annual report 2009/10

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Key Results

Group results	2009/10	2008/09
Revenue (Eur m)	371.7	445.6
Operating profit/(Loss) (Eur m)	7.7	(33.5)
Net Loss (Eur m)•	(6.0)	(85.5)
Attributable loss to equity holders of the parent (Eur m)	(6.2)	(85.7)
Net assets (Eur m)	99.7	41.3
Loss per share (Eur)	(0.06)	(0.84)

Key financial statistics		
Operating margin (%)	2.1	(7.5)
Net loss margin (%)	(1.6)	(19.2)
Return on equity (%)	(6.2)	(216.7)
Return on assets (%)	(2.5)	(56.9)
Interest cover (times)	0.03	(14.4)
Interest and lease cover (times)	0.8	(1.6)
Gearing Ratio	1.6:1	3.4:1

Group operating statistics		
Passengers carried ('000)	1,133	1,192
Revenue passenger kilometres (m)	5,691	6,375
Revenue tonne kilometres (m)	680	751
Available tonne kilometres (m)	1,064	1,267
Passenger load factor (%)	80.6	74.9

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Loss before derecognition of hedging instruments	**(1,125)**	(34,447)	**(2,109)**	(33,527)
Fuel Hedge losses -excluded	**33,705**	49,707	**33,705**	49,707
Profit excluding Fuel Hedge Losses	**32,580**	15,260	**31,596**	16,180
Total Fuel Hedge losses	**(38,511)**	(100,523)	**(38,511)**	(100,523)
Fuel Hedge Payout	**(33,705)**	(49,707)	**(33,705)**	(49,707)
Loss on unwinding Fuel Hedge Contracts	**(4,806)**	(50,816)	**(4,806)**	(50,816)
Taxation	**(104)**	(190)	**-**	-
Net Loss•	**(6,035)**	(85,453)	**(6,915)**	(84,343)

Chairman's Statement & Chief Executive's Review

Chairman's Statement

On behalf of the Board of Directors, I am pleased to submit the Annual Report and Audited Financial Statements of Air Mauritius Limited and of the Group, for the year ended 31st March 2010.

Air Mauritius continued to face exceptional challenges during the 2009/10. The airline started off at the beginning of the year with its liquidity under pressure after having lost Euro 85, 5 million in the previous year. It also faced a future fuel hedge liability of Euro 72, 2 million and its shareholders funds reduced from Euro 206 million to Euro 49, 1 million. The extreme volatility of oil prices once again continued to be a critical factor. The oil price fell from its peak of USD 147 per barrel in July 2008 it to around USD 50 at the start of the financial year and rose up to USD 80 again by March 2010. In addition, the markets we serve continued to be severely affected by shrinking demand, overcapacity, falling yield and revenue resulting from the global economic crisis. The Company's share price tumbled from a high of Mur 25.8 to Mur 8.5 by April 2009. I am pleased to report that the current share price is approximately Mur 12.5 per share.

Despite these challenges, the operating performance of Air Mauritius for this financial year has improved beyond expectations. The Group posted record operating profits of Euro 32.6 million, excluding the losses on fuel hedging, compared to Euro 15.3 million last year. The loss of the Group after accounting for losses on fuel hedging amounts to a Euro 6.0 million as compared to a Euro 85.5 million loss incurred in the last financial year. The various reforms undertaken over the last few years and the emergency measures embarked upon during this year contributed greatly to the improved 2009/10 operating and financial performance recorded. Liquidity also improved substantially as a result of more than Euro 75 million cash being generated during the year from operations. These measures comprised of sales campaigns implemented to stimulate revenue, the modulation of capacity to match demand and programs implemented to improve efficiencies and reduce costs further. These proactive actions and persistent efforts have succeeded in outweighing the constantly multiplying setbacks affecting the industry.

In October 2009, the Company took delivery of a new Airbus 330-200 named 'Nenuphar'. This aircraft together with the first A330-200, are being mainly deployed on medium haul routes such as India, Asia and Australia. The acquisition was financed by way of a EURO based Finance Lease with 85% supported by the French and United Kingdom Export Credit Agencies. The balance was financed by way of a commercial loan in MUR from the State Bank of Mauritius. The fact that the Company has been able to obtain 100% financing during the global financial crisis and drying up of liquidity is evidence of the international financing community confidence in Air Mauritius.

In November 2009, one of the older operating leased A340-300 aircraft which was grounded at the start of the year was returned to the lessor. This aircraft was in our fleet since April 1995.

'Safety First' is one of our entrenched guiding principles. I am pleased to confirm that this year again the airline continued to build on its impeccable safety record.

Air Mauritius won the 16th World Travel Awards (WTA) in the category Indian Ocean's Leading Airline for the third year running. The airlines nominated in this category were Air France, South African Airways, Air Seychelles, Air Austral and Air Madagascar.

The awards are described by the Wall Street Journal as the 'Oscars' of the global travel and tourism industry. They are recognized as helping to raise levels of premier customer service, innovation, and creativity, as well as encouraging high standards of overall business performance.

Every year, our airline continues to face the volatility and crisis that affect our industry. The economic environment for aviation changes quickly and thus requires that we remain vigilant to adapt and develop new methods of serving our customers and marketing our products. For the year 2010, IATA forecasts an improved global aviation environment and the industry is now expected to earn combined profits of USD 2.5 billion. This is the industry's first profit forecasted since 2007 and it comes after the airlines have lost a cumulative USD 47 billion. As we look forward to an increase in demand in the coming year, in line with IATA forecasts, our strategies include an increase of seat capacity of 15% on selected routes and further investments in internet based distribution and booking platforms across all markets. This will not only allow us to expand existing markets and reach new markets but will also reduce costs by increasing the proportion of direct bookings in our revenue figures. The business model adopted to date has proven to be successful. It is, however, substantially reliant on revenue generation from the Euro Zone. In order to reduce this reliance our future revenue strategy will refocus our growth to the Regional, African and Asian markets we serve. Overall our business fundamentals remain strong and the growth prospects are positive.

Air Mauritius faces this year with cautious optimism. There are testing times ahead with the continued volatility in fuel prices and the declining EURO. Air Mauritius suffers from a mismatch of its revenue, which is largely earned in EURO's, against its costs which are predominantly USD based. We will have to continue to draw on our lessons learned in the past and remain focused and steadfast going forward. Despite all the challenges that the airline faces, we look forward to another year of progress in our strategy to further strengthen the Company and the Group.

As mentioned before, the 2009/10 has been a particularly challenging one that required unrelenting efforts from all the staff. I would like to express the Board's thanks and appreciation to our Management Team as well as to all our staff, who, by their hard work, motivation and dedication, contributed to performance of the Group. I wish also to express my gratitude to all the stakeholders, our customers and to the Government of Mauritius for its unflinching support of our airline during this difficult year.

In concluding, may I express my gratitude to my fellow members of the Board, more especially to those who contributed to its committees, for their valuable support and guidance throughout the year. It has indeed been a pleasure to work with a fully dedicated and engaged Board of Directors.

Rajkamal Taposeea
Chairman
June 2010

Chief Executive's Review

MAINTAINING THE MOMENTUM OF SUCESSFUL TRANSFORMATION

Air Mauritius is posting a record operating performance for 2009/10 amidst the global airline industry's worse crisis ever. The financial performance for 2009/10 thus confirms a reversal of the trend which has been consistent over the past 3 financial years, following losses posted in the 2006/07. This year's operating profit has hit an unprecedented high of EUR 31.6 Million as a result of the bold and proactive measures initiated as early as 2007.

Air Mauritius's strategy over the past 3 years comprised of a number of structural reforms which were supplemented with emergency measures to cope with the crisis of 2008/09. Transformation measures include the revisiting of maintenance contracts, a revenue management system better aligned to industry best practice, an aircraft configuration matching the needs of the market, the coming into operations of the more fuel efficient Airbus A330 aircraft and efficiency programmes cutting across the whole organisation, just to mention a few. Following the industry crisis of the past 2 years we took crucial measures to preserve cash and adjust capacity to demand. As a result, Air Mauritius has been among the airlines to show resilience and we emerge from 2 years of unprecedented adversity.

We have registered record load factors which peaked at 86.5% in December 2009 and averaged at 80.6% for the financial year. Demand was affected in 2009 when tourist arrivals to Mauritius fell by 10.3%. As a result, we have adjusted capacity and Available Seat Kilometres (ASK) fell to 7,063 Million reperesenting a 16.7% decrease over 2008/09. The last financial year has also been one where the whole industry had to keep introducing special prices in order to stimulate demand. Yield on average, fell by 12.8% over the preceeding financial year and revenue dropped by 16.6%. The tremendous pressure on our revenue was compensated by susbstantial improvements in our costs of operations. Cost per ASK fell by 6.2% to 5.27 Eur/c over the 2008/09. On the other hand, our remaining hedge obligations which are due to an end by August 2010 have adversely impacted on the net financial results. The total hedge payouts for 2009/10 have been EUR 38.5 Million which resulted in net bottom line losses of EUR 6.9 Million.

The industry outlook for 2010 is better than 2009. There are clear signs of improvement, but uncertainty remains predominant. Tourist arrivals to Mauritius have improved by 7.3% during the first semester of 2010 and are reflected in our traffic figures. There has been a year on year improvement in passenger traffic of 12.4% for the first 3 months of 2010. On the other hand economic recovery in our main market, Europe, is weak and uneven exacerbating the level of uncertainty already prevalent in the industry. Moreover there has been a major unfavourable swing of the EURO-USD exchange rate which was at 1.46 for the preceding financial year. As we conclude this Annual Report the rate is at 1.22. A substantial proportion of our revenue is in Euros and results in a mismatch with our costs where our fuel bill representing nearly 28% of our total costs is paid in Dollars. Adding to yet another grim scenario for 2010/11 is the price of fuel has not been very stable during the past months. After having hit a peak of USD 85 a barrel, it is now hovering around the USD 75 mark.

Air Mauritius operates in a crisis ridden industry, one which has lost more than USD 50 Billion during the past decade. Airlines have been stunned by a series of exogenous shock since the turn of the century, the last one being the 'Volcano Ash Cloud Crisis' which brought a loss of USD 1.7 Billion upon the airline industry in the short span of 6 days. We face the imperative of continuing to build strong reserves and a robust business model to withstand the numerous uncertainties of an ever changing industry. Like many airlines worldwide, evolving the business comes with a number of dichotomous challenges. We have to be able to improve our service offering while managing/reducing costs. We have to achieve more efficient and responsive internal processes, but with leaner organisation structures. We have to provide more choice in terms of schedules to our customers but have to do so while optimising capacity utilisation. We have to be able to maximise revenues while providing competitive prices to our customers. As we have always done since inception, living up to our roles as a national airline entails serving the nation whose flag we bear while ensuring business sustainability.

Air Mauritius is set to face yet another year of formidable challenges. The 3 year plan that we are about to announce has been carefully designed to achieve the best fit between the attributes of our company and the multiplying demands of a taxing industry. As we look to consolidate our status of market leader on Mauritian routes, we are targeting new levels of service excellence for our customers. We will strive on the momentum of change generated by the successful transformation of our company to continue instilling a culture of efficiency within the organisation. Managing costs and improving efficiencies will still be crucial for business sustainability. On the other hand we are fully conscious that it is only together with our people that

Chief Executive's Review

(Continued)

we are going to take Air Mauritius to the next level. Growing our talents, retaining them and keeping them motivated are the challenges that we are willing to take on. There are some areas where we will have to make some crucial investments.

Air Mauritius has been at the heart of trade and tourism for more than 40 years now. Mauritius and Air Mauritius have developed a remarkable symbiotic relationship over the years and our fates are related. Today, more than ever, it is important for all company stakeholders to pull our weights in the same direction for the common good. Air Mauritius has always lived up to expectations and we have done so with the support of all our partners and it is my duty to thank you all; the Government of Mauritius for their continued support, our shareholders, our board, our team members for their commitment, our valued customers for the trust they have in us, our industry partners and the Mauritian public at large whom we will continue to serve earnestly.

Manoj R K Ujoodha, G. O. S. K
Chief Executive Officer
June 2010

AIR MAURITIUS

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.

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.

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, 2010. The Financial Statements are set out on pages 54 to 107.

Results for the year

The Group reported a loss of Euro 6 million for the year ended March 31, 2010 compared to a loss of Euro 85.5 million in the previous year. The Company incurred a loss of Euro 6.9 million for the year compared to a loss of Euro 84.3 million for the last year. However, the Profit for the Group and the Company before the fuel hedging losses of Euro 38.5 million amounts to Euro 32.6 million and Euro 31.6 million respectively.

OVERVIEW OF THE BUSINESS

Principal activities

Air Mauritius Limited

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

The Company is the leading scheduled international passenger airline in the Indian Ocean region. The Group's Head Office is in Port Louis, while its principal place of operations is SSR International airport, Mauritius. From this base it serves 23 destinations touching four continents i.e Africa, Asia, Australia, and Europe. The airline has a comparatively high proportion of point-to-point business with interline accounting for only less than 20% of its passenger airline revenues.

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

Economic value is generated by the Company by meeting the demand for business and leisure travel, with leisure travel being the main passenger segment. The Company provides vital links for trade and investment, and feeds the tourism sector and the rest of the economy through its substantial leisure travel opportunities for individuals and families.

In the financial year ended 31 March 2010, the Group earned Euro 371.7 million in revenue as compared to Euro 445.5 million of the previous year. 86.6 per cent of this revenue was generated from passenger traffic, 10.2% from cargo and 3.2% from other activities. During the period under review, the number of passengers carried was 1,133,342 and 27,491 tonnes of cargo were uplifted across the network. At the end of March 2010, the Group had 12 fixed wing aircraft in service and 3 helicopters.

Mauritius Estate Development Corporation Limited ("MEDCOR").

