	19.08
Dividend per share	-	1.50
Net worth per share	17.08	80.43
Share Price/Equity per share at year end	52.7%	32.2%
Dividend yield/Average price -	-	0.08
P/E ratio, average	(0.46)	2.64
(Loss)/Earnings per share	(35.31)	7.23
Dividend as % of earnings after tax	-	21.2%
No. of shares traded during the year	6,147,069	3,715,647
No. of shares at year end	102,305,000	102,305,000

Earnings & Dividend



No dividend was declared by the board in light of the negative results achieved during the year.

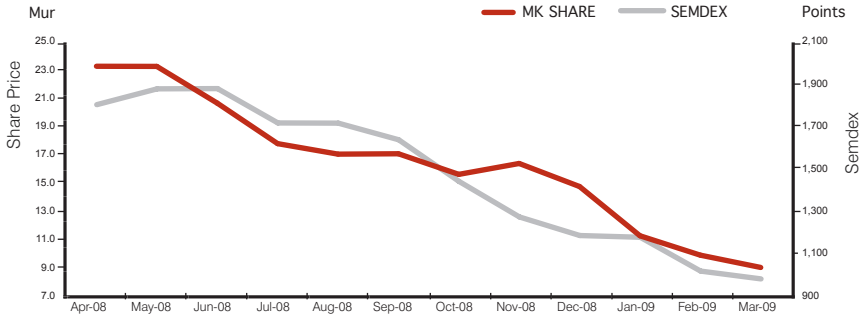
Key Data per Share

The share price closed at Mur 9.00 on 31 March 2009 at the Stock Exchange of Mauritius as compared to Mur 25.80 at the beginning of the financial year. The plunge in the share price was largely due to the negative impact of the fuel hedging activities performed by the company during the year and also to the global financial and economic crisis. On 09 June 2009 the share price stood at Mur 14.60.

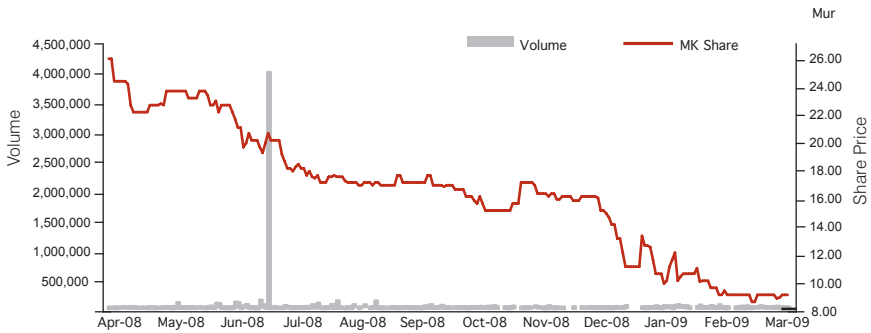
Shareholders Information

(Continued)

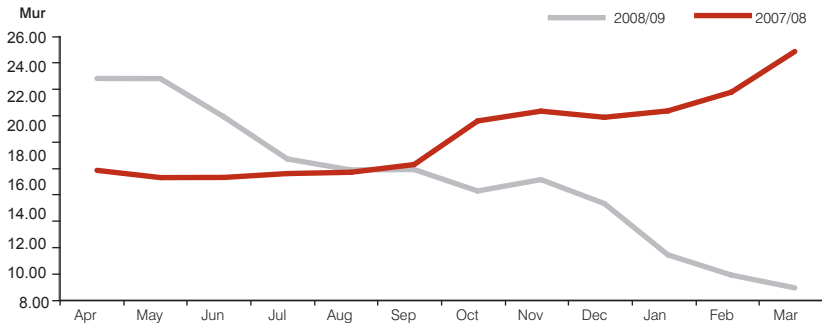
Air Mauritius Average Monthly Share Price v/s Semdex.