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

MEDCOR recorded a profit after tax of Rs 28.9 million (Euro 0.7 million) as compared to Rs 74.6 million (Euro 1.8 million) for last year. Last year's result included a fair value gain on investment property of Rs 25.2 million as compared to a fair value loss of Rs 8 million for 2009/10. 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 Rs 8.6 million (Euro 0.19 million) compared to a profit of Rs 9.8 million (Euro 0.23 million) for 2008/09. The occupancy rate of the hotel went up from 59% to 69%.

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 Rs 53.7 million (Euro 1.2 million) and a profit of Rs 1.6 million (Euro 0.04 million) as compared to a turnover of Rs 42.7 million (Euro 1.0 million) and a profit of Rs 2.0 million (Euro 0.05 million) for last year.

Air Mauritius (S.A) (Pty) Limited

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

Objectives

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

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

1. Fleet Development

Fleet composition

At the end of the financial year 2009/2010, the aircraft fleet of Air Mauritius comprised 8 wide bodied aircraft, 2 narrow bodied aircraft and 2 turbo prop aircraft as follows:

TYPE OF AIRCRAFT	OWNED / FINANCE LEASE	OPERATING LEASE	TOTAL	SEAT CAPACITY
Airbus A340-300	3	1	4	298
Airbus A340-300E	-	2	2	300
Airbus A319-100	2	-	2	132
ATR 72 - 500	1	1	2	72
Airbus A330-200	1	1	2	275
Total	**7**	**5**	**12**	**-**
Bell Ranger Helicopter	3	-	3	4

This fleet reflects the new fleet composition after the following developments during the financial year 2009/2010:

Exit of one A340-300 aircraft

As a consequence of the recession and setback in traffic demand, one of the A340-300 aircraft MSN094, registration number 3B-NAV, which was on operating lease from AWAS was returned to the lessor in November 2009. Air Mauritius took the opportunity of the exit window provided in the lease agreement to minimize the impact of surplus aircraft in its fleet.

Entry of one new A330-200 aircraft

A second new A330-200 aircraft MSN1057, with registration 3B-NBL, joined the fleet of Air Mauritius on 29 October 2009. Overall, the number of wide bodied aircraft remained the same although the fleet mix was subsequently different with two more fuel efficient A330-200 aircraft.

Directors' Report & Business Review

Overview of the business (Continued)

Fleet Deployment

With the introduction of the second aircraft A330-200, the India and the Far East routes are mainly served with the A330-200 aircraft as from November 2009. Operations to South Africa and Madagascar were catered for with a mix of wide and narrow body aircraft taking into account cargo and passenger requirements. An increasing proportion of the Reunion seat capacity has been operated on the jet aircraft enabling release of the ATR72-500 fleet to operate up to six daily flights to Rodrigues during the peaks.

Fleet utilisation

The following table gives the average daily utilisation in block hours for the Air Mauritius fleet for 2009/2010 by aircraft type after excluding aircraft maintenance days:

TYPE OF AIRCRAFT	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
A340 - 300	12.5	12.4	13.6	14.2	14.4
A340 - 300E	13.0	13.3	14.8	15.1	n/a
A330 - 200	11.4	10.6	12.0	n/a	n/a
A319 -100	6.9	7.1	6.8	8.4	8.5
ATR 72	5.5	5.6	6.3	6.8	6.7

The overall downsizing of seat capacity as a response to declining demand lead to the dilution of overall utilization of the jet fleet despite the return of the one A340-300 aircraft.

Aircraft lease out

The lease market being very soft as a result of the economic downturn, Air Mauritius managed to secure an Adhoc ACMI lease for one A340-300 aircraft to AirAsia X in October 2009 to operate between Kuala Lumpur and Stansted.

Fleet livery change

Air Mauritius has embarked on the livery change for its fleet of aircraft in line with its new corporate brand identity. At the close of financial year 2009/2010, three aircraft (one A340-300, one A330-200 and one A319-100) were already flying with the new livery. During 2010/2011, painting of the remaining fleet, except for the two A340-300E aircraft, has been planned. The livery change for the whole fleet is expected to be complete by June 2011.

ROUTE NETWORK

Online Destinations

At the end of financial year 2009/2010, the Air Mauritius online network consisted of 23 points as below. Dubai is served on code share basis with Emirates airlines.

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

The operations to Munich were on a seasonal basis during Winter 2009/2010 only, and Air Mauritius has consolidated Hong Kong as its hub in North East Asia with the introduction of a third weekly frequency as from 12 February 2010.

Airline Alliances and Partnerships

During the year 2009/2010, Air Mauritius has continued its cooperation agreements with Air France, Air India, Emirates, Malaysia Airlines, South African Airways, Kenya Airways. The code share agreement with Air Madagascar was suspended during the Winter 09/10 season.

Air France

With the new Joint Venture Agreement between Air Mauritius and Air France, the Company expanded its third country codeshare with Air France to include additional points beyond Paris, namely Geneva, Zurich and Basel in Switzerland and Amsterdam in Netherlands. For the year 2010/2011, the two airlines have plans to further enhance their co-operation by extending it to the regional front.

Malaysia Airlines

The cooperation with Malaysia Airlines has been extended with Air Mauritius carrying its code beyond Kuala Lumpur to five domestic points in Malaysia as from June 2009.

Air India

The existing soft block codeshare agreement between Air Mauritius and Air India on the Mauritius-India route was maintained during the financial year 2009/2010.

Emirates

Air Mauritius maintained its codeshare cooperation with Emirates as marketing carrier on all frequencies operated by Emirates on the Mauritius-Dubai route.

Air Madagascar

The codeshare arrangement between Air Mauritius and Air Madagascar on the Mauritius-Antananarivo route was suspended effective November 2009 and ultimately terminated as from 28 March 2010.

Other partnerships

The existing soft block agreements with South African Airways and Kenya Airways were maintained during the financial year 2009/2010. Moreover, Air Mauritius and Kingfisher initiated cooperation on an interline basis during the financial year 2009/2010.

Air Mauritius continues to explore new cooperation opportunities with other airlines to consolidate and extend its global reach in key markets.

EU Emissions Trading Scheme

Air Mauritius continues to monitor developments on industry matters affecting the aviation business including environment issues. One of the major developments is the decision of the European Parliament to include aviation in the European Union Emissions Trading Scheme (EU ETS) as from 2012, therefore affecting all carriers operating to, from and within the EU. As an operator in the EU countries, Air Mauritius has engaged to meet the deadlines set by the EU for the implementation of EU ETS in 2012.

Air Mauritius also supports the “global sectoral approach” to aviation emissions under the leadership of ICAO.

Directors' Report & Business Review

Overview of the business (Continued)

AIRCRAFT PRODUCT

New retrofitted cabin for the A319-100 fleet

The two A319-100 aircraft were retrofitted with a new convertible cabin at the end March of 2009 saleable in a two class configuration of 16 Business class seats and 108 economy class seats or in an all-Economy version of 132 seats.

This convertible cabin enables the company to better serve the market by having the flexibility to offer a two-class product on routes where demand for J class exists and the all-Economy version on routes where there is demand for economy class only. Currently, the all-Economy version is saleable on the Reunion routes while the two-class version is saleable on the other regional routes.

Arrival of the second A330-200 aircraft

The delivery of the first A330-200 aircraft was in December 2007, and in October 2009 a second A330-200 joined our fleet. The aircraft is configured with 24 lie flat Business class seats and 251 Economy seats in a 8 abreast cabin layout.
This aircraft operated its first commercial flight on the Mumbai route on Thursday 29 October 2009.
The arrival of this second A330-200 in the fleet allows for the harmonization of aircraft product on the medium haul routes like Mumbai, Delhi, Bangalore/Chennai, Kuala Lumpur/Singapore and Hong Kong.

MARKET RESEARCH

Passenger Satisfaction Survey

Air Mauritius carries out ongoing passenger satisfaction surveys. The information gathered from passengers through the survey is key to our overall product improvement initiatives.

Market Studies

Market studies are carried out on a regular basis with a view to assess traffic potential to existing destinations or to/from new destinations. With the coming into operation of the Jin Fei Economic zone and the economic recovery, market opportunities have been identified to further consolidate our Hong Kong operations. This has culminated into the addition of a third weekly frequency on the Hong Kong route which has met with our expectations.

Customer Loyalty

The Kestrelflyer programme with its benefits, enhancement, and tactical promotions has been attractive to our customers in 2009/10. The customer base witnessed a growth in membership of 19 % with an increase of more than 10,500 members, out of which, 60% registered online.The Customer Loyalty Centre at head office supported by our Call Centre, Airmate have been active in servicing our Customers in a timely manner.

The 2009/10 witnessed several improvements in the loyalty programme to make it more attractive for our customers.

- Priority Check in is now possible at various airports for Gold and Silver card holders irrespective of their class of travels.
- Seat availability for award tickets has been eased to satisfy requests for award tickets. This has considerably improved the process with timely servicing of award tickets requests.
- Introduction of a new feature Cash and Miles in October 2009 and its extension to the whole network as from April 2010. Members with a minimum of 75% of miles for a chosen Award ticket can purchase the remaining balance in batches of 5000 miles. Any unutilised miles will be credited to the member's account.
- Service hours for our Call Centre have been extended to 21:00 hours so as to better service our customers and cater for calls from markets with different time zones.

Revenue Management & Pricing

Revenue Management proved to be a key tool to help weather the setback in traffic demand and unpredictability of future bookings as a result of the economic crisis. The whole airline industry was confronted with declining demand, streamlining of seat capacity and promotional fares to stimulate demand and fill the significant number of empty seats to avoid wastage. In order to enable decision-making, our flight monitoring process has been further improved with a weekly monitoring of all flights on a 3-month rolling forecast of passenger demand and revenue relative to the capacity deployed on each route. This process has enabled proactive marketing actions taken accordingly with a view to maximize passenger revenue. At the same time, this gave visibility well in advance for flight modulations so that passengers are not inconvenienced.

Gradually and over time, the Company has moved away from the traditional allocation system in the major European markets. This has been replaced by creating "win-win" transportation plans with our partners in those markets. These measures have yielded positive results on route performance in terms of achieved load factors. The overall fare structure for the European markets is being simplified and harmonized and we are working towards paperless fare distribution.

We are progressing in our aim to equip the Company with Revenue Management and Pricing (RMP) processes aligned with best practices. In this respect, the Company will migrate to the Altea Inventory System in September 2010. The decision has also been taken to acquire a new state of the art Amadeus Revenue Management System which will be rolled out during the last quarter of the financial year 2010/11.

SALES & DISTRIBUTION

The global financial crisis of 2008/09 which was followed by recession in all the world's major economies had a significant adverse effect on international travel.

Together with the Mauritius Tourism Promotion Authority, Air Mauritius conducted road-shows and marketing campaigns in order to enhance visibility and revive consumer confidence in the destinations. These campaigns were most effective and increased the load factors on the european routes.

In view of supporting Government's initiative to attract cruise ships to Mauritius, Air Mauritius adjusted its schedules to provide the required capacity from Europe (mainly Milan) for the 'fly-and-cruise' project.

Furthermore, in alignment with the Government vision, Air Mauritius implemented measures to boost travel to Rodrigues. This joint effort which was backed by the Mauritius Tourism Promotion Authority contributed to maintain visitor arrivals to Rodrigues.

The partnership strategy adopted towards the local travel trade has started to pay back and has enabled us to maintain our market share in Mauritius, despite aggressive competition. Our Direct sales capability was boosted during the year and this together with improved customer service at our retail outlets have contributed to increase our sales via this distribution channel. Moreover, various measures were taken during the year to encourage our customers to book and pay online and this has led to an increase in sales through the web.

CARGO

Cargo business continues to remain a vital contributor to the Air Mauritius overall operations. The company continued to optimize the belly-hold capacity deployed on flights based on customer demand whilst complementing it with dedicated regional all-cargo operations.

Performance

Demand for air cargo was substantially reduced as a result of the global economic downturn. The reduction in freight volumes led to a global imbalance of supply and demand with too much capacity chasing too little available cargo in the market. All major markets were affected, particularly in the first half of the year, when the resultant fall in volumes and the intense competition put pressure on prices which bring down yields and revenue. The total cargo carried by Air Mauritius amounted to 30,600 tons.

Ongoing commitment to quality

Despite the slowdown in global economy, Air Mauritius remains dedicated in delivering high quality service to our customers. In August 2009, the Cargo department achieved the ISO 9001:2008 certification and its success in acquiring this certification is a formal recognition that the quality management system in place are of international standards.

New Developments

To consolidate further our revenue, we have developed a new line of business with the transportation of Post Office Mail on our major routes. We are working in close collaboration with the Postal Authorities to offer an on-time and reliable service. The Information and Support systems will be upgraded to meet better the requirements of our customers whilst a new Mail System is being considered which will help to provide real time information on the status of their mail dispatch to the Postal Authorities.

Way forward

There are some positive economic indicators that the world trade is picking up. Air Mauritius will continue to fight for its share in the market. However, cargo business will become more and more competitive and future growth will be based primarily on consolidating Mauritius as a logistic hub. There are also good export prospects with the potential development of the seafood business.

We shall continue to cooperate with partner airlines to serve offline destinations or increase potential sales on routes having high demand. As the national carrier, we will ensure an efficient network of cargo services in order to promote trade, support local industries and continue to contribute towards the economic development of the country.

COMMUNICATIONS AND CORPORATE AFFAIRS

New Corporate Identity

The new Air Mauritius brand has been deployed across the company in Mauritius and worldwide. Several of our aircraft have already been painted in the new livery and it is expected that the full fleet will be in the new colours in the next financial year. The new cargo and helicopter logos have been designed and implemented. Our 3 Bell Jet Ranger helicopters will be painted in the new livery too in the course of the next financial year. The brand has also been deployed in all company publications, on in-flight and ground items .A Brand guidelines manual has been prepared in order to ensure that there is consistency in the application of the brand throughout the company. Air Mauritius has also invested in advertising and promoting its corporate image as well as its products and services. Over and above traditional media, new media have been explored.

Media Relations

Air Mauritius has been proactive on the Media Relations front. The circulation of information via mass media to crucial stakeholders, including customers, shareholders, financial institutions and the public at large are being closely monitored and managed. This has clearly had a positive impact on company reputation and image. Financial performance and the confirmation of the company turnaround were widely publicised in all sections of the press, radio and television. Regular reports about the company's future strategy, its regular promotional fares on a number of routes, its expansion strategy for the year 2010, its alignment and support to the national tourism strategy, its community involvement and its various accolades have all contributed to an overall good press both locally and internationally. Air Mauritius also hosted press trips from various markets resulting in media coverage which have contributed to enhance brand awareness and image across those markets.

E-Communications

Improvements have been made to the Air Mauritius website with local contents, special offers and customized booking engine for 24 of our main markets. More city pairs and departure cities have been activated for online sale from each market promoting Mauritius as a destination as well as a hub. It is also possible to book for multi-destinations on one itinerary.
Air Mauritius has also taken various e-marketing initiatives, offering promotional fares directly to our customers through mass e-mailing campaigns. The e-advertising campaigns carried out on some local portals had also a direct impact on online sales. We are planning to increasingly use online advertising channels and social media to create brand awareness as well as to trigger customer response to product offerings.

Internal Communication

We have introduced the Air Mauritius Portal which is the Corporate Intranet as a new platform for internal communication. The publication of a bi-monthly internal newsletter will be resumed soon. A new quarterly publication, titled Prankont, was launched to sensitize ground operations staff on Ramp Safety issues.

Corporate Social Responsibility

Air Mauritius pursued the "One Take-Off One Tree" initiative which involves the Mauritian Wildlife

Foundation planting one endemic tree for each take-off of an Air Mauritius aircraft from Mauritius and Rodrigues. There were nearly 6,000 take offs during the past financial year and the target of planting 6,000 trees was achieved. There were 1,141 plants planted on Ile aux Aigrettes, 1,859 plants were donated to be planted in schools and for social projects and 3,000 trees were planted in Anse Quitor Nature Reserve, located near Sir Gaetan Duval Airport in Rodrigues.

Other areas of intervention for our CSR activities were focused on Health, Education, Training, Leisure and Sports.

Air Mauritius is also looking into setting up a Special Purpose Vehicle (SPV), the Air Mauritius Foundation, responsible to implement the CSR Programme of the company.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

During the year 2009-2010, Air Mauritius continued in its endeavour to bring innovative, integrated and cost-effective ICT solutions to enhance its business operations, improve customer service and boost employee productivity.

Enterprise ICT Architecture & Infrastructure

The company has reinforced its ICT infrastructure to host new applications, cater for its growing information needs and provide a more resilient, secure, powerful and scalable environment with improved manageability and recoverability.

With the convergence of voice and data networks and the increased use of Voice-over-IP as a low-cost communication channel, the company has extended its Telephony system to some of its offices abroad. The latest addition was the Paris office which has been equipped with an IP based 'Voice Exchange' system that integrates with the Head Office telecommunication infrastructure as this assists in reducing international telecommunication costs.

Furthermore, the telecommunication networks across the company's offices in the region have been upgraded to meet new business requirements and cater for additional bandwidth.

Customer Service Enhancement through ICT

Following the introduction of Internet Check-In for flights departing from Mauritius, Paris and London, this web check-in facility has been extended for Reunion Island and Rodrigues.

The company is also continuously upgrading its online services to make its website more appealing and become a significant source of revenue. In addition to its direct destinations, Air Mauritius website today provides possibilities to book to offline points and is so far offering a total of about 300 destinations. Moreover, in its strategy to be closer to its customers, the company's website has been enriched with market specific information and web pages in the local language of some specific markets such as Italy and Spain are now available.

A new SMS flight query application that allows people in Mauritius and Rodrigues to enquire about flight departures and arrivals has also been developed. This sms service provides the latest departure and arrival time for an Air Mauritius flight number which is sent over an SMS.

Business Improvement through ICT

To deliver greater business value across the company and achieve further efficiencies through integrated IT solutions, several new systems have been deployed and current applications upgraded as follows:

Passenger, Cargo and Mail Systems

A new Passenger Revenue Accounting system (RAPID) has been in operation since September 2009. This follows an implementation which started since March 2009. All integration requirements with Oracle Financials, Siebel CRM, Flight Schedules, Cognos Business Intelligence and other systems have been implemented using internal capabilities.

The RAPID system allows a very precise accounting of the revenue. All anomalies in fare computations, billings, payments, etc. are systematically and quickly detected and dealt with. Whilst some benefits may be immediate, such as reduced data processing work-force, other benefits may take time to realise through the effective and proficient use of the system.

Enterprise Resource Management

The use of the company's Enterprise Resource Planning (ERP) systems has been further optimised to simplify several financial processes of the company. This encompasses the implementation of a new counter invoicing solution that integrates the ticketing and invoicing functions being done at Air Mauritius sales counters in Mauritius and Reunion, the development of interfaces between the new applications and the Oracle Financials system and the redesign of the Cargo budget and planning model to enable better data analysis of budgeted cargo revenue.

The company is also committed in continuously improving staff productivity and promoting collaboration among its workforce through the use of IT tools. The Oracle HR system being the central repository for employee information, has been further enhanced to provide additional 'Employee Self Service' facilities such as online staff leave approvals and automatic notifications of employee movement within the company. The payroll system has also been enhanced to cater for new statutory requirements such as the revision of taxation policies.

The company has also implemented a new application known as 'Amadeus Ticket Changer' that automates the process of fare computations and ticket re-issuance whenever a customer changes his/her travel plans. This system which assists in improving revenue by reducing under-collection has been deployed in the majority of Air Mauritius offices worldwide, including its Call Centre.

Aircraft Maintenance & Engineering System

The implementation of the new Maintenance & Engineering system 'Maintenix' has been completed in March 2010. This new system which replaces several legacy applications provides an integrated platform that caters for the engineering, planning, materials management and heavy line maintenance execution activities related to the company's aircraft.

Business Intelligence

The company has deployed across its offices worldwide Business Intelligence tools which provide information in a user-friendly way to improve business decision-making. Executive information dashboards and operational metrics as well as departmental intranets have been developed during the year to assist in decision-making and promoting intra-company collaboration.

IT Literacy Programme

The company wants to promote training and empowerment of its overall workforce. The IT Department thus launched in December 2009 an IT Literacy programme targeting at manual employees across the company, so as to initiate them to the basic use of computers. The global objective is to have an Air Mauritius IT literate community, whilst also improving collaboration and employee satisfaction.

The programme provides an introductory IT course to computer use as well as basic notions of softwares. At a later stage, the employees will be trained on Air Mauritius employee self service applications like CTS, Online Leaves and Kiosks. PCs will also be provided in open spaces for hands-on practice and access to email and Air Mauritius applications. More than 130 manual employees out of the 450 workers, comprising of cleaners, drivers, ramp attendants, office attendants, helpers from different departments, have followed the course. The courses are expected to last till around next November. The participants are given an Attendance Certificate at the end of the training.

GROUND OPERATIONS

Various initiatives from the McKinsey report ranging from cost optimization to revenue maximization, were completed to improve Ground Operations contribution to Air Mauritius bottomline. These include improvements in employee performance, reductions in absenteeism and overtimes, outsourcing of manpower supply through Airmate, review of excess baggage policy at the airport, sales of last minute upgrades, check-in activities at hotels and renegotiation of handling contract at outstations.

Training programmes for new employees and refresher courses were on-going, including mandatory training, train-the-trainers as well customer service oriented programmes. Preparations to undergo the next IOSA audit in June2010 were in progress and various areas of improvement have been addressed.

CABIN OPERATIONS

In order to ensure a conducive work environment for its Cabin Crew and its ground team members, Cabin Operation has placed high importance on its working environment and have thoroughly reviewed its current strategies. The key focus of Cabin Operations is to re-dynamise, create trust and motivate its team members , through :

- Its common goals and its well established restructuring plan
- Regular meetings and open Platform for discussions with its ground and Cabin team members by Cabin Operations senior management
- The management of effective communication by escalating and cascading of information to its team members
- The implementation of the various improvement initiatives obtained from its ground and Cabin Crew team members
- The involvement and active participation of its team members in product and service design and development with the appointment of a consultant chef. This initiative has been tested on and implemented on Ex-London and South Africa routes
- The baby kit and child kit has been redesigned to match our new livery and cater for different age groups.
- The marked improvement of cabin amenities.
- Reviewing its current product and service design
- Continuous refresher training in the form of recurrent service training
- Training in line with the IATA Operational and Safety Audit requirement. That is, Leadership and managing people at work
- Align its product and service delivery based on the recommendations and outcome of Air Mauritius Passengers survey
- The Occupational, Health and Safety initiative to ensure the well being of its cabin crew members by ensuring health checks of its team members at planned intervals

Further enhancement and in house development have been effected in conjunction with Air Mauritius IT to channel information through a fast, user friendly and state of art technology where information will be communicated in the form of Flash news via an effective Audio visual system located in the Cabin Crew briefing room. This initiative will also be in line with Air Mauritius cost containment and Air Mauritius Corporate Social Responsibility programme to minimise paper waste and to ensure a sane and a healthy work environment.

Cabin Operations firmly believes in analysis and outcome from post flight report where it makes extensive use of its Crew reporting system (SIEBEL) . Information related to passengers complaints and anomalies encountered on board are captured, analysed and interpreted .

The outcome of the analytics are therefore presented to Cabin Operations stakeholders or close partners through its calendarised meetings where issues are highlighted, discussed and corrective & preventive measures are taken

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. Air Mauritius also provides maintenance support services to Air Austral.

Optimising efficiency

In order to optimise efficiency, Air Mauritius has implemented the full application suite of Maintenix, running on the very latest technology platform. Maintenix provides a comprehensive functionality in areas of Engineering, Planning, Line, Heavy & Shop Maintenance, Materials Management and Finance thus reducing investment in spares, logistics management, tooling and equipment among others.

Training

The company has a dedicated Technical Training School and has initiated several training programmes aimed primarily at developing its capacity.

The Technical Training School has delivered various type trainings and recurrent trainings for A340, A330, A319 and ATR72. Conducting these trainings in-house results in considerable savings for the company.

RISK MANAGEMENT

The Board of Directors is responsible for the total process of Risk Management and for ensuring that the company has in place a system which systematically identifies, measures and manages enterprise-wide risks on an on-going basis. The objective of the process is to ensure that the right balance exists between risks taken and rewards earned and that this equation is well understood throughout the organisation.

In order to help it discharge this responsibility effectively, the Board constituted a Risk Management Steering Committee (RMSC) comprising board members whose responsibility is to act as intermediary between management and the board on all matters pertaining to risk. In the wake of the hedging crisis however, the responsibility for overseeing Risk Management activities was escalated to the Board in January 2009. The RMSC was reconstituted later during the year and convened in December 2009.

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

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

The economic crisis highlighted the need for a robust and cost-effective approach to managing risks. The entire risk management framework and programme need to be constantly evaluated and improved in order to deal with the continuously evolving and complex environment within which the airline operates. In this context, the company decided to carry out a complete risk review during the year with the help of its insurance brokers, Marsh. Each department within the company was requested to nominate Risk Owners who were then trained in the use of a Risk Management software, RAPID. Workshops were organized with the help of Risk Owners to identify the risks of each department. Those risks were recorded in a Risk register together with their action plans.

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 force a number of risks to the Company. Many of these risks remain outside of the Company's control and are only mitigated to a certain extent.

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

A. OPERATIONAL RISKS:-

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

1. Fall in demand

With economic uncertainty still prevailing, demand for air transportation remained weak during the financial year 2009/10. The Company reacted to this turn of events by monitoring the patterns of demand and making appropriate adjustments to flight schedules and capacity, while at the same time managing costs tightly. Poor performing routes and load factors were closely monitored and revenue management and pricing strategies adapted accordingly.

Cargo traffic was also affected negatively due to competition and the transfer of production to cheaper manufacturing countries. The airline responded by minimizing operating costs through capacity modulations and seeking new market opportunities.

2. Competition

These past years, with the liberalisation of the air access, the Company has faced increased competition from other airlines and charter services. Most of these new competitors have lower cost structures and other competitive advantages. Consequently, yields are constantly being pressured downwards. Management is responding to this risk by implementing a number of initiatives including:

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

3. Disruptions in Operations

- The modern working environment relies heavily on technology and e-commerce. The impact of unavailability and breakdown of IT services hosting critical applications for e.g E-mail services, ERP, Maintenix, AF inventory is immediate and potentially devastating to the business. The company mitigates these risks in the following ways:
  - Having off-site back-up systems, replication of servers between airport and head office.
  - The purchase of new servers with higher performance and redundancy to host new/upgraded systems.
  - Having simulations of redundant and fail-over systems, rehearsal of reinstallations and restorations from back-up tapes, testing of disaster recovery site.
  - Computer security standards, including ongoing back-up structures, have been developed in house and by third parties to ensure that IT and other systems are reliable and well protected against threats of hackers and viruses.

- Disruptions to operations can also be caused by an aircraft crash. In this context, the company has an Emergency Procedures manual which is regularly reviewed and updated with the help of consultants. In addition to classroom training, crisis simulations are regularly carried out to familiarise staff with those procedures and ensure that everyone is clear about his role in emergency situations.

- The company is largely dependent on passengers and cargo shippers to be able and willing to pay for carriage by air. As underscored by recent events, this ability and willingness is influenced by economic factors and security conditions in Mauritius and other countries around the world, over which the Company has no control.

- Pandemics and Epidemics: The Company can be severely hit by epidemics and pandemics as well as other health risks; risks which are beyond its control. The Company can only to a certain extent control the impacts of these risks on its business performance.

4. Safety and Security

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

5. Fleet and Network

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

- Having a mix of new and old aircraft in its fleet so that unencumbered aircraft can be leased out or disposed of at short notice
- Financing its aircraft on both financing and operating leases to increase flexibility.

6. Fraud

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

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

Every employee and Director of Air Mauritius has to abide by the Code of Ethics and Business conduct of the company which require that they act ethically at all times and to declare any matters of potential conflict with the Group. A formal declaration of interest is made by Directors and senior officers of the company each year.