Share Price Performance and Trading Volume



Air Mauritius Average Share Price - 2008/09 v/s 2007/08



Shareholders Information

Shareholders Diary

Financial Year End March 31, 2009
Annual General Meeting July 22, 2009

Abridged Financial Statements

Half Year Results Published: November 07, 2008
Interim (Quarterly) Oct-Dec 08 Published: February 14, 2009.
Annual Financial Statements Published: June 19, 2009

Registered Office

Air Mauritius Limited
Air Mauritius Centre
President John Kennedy Street
Port Louis
Website: <http://www.airmauriti.us.com>

Company Information

For any information regarding Air Mauritius, please
consult our website - <http://www.airmauriti.us.com>

Notice of Meeting

AIR MAURITIUS ANNUAL MEETING 2008/09

Notice is hereby given that the Annual Meeting of the Shareholders of Air Mauritius Limited will be held at Swami Vivekananda International Convention Centre, Les Pailles, on Wednesday July 22, 2009 at 15.00 hours for the following purposes:

- (1) To adopt the Minutes of Proceedings of the last Annual Meeting held on July 31, 2008.
- (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 March 31, 2009.
- (5) To elect the Directors who are already in place and who offer themselves for re-election, namely:

Mr Manoj R.K Ujoodha, G.O.S.K.

Mr Kremchand Beegoo

Mr Dheerendra K. Dabee, S.C

Mr Philippe Espitalier-Noël

Mr Ali Mansoor

Mr Ramapatee Gujadhur, C.S.K.

Mr Antoine Pussiau

Mr Raj Ringadoo

Mrs Premila Roy

Mr Suresh Seeballuck

Mr Timothy Taylor

- (6) To elect the following persons who have been nominated by the Board and who offer themselves for election:
 - **Mrs Aisha Timol, G.O.S.K.**
 - **Mr Arvind Jadhav**
- (7) To elect **Mr Raj Kamal Taposeea** as a new director.
- (8) To fix the remuneration of the Directors.
- (9) To authorise the Directors to fix the remuneration of the Auditors.

By Order of the Board



Mr Foad Nooraully
Company Secretary
Air Mauritius Limited

June 30, 2009

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

Air Mauritius Limited

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 Swami Vivekananda International Convention Centre, Les Pailles, on Wednesday July 22, 2009 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 July 31, 2008. For Against

(2) To receive the Report of the Directors. For Against

(3) To receive the Report of the Auditors. For Against

(4) To adopt the Group's and the Company's Accounts for the year ended March 31, 2009. For Against

(5) To elect the following Directors who are already in place and who offer themselves for re-election, namely:

Mr Manoj R.K Ujoodha, G.O.S.K.	<input type="checkbox"/>	<input type="checkbox"/>
Mr Kremchand Beegoo	<input type="checkbox"/>	<input type="checkbox"/>
Mr Dheerendra K. Dabee SC	<input type="checkbox"/>	<input type="checkbox"/>
Mr Philippe Espitalier-Noël	<input type="checkbox"/>	<input type="checkbox"/>
Mr Ali Mansoor	<input type="checkbox"/>	<input type="checkbox"/>
Mr Ramapatee Gujadhur C.S.K.	<input type="checkbox"/>	<input type="checkbox"/>
Mr Antoine Pussiau	<input type="checkbox"/>	<input type="checkbox"/>
Mr Raj Ringadoo	<input type="checkbox"/>	<input type="checkbox"/>
Mrs Premila Roy	<input type="checkbox"/>	<input type="checkbox"/>
Mr Suresh Seeballuck	<input type="checkbox"/>	<input type="checkbox"/>
Mr Timothy Taylor	<input type="checkbox"/>	<input type="checkbox"/>

(6) To elect the following Directors who have been nominated by the Board and who offer themselves for election:

• Mrs Aisha Timol, G.O.S.K.	<input type="checkbox"/>	<input type="checkbox"/>
• Mr Arvind Jadhav	<input type="checkbox"/>	<input type="checkbox"/>

(7) To elect **Mr Raj Kamal Taposeea** as a new director. For Against

(8) To fix the remuneration of the Directors For Against

(9) To authorise the Directors to fix the remuneration of the Auditors For Against

Dated this day of 2009.

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.

Notes

Notes



Air Mauritius Center

President John Kennedy Street - Port Louis - Mauritius

T + 230 207 7070 **F** +230 208 8331 **E** contact@airmauritius.com **W** www.airmauritius.com