B. FINANCIAL RISKS

In carrying out its hedging activities, Air Mauritius is guided by the provisions of its Risk Management Manual. The Manual, a document approved by the Board, requires that the company be hedged against variations in jet fuel prices and exchange rates. For jet fuel, the maximum hedging tenor 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.

The financial year 2009/10 was a difficult year for hedging activities. An increase in risk averseness made banks and financial institutions reluctant in general to approve credit lines. This impeded the company's ability to carry out its hedging activities in a systematic manner.

In March 2010, Air Mauritius decided to appoint Lazard Frères and Natixis Corporate Solutions Ltd as its Financial Risk Management advisers for a period of one year. The scope of services includes providing advice to the company on the management of Foreign exchange, Jet Fuel Price and Interest rate risks and the review of the Risk Management Manual. The advisers will be required to attend meetings of the Risk Management Steering Committee.

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. On the other hand, the company pays a significant proportion of its expenses in US dollars, a currency in which it earns a very small proportion of its revenues. Consequently, the depreciation of the Euro vis a vis the US dollar represents a risk which the company needs to manage.

The Euro/Dollar (EUR-USD) traded within a very wide range during 2009/10. Improved investor confidence in riskier assets together with growing signs of a global economic recovery proved supportive for the Euro throughout most of 2009. From a low of 1.29 in April 2009, the Euro traded all the way up to 1.51 against the dollar. During the last month of 2009 however, the Euro started its decline due to the slowing pace of economic recovery in the Euro zone. The decline was further exacerbated by sovereign risks among selected Euro zone member states, particularly Greece, Spain and Portugal. Deteriorating fiscal outlooks in these countries as well as possible risks of contagion within the Euro region made the Euro a selling proposition for investors.

During 09/10, the Company was unfortunately not able to add new hedging positions to its existing portfolio due to the fact that no credit lines were available. The last hedging transactions expired in December 2009.

Jet Fuel Price Risk

Oil prices recovered sharply during the year with macroeconomic factors dominating market movements. The recovery in oil prices gathered momentum in the second quarter, as improved sentiments over global economic prospects, a revival in risk appetite on the part of investors and a weaker dollar provided a positive environment for markets to continue building on gains previously established.

In April 2009, the Company decided to unwind a small proportion of its hedging portfolio. No new positions were added during the year. The Mark to Market of the portfolio as at 31 March 2010 stood at EUR 6.3m.

Counterparty credit risk

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

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. Sensitivities regarding movements in interest rates are given on page 79.

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.

As at 31 March 2010, Air Mauritius had overdraft facilities worth EUR 25.4m with its commercial banks of which only 36% was being utilized.

C. REPUTATION

The Company recognizes reputation as an ongoing risk that can adversely or beneficially impact the organization's reputation and that the very survival of its business depends on continued credibility and trust. It believes that its reputation and brand is of significant commercial value and has in place a formal strategy to manage brand and reputation risk. It is constantly working to improve its image with all stakeholders, maintaining their trust and confidence. Erosion of its reputation and brand could impact adversely the Company's position, inflame negative feelings, and consequently result in loss of public confidence.

The Company recognizes that reputational risks may occur as a direct result of people failing to communicate properly. The Company demonstrates the importance that it places on communication with its internal and external stakeholders by bringing under one roof all the communications functions including management of the corporate identify and brand, corporate affairs, events management, corporate social responsibility and employee and investor communications. It focuses on further improving governance issues and ensures consistency in its relationship with local and international institutions, shareholders and other investors, the media and the general public. Its communications systems and public relations machinery are well prepared so that both staff and general public are well informed about the Company's activities and performances. It shows its commitment to effective communication:

- by being involved in sponsorships and events
- increasing channels of communications in the form of printed newsletter, notice boards, comnet scheduled meetings, internal SharePoint.
- Creating IT workstations
- Developing Public Relations agencies across the network.

D. BUSINESS CONTINUITY

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

The Company recognises the importance of achieving long term sustainability through continuous growth. It supports this aspect of BCP by being more consistent in its strategy to grow revenue.

E. LEGAL AND REGULATORY RISKS

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.

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.

Claims not covered by or exceed insurance

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

PERFORMANCE AND DEVELOPMENT OF THE BUSINESS

Financial Performance

Loss of the Group for the financial year was Euro 6.0 million as opposed to a loss of Euro 85.5 million incurred in the previous year. Group Operating loss which was of Euro 33.5 million in 2008/09 improved in a profit of Euro 7.8 million this year. Revenue per Available Seat Kilometre (RASK) was slightly up by 1.5%. Cost per Available Seat Kilometre (CASK) went down by 6.2%.

Business Segments

Airline business

The airline business segment result for the financial year 2009/10 was a loss of Euro 6.9 million compared to a loss of Euro 84.3 million in 2008/09.

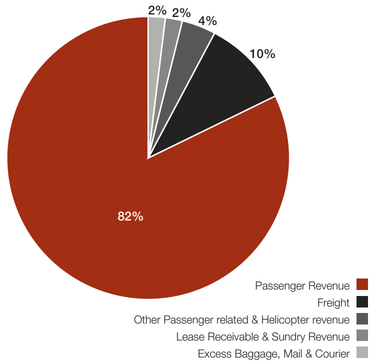
SEGMENTAL INFORMATION

1. By Product

(a) Aircraft Operations

Revenue Composition	EUR million	% of revenue	% Change over Last Year
Passenger Revenue	238.4	82	(17.1)
Freight	28.2	10	(15.6)
Other Passenger related & Helicopter revenue	12.9	4	34.4
Lease Receivable & Sundry Revenue	6.3	2	(10.0)
Excess Baggage, Mail & Courier	4.3	2	19.4
Total	290.1	100	(15.0)

Revenue Composition



Directors' Report & Business Review

Performance and Development of the Business (Continued)

SEGMENTAL INFORMATION (Continued)

1. By Product

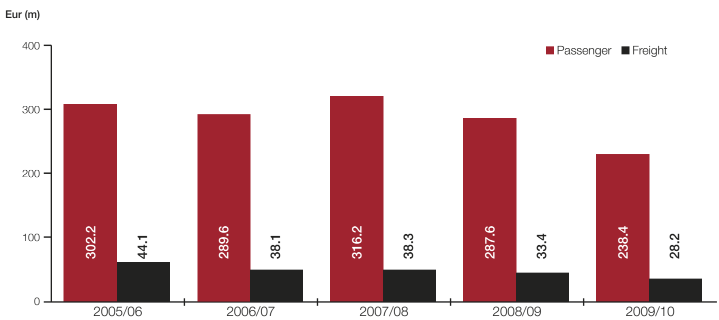
(a) Aircraft Operations

Total income earned from aircraft operations for the financial year 2009/10 slipped by 15% to reach Eur 290.1 million. Passenger revenue which is the core busienss of the company registered a fall of 17.1% from Eur 287.6 million in 2008/09 to Eur 238.4 million. The freight business was also affected by the economic downturn with its revenue decreasing by 15.6% to Eur 28.2 million. On the other hand, the other sources of revenue recorded increases with the exception of Lease Receivable and Sundry Revenue which went down by 10% to Eur 6.3 million compared to the previous financial year. Passenger business remains the major contributor with a share of 82.2% to the revenue of the company, whilst, cargo contributes 9.7%.

(b) Ground Operations

Air Mauritius provides also traffic and technical services to foreign airlines operating to Mauritus. This year, revenue earned from these services represented 1.6% of total aircraft operations.

Travelled Revenue



Directors' Report & Business Review

Performance and Development of the Business (Continued)

2. Geographical

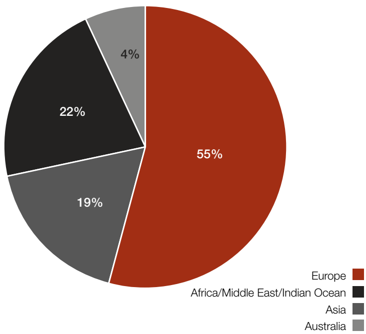
(i) Geographical by Route

Travelled Revenue breakdown by route *

Operating Region	EUR M	%
Europe	147.4	55
Asia	51.1	19
Africa/Middle East/Indian Ocean	60.3	22
Australia	11.7	4
Total	270.5	100

* Excluding Helicopter Revenue, Lease Receivable & Sundry Revenue

Travelled Revenue by route



Europe - 55%

Europe recorded a decrease of 1% in its share of travelled from 56% in 2008/09 to 55% this year. Available Tonne Kilometres dropped by 16.2% whilst Revenue Tonne kilometres went down by 8.1%.

Asia - 19%

The Asian region which represents India and the Far East witnessed an increase of 2% in its share of travelled revenue to 19% for the period under review. Revenue Tonne Kilometres improved by 2.4% following a decrease of 4.5% in Available Tonne Kilometres.

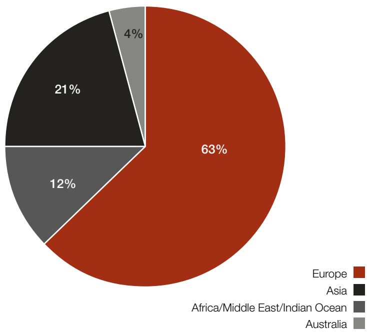
Africa / Middle East / Indian Ocean - 22%

The share of travelled revenue rose to 22% representing an increase of 2% over the preceding financial year. Available Tonne Kilometres decreased by 10.3%. On the other hand, Revenue Tonne Kilometres were also low by 8.1%.

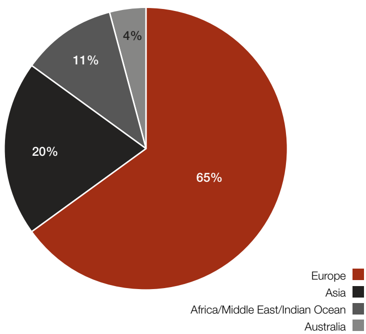
Australia - 4%

A fall of 4% was registered in the share of travelled revenue of Australia. Both Revenue Tonne Kilometres and Available Tonne Kilometres were down by 53.2% and 52.8% respectively as a result of the discontinuation of services to Sydney in 2009/10.

Available Tonne Kilometres (ATK)



Revenue Tonne Kilometres (RTK)



Directors' Report & Business Review

Performance and Development of the Business (Continued)

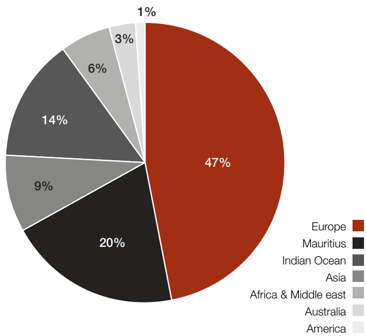
(ii) Geographical by Destination

Travelled Revenue breakdown by destination *

Destination	EUR M	%
Europe	126.8	47
Mauritius	54.6	20
Asia	24.0	9
Indian Ocean	37.3	14
Africa & Middle East	18.4	6
Australia	7.4	3
America	2.0	1
Total	270.5	100

* Excluding Helicopter Revenue, Lease Receivable & Sundry Revenue

Travelled Revenue by Destination



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

France, United Kingdom, Germany, Italy and Switzerland are the main contributors for Europe. The share of revenue of the European region dropped by 1 point from 48% in 2008/09 to 47% this year. Europe is the top revenue generator of the company.

Mauritius station witnessed a slight fall in its share of revenue from 21% last year to 20% and is the second highest revenue contributor after Europe.

Indian Ocean which groups mainly the islands of Madagascar, Reunion and Seychelles recorded an increase of 3 points to 14% for the period under review.

Asia which is composed of the Indian sub continent and the far east countries such as Hong Kong, Malaysia and Singapore registered an increase in its revenue from 8% in 2008/09 to 9% in this financial year.

The share of revenue of Africa and Middle East which groups mainly South Africa, Kenya and United Arab Emirates remains at 6%.

Australia recorded a drop in its share of revenue from 5% to 3%.

USA and Canada which represent America maintained their share of revenue at 1%.

Directors' Report & Business Review

Performance and Development of the Business (Continued)

Geographical by Routes (Passenger only)

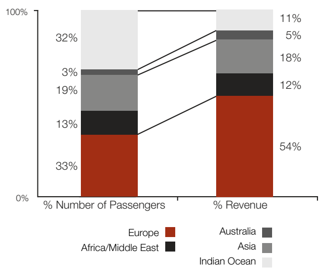
Operating Region	Number	% Change	EUR million	% Change over last year
Europe	379,510	(8.9)	129.7	(19.1)
Africa & Middle East	148,867	(6.3)	28.0	(7.9)
Asia	211,371	2.5	44.1	(6.8)
Australia	31,340	(54.0)	10.9	(53.0)
Indian Ocean	362,254	5.8	25.7	(3.0)
Total	1,133,342	(4.9)	238.4	(17.1)

Network
Passenger demand was directly affected by the global economic slow down and consequently, the number of coupons uplifted in the network went down by 4.9% from 1,192,158 in 2008/09 to 1,133,342 this year. Passenger revenue fell by 17.1% to Eur 238.4 million mainly due to the discounting of fares and reduction in yield practiced by the company following the drop in demand. With the fall in passenger demand, the Company focused on matching capacity with demand on the different routes. Seat capacity offered,was therefore, reduced by 7% from 1,659,037 last year to 1,542,760 for the period under review. Passenger Load factor rose by 5.4 points from 74.9% in 2008/09 to 80.6% for this financial year.

Europe
Passengers carried on the European sectors recorded a fall of 8.9% to reach 379,510 representing a decrease of 36,988 passengers uplifted over the preceding year. Passenger revenue plummeted by 19.1% as a result of the promotional fares practiced by the Company which led to a deterioration in passenger yield by 11.2% and to a decrease in the number of passengers. Seats offered on the European routes went down by 17.7%, a decrease of 97,154 to 452,768 for this financial year. The reduction in seat capacity had a positive effect on passenger load factor which rose by 8.3 points to 83.9%.

Africa & Middle East
The number of passenger uplifts on these segments witnessed a drop of 6.3% from 158,929 in 2008/09 to 148,867 this year. Similarly, passenger revenue was lower by 7.9% owing to a slight fall in yield by 1.8%. Seats offered on these routes fell by 11% to reach 208,870 this year. Passenger load factor stood at 72.7% compared to 74.4% achieved during the previous financial year.

Contribution of our operating regions



Asia
Asia was the only region to register an increase in traffic which was of the order of 2.5% compared to last year. Passenger uplifts for the period under review stood at 211,371. On the other hand, passenger revenue was greatly affected with a fall of Eur 3.2 million, representing a decrease of 6.8% over the previous financial year. Passenger load factor improved by 6.9% attributable to a decrease of 5.6% in seats offered on these routes as well as to the increase in traffic.

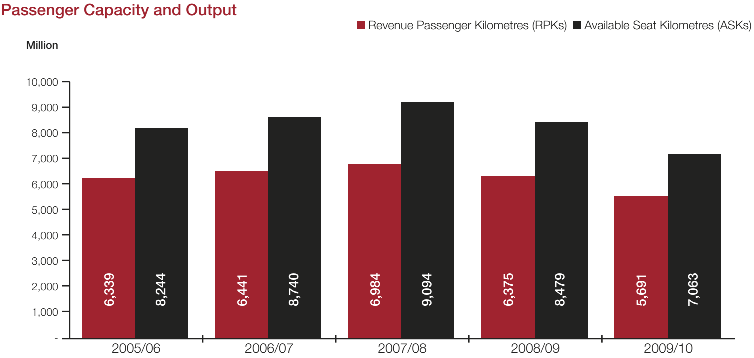
Australia
Passenger traffic plunged by 54% from 68,202 in 2008/09 to 31,340 for the financial year under review mainly owing to the discontinuation of the Sydney route. Passenger revenue decreased by Eur 12.3 million to Eur 10.9 million, a direct consequence of the fall in passenger upllift in spite of an improvement of 1.6% in yield.

Indian Ocean
Indian Ocean is the region which recorded an increase in passengers uplift. Passengers carried went up by 5.8%, whilst revenue was down by Eur 0.8 million, a decrease of 3% compared to the previous financial year. Seat capacity on these routes increased by 13.8% to stand at 576,172 this year. On the other hand, Passenger load factor dropped by 7.1 points from 68.3% in 2008/09 to 61.2%.

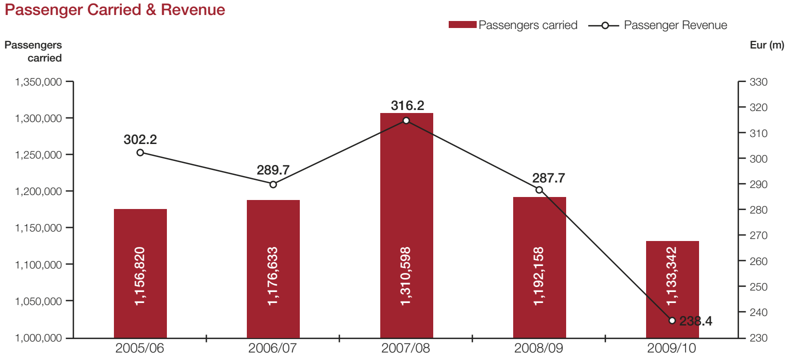
Directors' Report & Business Review

Performance and Development of the Business (Continued)

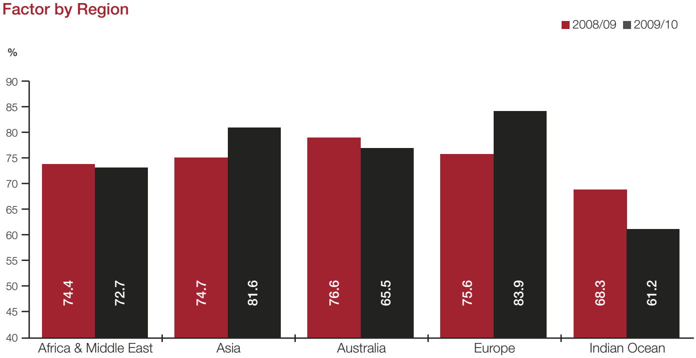
Passenger Capacity and Output



Passenger Carried & Revenue



Load Factor by Region



Cargo analysis

Geographical by routes

Operating Region	Tonnes	% Change over last year	EUR million	% Change over last year
Europe	11,800	(9.1)	15.1	(20.5)
Africa/Middle East /Indian Ocean	10,338	(10.8)	6.1	(1.6)
Asia	4,665	(5.3)	6.2	(10.1)
Australia	689	(56.4)	0.8	(38.5)
Total	27,492	(11.6)	28.2	(15.6)

Network

Cargo tonnage slipped by 11.6% from 31,085 tonnes in 2008/09 to 27,492 tonnes this year. Revenue went down by 15.6% to Eur 28.2 million this year due to a decrease in cargo carried and also owing to a fall in yield.

Europe

The European region recorded a fall of 9.1% in cargo uplift. The decrease in cargo carried and a deterioration in cargo yield impacted negatively on revenue which dived by 20.5% to Eur 15.1 million.

Africa / Middle East / Indian Ocean

Cargo tonnage uplifted in these regions registered a decrease of 10.8% from 11,595 tonnes to 10,338 tonnes. On the other hand, revenue was lower by 1.6% only owing to an improvement in cargo yield.

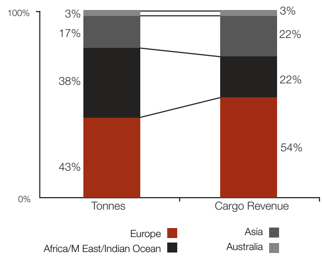
Asia

The Asian regions witnessed decreases in both cargo tonnage and revenue by 5.3% and 10.1% respectively.

Australia

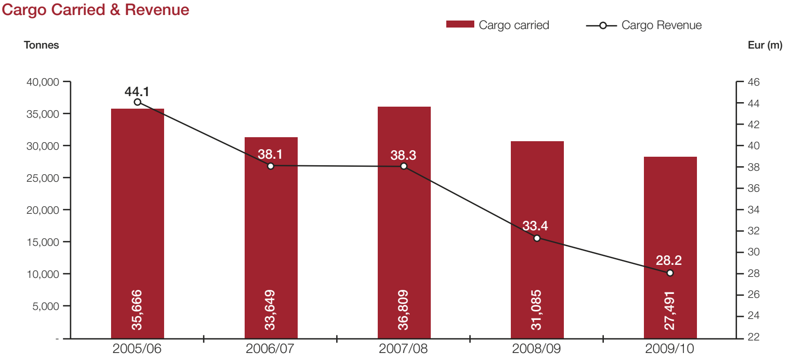
Australia registered a significant fall of 56.4% in cargo tonnage carried and revenue went down by 38.5%.

Contribution of our operating regions

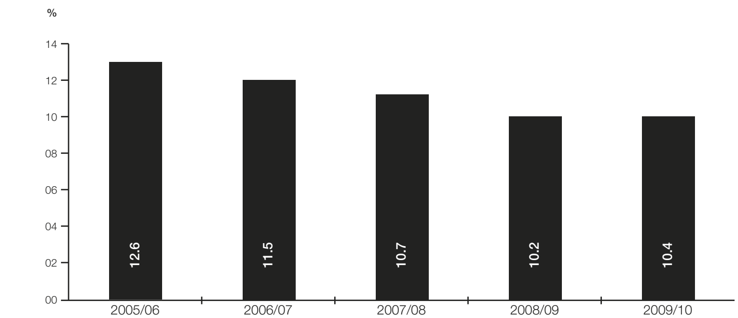


Performance and Development of the Business (Continued)

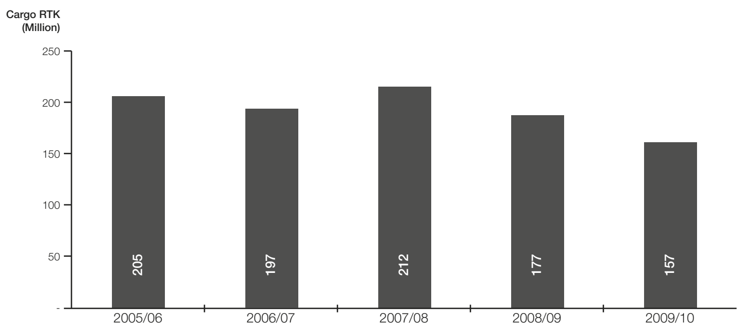
Cargo Carried & Revenue



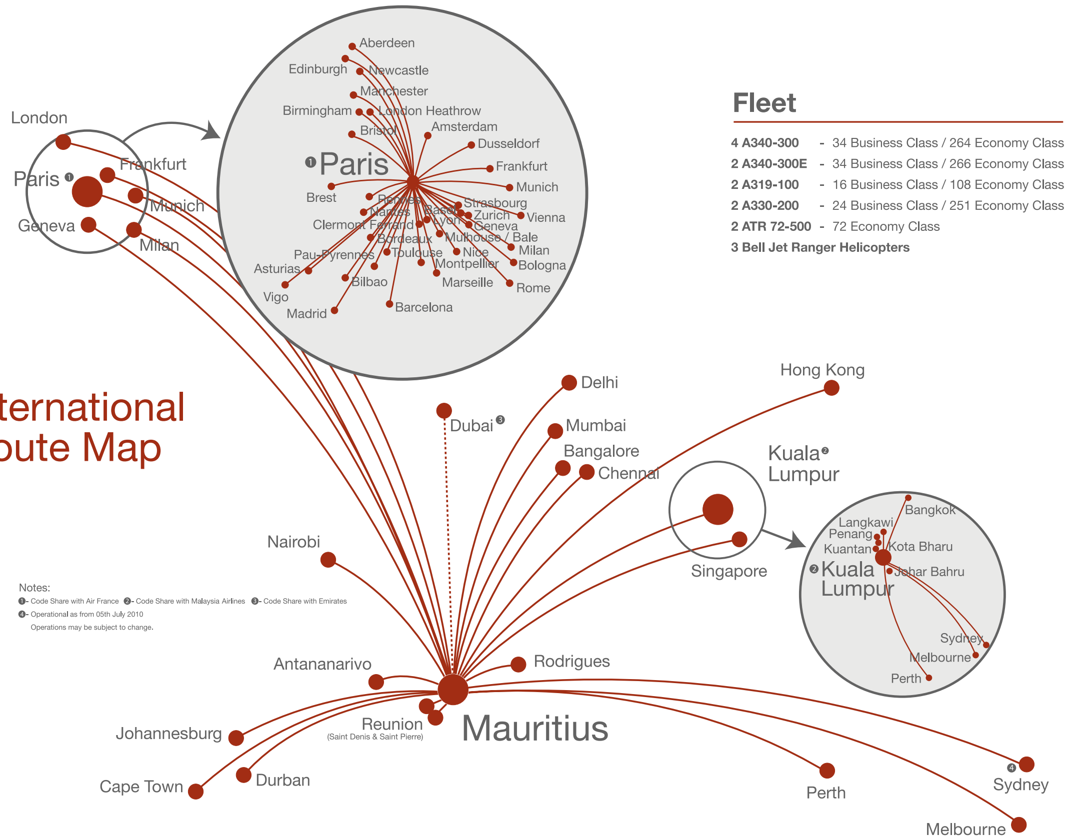
Contribution of Cargo to Gross Travelled Revenue



Cargo - Revenue Tonne Kilometres



International Route Map



Notes:
❶- Code Share with Air France ❷- Code Share with Malaysia Airlines ❸- Code Share with Emirates
❹- Operational as from 05th July 2010
Operations may be subject to change.

Fleet

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

Performance and Development of the Business (Continued)

Revenue

Group revenue for the year went down from Euro 445.5 million to Euro 371.7 million as compared to last year.

Passenger revenue was down by 17.1% to reach Euro 238.4 million. Passenger yield per RPK was low by 7.2% compared to the previous financial year and Load factor was up by 5.7 points to 80.6%. Capacity 'in terms of ASKs' was down compared to last year.

Cargo revenue dropped from Euro 33.4 million to Euro 28.2 million as compared to last year due to a decline in volume uplifted.

Revenue on fuel surcharge recorded a decrease of 24.3% as compared to last year.

Expenditure

Total operating costs for the year went down by 24.6 per cent as compared to last year mainly due to the fall in the price of fuel and decrease in the level of operations. Fuel costs included a hedge loss of Euro 33.7 million as compared to a hedge loss of Euro 49.7 million for last year. The fuel price has on average decreased by 30.4% as compared to last year.

Most operating costs have gone down mainly on account of lower level of activities in the financial year 2009/10 compared to last year.

OPERATING EXPENDITURE	**2009/10 Euro m**	2008/09 Euro m	Increase/(Decrease) %
Fuel costs	**129.4**	212.2	(39.0)
Employee costs	**44.0**	46.3	(5.1)
Maintenance & Overhaul	**34.8**	42.1	(17.3)
Aircraft operating lease costs	**22.7**	26.7	(14.8)
Landing fees and en route charges	**23.3**	26.3	(11.3)
Handling charges, ground services, catering and other inflight costs	**33.5**	38.0	(11.8)
Marketing and Distribution direct costs	**21.8**	26.6	(17.8)
Depreciation & amortisation	**18.3**	19.9	(7.9)
Crew costs	**10.3**	13.6	(24.4)
Other operating costs	**8.7**	8.3	24.6
Total Group operating expenditure	**346.8**	460.0	(24.2)

Financial Derivatives

Net unrealised losses on fuel derivatives were Euro 6.3 million (2009: Net unrealized losses Euro 72.2 million), reflecting the unrealised losses on fuel derivative hedges required to be recognized directly in equity under International Accounting Standard (IAS) 39.

In April 2009 the Company entered into close-out transactions to unwind 5% of its fuel hedge contracts. This resulted in fuel hedge losses amounting to euro 4.8 million.

Earnings per Share

Loss attributable to shareholders for the year was Euro 6.0 million. This is equivalent to a loss of Euro 0.06 cents per share or Rupees 2.65 per share.

Working Capital

At March 31, 2010, net current liabilities were Euro 81.3 million as compared to Euro 131 million at 31 March 2009.

Cash Flow

The net positive cash & cash equivalents (after bank overdrafts) of the Group at 31 March 2010 amounted to Euro 14.8 million (Mur 612 million) compared to a negative total of Euro 21.3 million (Mur 944 million) at 31 March 2009.

Gearing ratio

The gearing ratio at 31 March 2010 improved to 1.6:1 as compared 3.4:1 of the previous year.

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 31 March 2010.

Shares and Shareholders

The authorised share capital of the Company is MUR 2,000,000,000 (Euro 81,566,000) divided into 200,000,000 ordinary shares of MUR 10 each. The number of ordinary shares issued and fully paid in Air Mauritius Limited as at 31 March 2010 was 102,305,000 shares (Euro 41,724,000), the same as in the previous financial year. In accordance with the Company's constitution, all ordinary shares have equal rights to dividends and capital and each share carries one voting right.

Capital Structure Shareholder Rights

Air Mauritius Holding Limited whose registered office is Air Mauritius Centre, President John Kennedy Street, Port Louis is the holding company of Air Mauritius Limited. The ultimate controlling entity is the Government of Mauritius. At 31 March 2010, the shareholding of Air Mauritius Limited was as follows.

Ordinary Shareholders	Number of Shares (of Mur 10.00 each)	% Voting rights
Air Mauritius Holding Ltd	52,175,550	51.0%
The Government of Mauritius	8,564,658	8.4%
Pershing LLC - Main Custody a/c	5,986,680	5.9%
The State Investment Corporation Ltd	4,646,265	4.5%
Rogers and Company Ltd	4,379,344	4.3%
Compagnie nationale Air France	2,841,986	2.8%
Air India	2,617,098	2.6%
The Bank of New York as Custodian	2,500,000	2.4%
National Pension Fund	2,078,508	2.0%
Other Investors	16,514,911	16.1%
Total	102,305,000	100.0%

The shareholder analysis at 31 March 2010 was as follows:

RANGE OF SHARES	NO. OF SHAREHOLDERS	NO. OF VOTING RIGHTS	% OF SHARE CAPITAL	% OF ALL SHAREHOLDERS
1 - 1,000	10,786	4,188,577	4.1	87.7
1,001 - 5,000	1,115	2,457,186	2.4	9.1
5,001 - 10,000	208	1,519,163	1.5	1.7
10,001 - 25,000	117	1,815,260	1.8	1.0
25,001 - 50,000	38	1,453,647	1.4	0.3
50,001 - 100,000	14	1,049,336	1.0	0.1
100,001 - 1,000,000	11	2,752,713	2.7	0.1
Over 1,000,000	10	87,069,118	85.1	0.1
Total	12,299	102,305,000	100.0	100.0

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	5.85	-	5.85

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 Meetings.

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 7.67% effective shareholding in Air Mauritius Limited. During the year, Air France has traded with Air Mauritius and details of the value of these transactions are as follows:

	2010 €'000	2009 €'000
Expenses	**28,879**	24,961
Income	**711**	726
Amount payable at 31 March	**4,006**	4,255
Amount receivable at 31 March	**163**	407

Shareholders Information

Information relating to share price information, reporting dates, dividend declaration and payment dates and meetings of shareholders are shown on page 116.

OPERATING AND FINANCIAL STATISTICS

For the five years ended 31 March 2010

	2010	2009	2008	2007	2006
Traffic and Capacity					
Revenue passenger km (RPK) m	**5,691**	6,375	6,984	6,441	6,339
Available seat km (ASK) m	**7,063**	8,479	9,094	8,740	8,244
Passenger load factor (%)	**80.6**	74.9	76.8	74.6	76.9
Cargo tonne km (CTK) m	**157**	177	212	197	205
Total revenue tonne kilometres (RTK) m	**680**	751	844	779	779
Total available tonne kilometres (ATK) m	**1,064**	1,267	1,385	1,366	1,320
Overall load factor (%)	**63.9**	59.3	60.4	57.0	59.0
Passengers carried ('000)	**1,133**	1,192	1,311	1,177	1,157
Tonnes of cargo carried ('000)	**27,491**	31,085	36,809	33,649	35,666
Revenue flights	**9,213**	9,803	10,616	11,087	12,494
Financial					
Net (loss)/profit margin %	**(1.6)**	(19.2)	3.8	(1.6)	1.9
EBITDA m	**60.8**	(15.0)	75.0	47.6	63.0
Gearing Ratio	**1.6:1**	3.4:1	0.5:1	0.8:1	0.7:1
Total traffic revenue per RTK cents	**0.40**	0.43	0.42	0.42	0.45
Total traffic revenue per ATK cents	**0.25**	0.26	0.26	0.24	0.26
Total expenditure on operations per RTK cents	**0.44**	0.53	0.46	0.48	0.47
Total expenditure on operations per ATK cents	**0.28**	0.31	0.28	0.27	0.28
Passenger revenue per RPK cents	**0.04**	0.05	0.05	0.04	0.05
Passenger revenue per ASK cents	**0.03**	0.03	0.03	0.03	0.04
Cargo revenue per CTK cents	**0.18**	0.19	0.18	0.19	0.21
Average fuel price (US cents/US gallon)	**207.0**	297.4	257.5	212.9	194.2
Operations					
Aircraft in service at year end	**12**	12	12	11	12
Punctuality - within 15 minutes %	**77.6**	76.1	71.3	77.8	78.3
Dispatch Reliability overall %	**96.9**	96.2	97.6	98.0	97.7

Directors' Report & Business Review

The Board of Directors

Standing : (left to right) François Woo Shing Hai , Kremchand Beegoo, Ramapatee Gujadhur, Timothy Taylor, Aisha Timol, Dheerendra K Dabee
Seated : (left to right) Philippe Espitalier-Noël, Premila Roy, Manoj R K Ujoodha, Suresh Seeballuck, Raj Ringadoo

THE BOARD OF DIRECTORS

The names and details of the current directors are set out below. All directors served throughout the financial year with the exception of Mr Rajkamal Taposeea who was appointed on 22 July 2009, Mr Francois Woo Shing Hai, *G.O.S.K* who was appointed on 14 August 2009 and Mr Arvind Jadhav replaced Mr R Menon on 18 June 2009.

TAPOSEEA Rajkamal – Chairman

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

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.

BEEGOO Kremchand

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

DABEE Dheerendra Kumar, *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.

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.

JADHAV Arvind

Mr Arvind Jadhav was appointed to the Board on 18 June 2009. He is currently the Chairman and Managing Director of Air India. He was earlier the Principal Secretary, Infrastructure Development Department, Government of Karnataka.

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.

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.

RINGADOO Raj

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

ROY Premila

Mrs Premila Roy was appointed to the Board on 30 September 2005. She was appointed Permanent Secretary of the Ministry of Social Integration and Economic Empowerment on 12 May 2010.

SEEBALLUCK Suresh, *G.O.S.K*

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

TAYLOR Timothy

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

TIMOL Aisha, *G.O.S.K.*

Mrs Aisha Timol, *G.O.S.K.* was appointed to the board on 01 September 2008. She is the Chief Executive of the Mauritius Bankers Association Limited. She has previously worked at the Ministry of Finance as Deputy Director, Budget Bureau and Director, Financial Services and at the University of Mauritius. Mrs Timol is on a number of boards and committees in both public and private sectors.

WOO SHING HAI Francois , *G.O.S.K.*

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

Resignation

Mr Raghu Menon resigned as Board director on 18 June 2009.

COMPANY SECRETARY

Fooad Nooraully

Is the Company's Secretary and General Counsel. He joined the Company in April 2001 in the legal division as Legal 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 51.

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 Board of Directors recognizes that the Report on Corporate Governance (the Code) published in 2003 is regarded as best practice and therefore uses its best endeavours to ensure compliance with the provisions set out in the Code.

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. 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.

Board Composition

There were 15 directors serving on the Board of Air Mauritius as at March 31, 2010. 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 Chief Finance Officer and Chief Information Officer and the Executive Vice President-Strategic Planning at Board and Sub-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.

Specific responsibilities are assigned to sub-committees of the Board, namely, the Audit Committee, the Risk Management Steering Committee, the Corporate Governance Committee, and the Senior Officers Remuneration and Selection Committee which act within the parameters of their clearly defined terms of reference. The Board also took the decision to create another sub-committee which will be in place for the year 2010/2011 known as the Cash & Liquidity Management Committee.

Senior Executives of the Company are invited, when appropriate, to attend Board meetings and make presentations on the strategies and projects of their respective departments. Outside consultants are also invited to attend Board and sub-committees meetings as and when their expertise is required.

Role of the Board

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

Board Meetings

The Board of the Company routinely meets at least six times a year and additionally when necessary to consider all matters relating to the overall control, business performance and strategy of the Company. The Board has defined specific terms of reference for its committees. A statement of the directors' responsibilities in respect of the financial statements is 51 and a statement on going concern is given on page 46. The Board met seventeen times for the year under review.

Board Information

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

Board and Director Appraisal

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

Dealings in Company Shares

No director dealt in Company shares during the year. Details of Directors' shareholding in the Company are given on page 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 49 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) and Airport Terminal Operations Limited (ATOL). 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.

	STATUS	BOARD	CGC	AC	RMSC	SORSC
Chairman						
Mr Rajkamal Taposeea (as from 22 July 2009)	N	8/8	n/a	n/a	3/6	1/1
Chief Executive Officer						
Mr Manoj R K Ujoodha, G.O.S.K.	E	15/17	3/3	n/a	6/6	1/1
Directors						
Mr Kremchand Beegoo	I	14/17	2/3	10/11	1/1	n/a
Mr Dheerendra K Dabee, S.C	N	15/17	2/3	11/12	n/a	n/a
Mr Philippe Espitalier –Noël	N	15/17	n/a	n/a	6/6	1/1
Mr Ramapatee Gujadhur, C.S.K	I	16/17	2/3	6/6	n/a	n/a
Mr Ali Mansoor	N	11/17	n/a	n/a	4/5	n/a
Mr Raj Ringadoo	N	17/17	n/a	12/12	n/a	0/1
Mrs Premila Roy	N	14/17	n/a	11/12	n/a	n/a
Mr Suresh Seeballuck, G.O.S.K	N	8/17	n/a	0/2	n/a	n/a
Mr Timothy Taylor	N	17/17	3/3	10/12	n/a	n/a
Mrs Aisha Timol, G.O.S.K.	N	15/17	3/3	n/a	6/6	n/a
Mr Francois Woo Shing Hai, G.O.S.K. (as from 11 Feb 2010)	N	4/7	n/a	n/a	n/a	1/1
Mr Antoine Pussiau (alternate Mr Olivier Prevost)	N	2/17	n/a	n/a	n/a	n/a
Mr Raghu Menon (up to 18 Jun 2009) (alternate Mrs Anita Khurana)	N	0/5	n/a	n/a	n/a	n/a
Mr Arvind Jadhav (as from 18 Jun 2009) (alternate Mrs Anita Khurana)	N	0/12	n/a	n/a	n/a	n/a

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

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

Secretary: Fooad Nooraully
Auditors: Ernst & Young

Attendance: Number of meetings attended/total eligible to attend

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.

Andries Nathaniel Viljoen

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

Indradev Buton

Is the Executive Vice President-Strategic Planning. He joined Air Mauritius in July 1986. He is in charge of fleet planning, network planning, international affairs, and airline partnership. He is also responsible for customer research and loyalty marketing and since January 2009, revenue management and pricing has been assigned to him.

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 Banymandhub

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

Donald Payen

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

Vijay Seetul

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

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.airmauritius.com. Each of the Committees has authority to take external advice as required.

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

Report of the Audit Committee (AC) Members are:

Raj Ringadoo (Chairperson), Dheerendra Kumar Dabee, SC, Timothy Taylor, Premila Roy, Kremchand Beegoo (up to 30 September 2009 and as from 19 November 2009), Ramapatee Gujadhur, C.S.K (as from 01 October 2009), Suresh Seeballuck, *G.O.S.K.* (as from 01 October 2009 up to 19 November 2009).

Secretary: Fooad Nooraully

In attendance: Mr Manoj R K Ujoodha, *G.O.S.K.*, Mr Vijay Seetul, Mr Andries Viljoen, 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 12 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 and risk management system;
- To review the effectiveness of the internal audit function;
- To review the effectiveness of the independent audit process including recommending the appointment and assessing the performance of the external auditor;
- To review the Company's process for monitoring compliance with laws and regulations affecting financial reporting, its Code of Business Practice and Ethics and its Fraud Prevention Policy;
- To review the appropriateness of the Group's accounting policies and considers changes to them; and
- To review the significant accounting judgments and monitor the integrity of the annual and interim financial statements. Ultimate responsibility for the approval of the annual and interim financial statements rests with the Board.

Items reviewed by the Audit Committee during the year include:

(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, Chief Finance & Information Officer 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 (SORSC)

Members: Rajkamal Taposeea (Chairman), Manoj R.K Ujoodha, *G.O.S.K.*, Philippe Espitalier-Noël, Francois Woo Shing Hai, *G.O.S.K.,* Raj Ringadoo.
Secretary: Foad Nooraully
In attendance: Andries Viljoen

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

Report of the Risk Management Steering Committee (RMSC)

Members: Ali Mansoor (Chairman), Manoj R.K Ujoodha, *G.O.S.K.*, Philippe Espitalier-Noël, Aisha Timol, *G.OS.K.*, Rajkamal Taposeea (as from 01 Oct 09), Kremchand Beegoo (as from 01 Oct 09 to 08

Dec 09). **In Attendance:** Andries Viljoen , Meenakshi Sandrasagren. **Secretary:** Meenakshi Sandrasagren (up to 08 Dec 09), F Noorally (as from 13 Jan 10).

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 6 times during the year to review risk matters and to appoint a financial advisor.

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: Timothy Taylor (chairman), Manoj R.K Ujoodha, *G.O.S.K.* , Dheerendra Kumar Dabee, SC (co-opted director), Ramapatee Gujadhur, *C.S.K.*, Kremchand Beegoo, Mrs Aisha Timol, *G.O.S.K.*, **Secretary:** Foad Noorally **In attendance:** Mr Andries Viljoen, Mr Donald Payen

Communication with Shareholders

The Company maintains regular contact with its larger institutional shareholders through its meetings with the Chairman, the Chief Executive Officer and the Chief Finance Officer and Chief Information Officer. In addition, 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 595.

Going concern

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

Cascade Holding Structure

The Cascade Holding Structure is shown on page 110 of this Annual Report. The list of shareholders holding

5% or more of the ordinary share capital of the Company is shown on Page 37.

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 Rajkamal Taposeea (as from 22 July 2009)	Chairman	Chairman	Chairman	Chairman		
Mr Manoj R K Ujoodha, G.O.S.K.	●	●	●	●	●	●
Mr Kremchand Beegoo		●				
Mr Dheerendra K Dabee, S.C	●	●				
Mr Philippe Espitalier –Noël	●	●				
Mr Ramapatee Gujadhur, C.S.K		●	●			
Mr Ali Mansoor	●	●				
Mr Raj Ringadoo	●	●	●	●	Chairman	
Mrs Premila Roy	●	●				
Mr Suresh Seeballuck, G.O.S.K	●	●			●	●
Mr Timothy Taylor	●	●				
Mrs Aisha Timol, G.O.S.K.	●	●				
Mr Francois Woo Shing Hai, G.O.S.K (as from 11 Feb 2010)	●	●				
Mr Antoine Pussiau (alternate Mr Olivier Prevost)	●	●				
Mr Raghu Menon (up to 18 Jun 2009) (alternate Mrs Anita Khurana)	●	●				
Mr Arvind Jadhav (as from 18 Jun 2009) (alternate Mrs Anita Khurana)	●	●				

DIRECTORSHIP IN OTHER LISTED COMPANIES

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

Remuneration and benefits

	2010 €'000	2009 €'000
Remuneration and benefits of the Executive Director	**161**	177
Fees paid during the year to Non-Executive Directors*	**61**	71
	222	248
Fees paid to the Executive Director by subsidiaries	**1**	1
Fees paid to the Non-Executive Directors by subsidiaries	**2**	6
	225	255

* Monthly fees paid to each Non-Executive Director amounts to Rs 15,000 (Euro 339) except for the Chairman who was paid a monthly fee of Rs 75,000 (Euro 1,695). The fees exclude any amount of reimbursed expenses incurred wholly, exclusively and necessarily for the business. One of the Non-Executive directors has elected not to be paid the monthly fees of Rs 15,000.

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 initially for a period of three years expired on November 20, 2009 and he has been offered a new contract of employment on a month-to-month basis on similar terms and conditions as the previous contract of employment except those that are inconsistent or inapplicable with a month-to-month contract of employment. The notice period for termination of the contract by either the Company or the Director is one month.

Directors and officers liability insurance

The policy covers:

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

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

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

Directors' Report & Business Review

Remuneration Report (Continued)

Directors' share interests

	Ordinary shares held on March 31, 2010	
	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	-
Mr Raj Ringadoo	-	900
Mr Timothy Taylor	1,415	-
Mrs Aisha Timol, G.O.S.K.	620	620
Mr Francois Woo Shing Hai, G.O.S.K	3,980	3,980

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	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Audit services	**70**	57	**10**	9
Other services	**3**	3	**3**	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 17, 2010 and signed on its behalf by :

Mr Rajkamal Taposeea
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 Fooad Nooraully
Company Secretary
June 2010

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 43. 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 Rajkamal Taposeea
Chairman
June 2010

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

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

Internal Control

The Directors have an overall responsibility for taking such steps, as are reasonably open to them, to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities. The Group's internal control systems have been designed to provide the Directors with such reasonable assurance.

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

Risk Management

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

Governance

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

Mr Rajkamal Taposeea
Chairman

Mr Rajendra Kumar Ujoodha
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 statements of financial position as at March 31, 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company at March 31, 2010 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
Ebène, Mauritius
June 17, 2010

PATRICK NG TSEUNG, A.C.A
Signing Partner

Financial Statements

Statements of Financial Position

as at March 31, 2010

	Notes	THE GROUP 2010 €'000	THE GROUP 2009 €'000	THE COMPANY 2010 €'000	THE COMPANY 2009 €'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**300,043**	261,917	**296,019**	258,061
Investment property	7	**10,081**	9,581	**-**	-
Intangible assets	8	**1,650**	694	**1,633**	673
Investment in subsidiary companies	9	**-**	-	**27,155**	27,155
Investment in an associate	10	**162**	127	**102**	102
Available-for-sale investments	11	**578**	423	**578**	423
Other financial assets	12	**-**	381	**-**	381
Deferred tax asset	13	**47**	44	**-**	-
Long term deposits	14	**9,062**	7,533	**9,062**	7,533
Long term receivable	15	**135**	562	**135**	562
		321,758	281,262	**334,684**	294,890
Current assets					
Inventories	16	**10,440**	12,977	**10,415**	12,955
Trade and other receivables	17	**44,328**	60,878	**43,674**	60,340
Other financial assets	12	**-**	2,710	**-**	2,710
Cash and short-term deposits	18	**24,222**	23,407	**22,963**	21,980
		78,990	99,972	**77,052**	97,985
Assets classified as held-for-sale	19	**2,271**	5,574	**2,271**	5,574
Total assets		**403,019**	386,808	**414,007**	398,449
Equity and liabilities					
Equity					
Share capital	20	**41,724**	41,724	**41,724**	41,724
Share premium		**18,869**	18,869	**18,869**	18,869
Other reserves		**(16,358)**	(80,719)	**(5,286)**	(68,295)
Retained earnings		**53,392**	59,557	**49,883**	56,798
Equity attributable to equity holders of the parent		**97,627**	39,431	**105,190**	49,096
Minority interests		**2,118**	1,842	**-**	-
Total equity		**99,745**	41,273	**105,190**	49,096
Non-current liabilities					
Interest-bearing loans and borrowings	21	**98,772**	64,936	**98,772**	64,573
Financial derivatives	22	**-**	14,116	**-**	14,116
Provisions	23	**41,987**	35,517	**41,845**	35,403
		140,759	114,569	**140,617**	114,092
Current liabilities					
Trade and other payables	24	**101,123**	116,271	**101,484**	116,474
Interest-bearing loans and borrowings	21	**55,537**	67,974	**60,861**	72,066
Financial derivatives	22	**5,855**	46,721	**5,855**	46,721
		162,515	230,966	**168,200**	235,261
Total liabilities		**303,274**	345,535	**308,817**	349,353
Total equity and liabilities		**403,019**	386,808	**414,007**	398,449

These financial statements were approved by the Board of Directors on June 17, 2010.

Mr Rajkamal Taposeea
(Chairman)

Mr Rajendra Kumar Ujoodha, G.O.S.K
(Chief Executive Officer)

The notes on pages 60 to 107 form an integral part of these financial statements.
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Statements of Comprehensive Income

for the year ended March 31, 2010

	Notes	THE GROUP 2010 €'000	THE GROUP 2009 Restated €'000	THE COMPANY 2010 €'000	THE COMPANY 2009 Restated €'000
Revenue	25	**371,699**	445,547	**369,990**	443,667
Operating expenses excluding fuel hedge losses		**(313,127)**	(410,148)	**(313,130)**	(410,130)
Fuel hedge losses		**(33,705)**	(49,707)	**(33,705)**	(49,707)
Operating expenses	25	**(346,832)**	(459,855)	**(346,835)**	(459,837)
Gross profit/ (loss)		**24,867**	(14,308)	**23,155**	(16,170)
Administrative expenses		**(20,092)**	(24,422)	**(19,176)**	(23,526)
Other operating income		**3,154**	4,624	**3,051**	4,539
Fair value (loss)/ gain on investment property	7	**(181)**	600	**-**	-
Operating profit/ (loss)	26	**7,748**	(33,506)	**7,030**	(35,157)
Share of loss of an associate	10(c)	**(2)**	(66)	**-**	-
Finance revenue	27	**2,489**	7,776	**2,211**	10,230
Finance costs	28	**(11,360)**	(8,651)	**(11,350)**	(8,600)
Loss before derecognition of hedging instruments		**(1,125)**	(34,447)	**(2,109)**	(33,527)
Derecognition of hedging instruments	29	**(4,806)**	(50,816)	**(4,806)**	(50,816)
Loss before tax		**(5,931)**	(85,263)	**(6,915)**	(84,343)
Income tax expense	30	**(104)**	(190)	**-**	-
Loss for the year		**(6,035)**	(85,453)	**(6,915)**	(84,343)
Other comprehensive income	13				
Fair value movement in available-for-sale investments	11	**165**	(1,636)	**156**	(1,636)
Movement in cash flow hedges		**62,853**	(70,837)	**62,853**	(70,837)
Exchange differences on consolidation		**1,489**	(1,601)	**-**	-
		64,507	(74,074)	**63,009**	(72,473)
Total comprehensive income/(loss) for the year		**58,472**	(159,527)	**56,094**	(156,816)
Loss for the year attributable to:					
- Equity holders of the parent		**(6,165)**	(85,674)		
- Minority interests		**130**	221		
		(6,035)	(85,453)		
Total comprehensive income/(loss) attributable to:					
- Equity holders of the parent		**58,196**	(159,607)		
- Minority interests		**276**	80		
		58,472	(159,527)		
Loss per share (EUR)	31	**(0.06)**	(0.84)		

The notes on pages 60 to 107 form an integral part of these financial statements.
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Statements of Changes in Equity

for the year ended March 31, 2010

The Group	Share capital €'000	Share premium €'000	Fair value reserve* €'000	Translation reserve on consolidation** €'000	Hedge equity reserve*** €'000	Retained earnings €'000	Total shareholders' interest €'000	Minority interests €'000	Total equity €'000
Balance at April 01, 2008	41,724	18,869	2,504	(10,973)	1,683	145,231	199,038	1,970	201,008
Loss for the year	-	-	-	-	-	(85,674)	(85,674)	221	(85,453)
Other comprehensive income	-	-	(1,645)	(1,451)	(70,837)	-	(73,933)	(141)	(74,074)
Total comprehensive income	-	-	(1,645)	(1,451)	(70,837)	(85,674)	(159,607)	80	(159,527)
Dividend of subsidiary	-	-	-	-	-	-	-	(208)	(208)
Balance at March 31, 2009	41,724	18,869	859	(12,424)	(69,154)	59,557	39,431	1,842	41,273
Balance at April 01, 2009	**41,724**	**18,869**	**859**	**(12,424)**	**(69,154)**	**59,557**	**39,431**	**1,842**	**41,273**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(6,165)**	**(6,165)**	**130**	**(6,035)**
Other comprehensive income	**-**	**-**	**165**	**1,343**	**62,853**	**-**	**64,361**	**146**	**64,507**
Total comprehensive income	**-**	**-**	**165**	**1,343**	**62,853**	**(6,165)**	**58,196**	**276**	**58,472**
Balance at March 31, 2010	**41,724**	**18,869**	**1,024**	**(11,081)**	**(6,301)**	**53,392**	**97,627**	**2,118**	**99,745**

Other reserves in the Statements of Financial Position include:
** Fair value reserve records unrealised gains or losses arising from changes in fair value of available-for-sale investments.*
*** 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 107 form an integral part of these financial statements.
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Statements of Changes in Equity

for the year ended March 31, 2010

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, 2008	41,724	18,869	2,495	1,683	141,141	205,912
Loss for the year	-	-	-	-	(84,343)	(84,343)
Other comprehensive income	-	-	(1,636)	(70,837)	-	(72,473)
Total comprehensive income	-	-	(1,636)	(70,837)	(84,343)	(156,816)
Balance at March 31, 2009	41,724	18,869	859	(69,154)	56,798	49,096
Balance at April 01, 2009	**41,724**	**18,869**	**859**	**(69,154)**	**56,798**	**49,096**
Loss for the year	-	-	-	-	**(6,915)**	**(6,915)**
Other comprehensive income	-	-	**156**	**62,853**	-	**63,009**
Total comprehensive income	**-**	**-**	**156**	**62,853**	**(6,915)**	**56,094**
Balance at March 31, 2010	**41,724**	**18,869**	**1,015**	**(6,301)**	**49,883**	**105,190**

*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 107 form an integral part of these financial statements.
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Statements of Cash Flows

for the year ended March 31, 2010

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Cash flows from operating activities				
Loss before tax	**(5,931)**	(85,263)	**(6,915)**	(84,343)
Adjustments for :				
Depreciation on property, plant and equipment	**35,754**	39,228	**35,532**	38,940
Amortisation of intangible assets	**505**	486	**499**	466
Fair value loss/ (gain) on investment property	**181**	(600)	**-**	-
(Profit)/loss on sale of property, plant and equipment	**(41)**	137	**(39)**	139
Profit on sale of available-for-sale investments	**-**	(1,296)	**-**	(1,296)
Employee benefit liability	**3,865**	439	**3,845**	422
End of contract gratuity	**(437)**	491	**(437)**	491
Maintenance cost	**1,076**	678	**1,076**	678
Unrealised foreign exchange losses	**5,260**	6,064	**5,260**	6,064
Interest and investment income	**(568)**	(2,919)	**(290)**	(5,436)
Interest expense	**6,099**	5,536	**6,089**	5,485
Share of loss after tax of associate	**2**	66	**-**	-
Cash flows from/(used in) operating activities before changes in working capital	**45,765**	(36,953)	**44,620**	(38,390)
Changes in working capital				
Inventories	**2,403**	(560)	**2,404**	(570)
Trade and other receivables	**276**	12,496	**156**	12,489
Trade and other payables	**(4,723)**	(17,731)	**(4,809)**	(17,630)
	43,721	(42,748)	**42,371**	(44,101)
Interest received	**341**	2,533	**280**	2,130
Interest paid	**(6,509)**	(5,863)	**(6,499)**	(5,812)
Tax paid	**(222)**	-	**-**	-
Net cash flows from/(used in) operating activities	**37,331**	(46,078)	**36,152**	(47,783)
Investing activities				
Purchase of property, plant and equipment	**(70,435)**	(30,769)	**(70,331)**	(30,713)
Purchase of intangible assets	**(1,459)**	(143)	**(1,459)**	(135)
Redemption of held-to-maturity investments	**-**	3,410	**-**	-
Predelivery payments	**-**	(5,677)	**-**	(5,677)
Predelivery payments refunded	**13,999**	-	**13,999**	-
Proceeds on sale of property, plant and equipment	**73**	209	**71**	204
Proceeds on sale of available-for-sale investments	**-**	1,318	**-**	1,318
Deposits (paid)/recovered	**(1,081)**	265	**(1,081)**	265
Dividends received	**10**	207	**10**	3,306
Net cash flows used in investing activities	**(58,893)**	(31,180)	**(58,791)**	(31,432)
Net cash flow used in before financing activities	**(21,562)**	(77,258)	**(22,639)**	(79,215)

Statements of Cash Flows

for the year ended March 31, 2010

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Financing activities				
Payments on borrowings	**(40,741)**	(21,990)	**(40,194)**	(21,911)
Proceeds from borrowings	**99,010**	119	**99,801**	4,123
Dividends paid	**-**	(3,790)	**-**	(3,712)
Net cash flows from/(used in) financing activities	**58,269**	(25,661)	**59,607**	(21,500)
Net increase/(decrease) in cash and cash equivalents	**36,707**	(102,919)	**36,968**	(100,715)
Movement in cash and cash equivalents				
At April 01,	**(21,327)**	82,592	**(22,754)**	78,546
Exchange loss	**(605)**	(1,000)	**(698)**	(585)
Increase/(decrease)	**36,707**	(102,919)	**36,968**	(100,715)
At March 31, (note 18)	**14,775**	(21,327)	**13,516**	(22,754)

The notes on pages 60 to 107 form an integral part of these financial statements.
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Notes to the Financial Statements

for the year ended March 31, 2010

1. CORPORATE INFORMATION

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

The Group's and the Company's financial statements for the year ended March 31, 2010 were authorised for issue by the Board of Directors on June 17, 2010 and the statements of financial position were signed on the Board's behalf by Messrs R.K. Taposeea and R.K. Ujoodha. 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 and separate financial statements 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 convention except for investment properties, derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale investments 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 be consolidated until the date that such control ceases.

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

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

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

Losses are attributed to the minority interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

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

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, 2009.

IFRS 7 Financial Instruments: Disclosures effective for financial periods beginning on or after January 01, 2009

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 11 and 22 the liquidity risk disclosures are presented in note 5(ii).

IFRS 8 Operating Segments effective for financial periods beginning on or after January 01, 2009

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14 except that the Group does not hold any geographical segment. IFRS 8 disclosures are shown in note 25.

IAS 1 Presentation of Financial Statements effective for financial periods beginning on or after January 01, 2009

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present a single statement.

IAS 23 Borrowing Costs (Revised) effective for financial periods beginning on or after January 01, 2009

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's concluded that the previous policy is consistent with IAS 23. There is no borrowing cost that has been capitalised during the year.

IAS 27 Consolidated and Separate Financial Statements effective for financial periods beginning on or after January 01, 2009

The amended standard has resulted in the deletion of the 'cost method'. The distinction between pre- and post-acquisition profits is no longer required. All dividends will be recognised in profit or loss. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment; and in cases of reorganisations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The Group has adopted the standard on a prospective basis.

IAS 27 Consolidated and Separate Financial Statements effective for financial periods beginning on or after July 01, 2009

The amendment to IAS 27 requires changes in ownership interests of a subsidiary (that do not result in loss of control) to be accounted for as an equity transaction and will have no impact on goodwill nor will they give rise to gain and losses. Losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests even if the losses exceeded the non-controlling investment in the subsidiary. Upon loss of control of a subsidiary, any retained interest will be remeasured at fair value and this will impact the gain or loss recognised on disposal.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective for financial periods beginning on or after January 01, 2009

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

Notes to the Financial Statements

for the year ended March 31, 2010

IFRIC 13 Customer Loyalty Programmes effective for financial periods beginning on or after July 01, 2008

IFRIC 13 applies to sales transactions in which the Group grant their customers award mileage credit that, subject to meeting further qualifying conditions, the customers can redeem in the future for free or discounted goods and services. IFRIC 13 requires that an entity recognises credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of initial sale. The comparative figures have been restated accordingly (refer to note 38). The impact on the statement of comprehensive income for the year ended March 31, 2010, is €1,683k decrease in operating revenue and a comparable decrease in operating expenses. There has been no impact on the statement of financial position as at March 31, 2010.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued an omnibus to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- IFRS 7 Financial Instruments: Disclosures effective for financial periods beginning on or after January 01, 2009
- IAS 1 Presentation of Financial Statements (as revised in 2007) effective for financial periods beginning on or after January 01, 2009
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors effective for financial periods beginning on or after January 01, 2009
- IAS 10 Events after the Reporting Period effective for financial periods beginning on or after January 01, 2009
- IAS 16 Property, Plant and Equipment effective for financial periods beginning on or after January 01, 2009
- IAS 18 Revenue effective for financial periods beginning on or after January 01, 2009
- IAS 18 Revenue: Determining whether an entity is acting as principal or agent effective for financial periods beginning on or after April 01,2009
- IAS 19 Employee Benefits effective for financial periods beginning on or after January 01, 2009
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance effective for financial periods beginning on or after January 01, 2009
- IAS 23 Borrowing Costs (as revised in 2007) effective for financial periods beginning on or after January 01, 2009
- IAS 27 Consolidated and Separate Financial Statements (as amended in January 2008) effective for financial periods beginning on or after January 01, 2009
- IAS 28 Investments in Associates effective for financial periods beginning on or after January 01, 2009
- IAS 29 Financial Reporting in Hyperinflationary Economies effective for financial periods beginning on or after January 01, 2009
- IAS 31 Interests in Joint Ventures effective for financial periods beginning on or after January 01, 2009
- IAS 34 Interim Financial Reporting effective for financial periods beginning on or after January 01, 2009
- IAS 36 Impairment of Assets effective for financial periods beginning on or after January 01, 2009
- IAS 38 Intangible Assets effective for financial periods beginning on or after January 01, 2009
- IAS 39 Financial Instruments: Recognition and Measurement effective for financial periods beginning on or after January 01, 2009
- IAS 40 Investment Property effective for financial periods beginning on or after January 01, 2009
- IAS 41 Agriculture effective for financial periods beginning on or after January 01, 2009

These improvements did not have a significant impact on the financial statements of Group though they did, in some cases, result in some changes in disclosures.

The following new and amended IFRS and IFRIC interpretations were not relevant to the Group's operation and did not have any impact on the financial position or performance of the Group:

- IFRS 1 (Revised 2009) Adoption of International Financial Reporting Standards – Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate effective for financial periods beginning on or after January 01, 2009

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective for financial periods beginning on or after January 01, 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after June 30, 2009
- IFRIC 15 Agreement for the Construction of Real Estate effective for financial periods beginning on or after January 01, 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective October 01, 2008
- IFRIC 18 Transfer of Assets from Customers effective July 01, 2009

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:

New or revised standards and interpretations:

- IFRS 1 (Revised 2008) First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters effective for financial periods beginning on or after January 01, 2010
- IFRS 1 (Revised 2008) First time Adoption of International Financial Reporting Standards. Exemption from comparative IFRS 7 Disclosures for first-time Adopters effective for financial periods beginning on or after July 01, 2010
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Arrangements effective for financial periods beginning on or after January 01, 2010
- IFRS 3 (Revised 2008) Business Combinations effective for financial periods beginning on or after July 01, 2009
- IFRS 9 Financial Instruments: Classification and Measurement effective for financial periods beginning on or after January 01, 2013
- IAS 24 related Party Disclosures effective for financial periods beginning on or after January 01, 2011
- IAS 27 Consolidated and Separate Financial Statements effective July 01, 2009
- IAS 32 Financial Instruments: Presentation – Classification of Right Issues effective for financial periods beginning on or after February 01, 2010
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective for financial periods beginning on or after July 01, 2009
- IFRIC 14 Prepayment of a Minimum Funding Requirement effective for financial periods beginning on or after January 01, 2011
- IFRIC 17 Distributions of Non-Cash Assets from Customers effective for financial periods beginning on or after July 01, 2009
- IFRIC 18 Transfers of Assets from customers effective for financial periods beginning on or after July 01, 2010
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective for financial periods beginning on or after July 01, 2010

Improvements to standards and interpretations:

- IFRS 2 Share-based Payment effective: Scope of IFRS 2 and revised IFRS 3, July 01, 2009
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operation effective for financial periods beginning on or after July 01, 2009
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operation: Disclosures effective for financial periods beginning on or after January 01, 2010
- IFRS 8 Operating Segments: Disclosures of information about segment assets effective for financial periods beginning on or after January 01, 2010
- IAS 1 Presentation of Financial Statements: Current/Non-current classification of convertible instruments effective for financial periods beginning on or after January 01, 2010
- IAS 7 Statement of Cash Flows: Classification of expenditures on unrecognised assets effective for financial periods beginning on or after January 01, 2010
- IAS 17 Leases: Classifications of land and buildings effective for financial periods beginning on or after January 01, 2010
- IAS 36 Impairment of Assets: Unit of accounting for goodwill impairment testing effective for financial periods beginning on or after January 01, 2010

- IAS 38 Intangible Assets: (1) Consequential amendments arising from IFRS 3 and (2) measuring fair value effective for financial periods beginning on or after July 01, 2009
- IAS 39 Financial Instruments: Recognition and Measurement:(1) Assessment of loan prepayment penalties as embedded derivatives (2) Scope exemption for business combination contract and (3) Cash flow hedge accounting effective for financial periods beginning on or after January 01, 2010
- IFRIC 9 Reassessment of Embedded Derivatives: Scope of IFRIC 9 and IFRS 3 effective for financial periods beginning on or after July 01, 2009
- IFRIC 16 Hedges of a Net Investment in Foreign Operation: Amendment of the restriction on the entity that can hold hedging instruments effective for financial periods beginning on or after July 01, 2009

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

(i) Determination of hedging relationship

The determination of the accounting treatment of the Group's hedging relationships is critical since the recording of gains or losses on remeasurement of hedging instruments to fair value at the reporting date gives rise to adjustments directly in profit and loss or 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.

(ii) Segmental reporting

The Group's operating segments of disclosed in the same format as the business segments presented in prior years. The Board of Directors, which has been identified as the chief operating decision-maker as it is responsible for resource allocation and assessing performance of the operating segments, has concluded that such a presentation is consistent with the Group's internal reporting. Details of the operating segments are set out in note 25.

(iii) Functional Currency

The Group has exercised significant judgement in determining the functional currency of the company and each of its subsidiaries. In making this judgement, the Group has considered the primary economic environment in which each entity operates; the geographical location whose competitive forces mainly determine the sales prices of entity's goods and services; the currency that mainly influences the determination of costs of providing goods and services; the currency in which funds from financing activities are generated; and, the currency in which proceeds from operating activities are usually retained.

Estimates and assumptions

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

(i) Estimated useful lives and residual values of property, plant and equipment

Determining the carrying amounts of property, plant and equipment requires the estimation of the useful lives and residual values of these assets. Certain property, plant and equipment of the Group, such as aircraft, are separated into their significant parts and estimates of the useful lives and residual values thereof are made for the purpose of calculating depreciation (refer to note 4.4(c)). The estimates of useful lives and residual values carry a degree of uncertainty. The directors have used historical information relating to the Group and the relevant industries in which the Group's entities operate in order to best determine the useful lives and residual values of property, plant and equipment.

(ii) Employee benefit liability

The determination of employee benefit costs and related provisions, as described in note 4.4(q) and as detailed in note 23 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) Deferred revenue for customer loyalty programme

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

- The fair value attributable to the awarded mileage credit has been calculated based on the lowest applicable fare price of the Company; and
- The ratio of the level of free travel to overall traffic is insignificant.

The carrying amount of the deferred revenue for the Kestrelflyer Programme was estimated at €4.9M (2009:€4.7M).

(iv) 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 defer significantly from the estimates. Further details are given in note 7.

(v) 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 23.

(vi) Fair valuation of investment property

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Functional and presentation currency

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

For the purpose of the consolidated financial statements the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company, and the presentation currency used for the Group financial statements. For those entities in the Group whose functional currencies differ from the presentation currency, the following exchange rates were applicable:

	2010		2009	
	Closing	**Average**	Closing	Average
EUR /ZAR	**9.891**	**11.055**	12.755	12.469
EUR /USD	**1.339**	**1.414**	1.926	1.821
EUR /AUD	**1.464**	**1.669**	0.926	0.835
EUR /GBP	**0.889**	**0.886**	1.327	1.424
EUR /MUR	**41.325**	**44.245**	44.320	42.031

(b) Foreign currency translation

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

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

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

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

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

Prior to 1 January 2005 the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, as assets and liabilities of the parent. Therefore, those assets and liabilities are already expressed in the reporting currency or are non-monetary items and hence no further translation differences occur.

(c) Property, plant and equipment

All property, plant and equipment are stated at 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 below

Leasehold land is not capitalised and the lease payments are charged to the statement of comprehensive income on an accrual basis.

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

Aircraft and engine overhaul

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

(d) Investment property

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

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

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

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

(e) Investments in subsidiaries and in an associate

Subsidiaries

The accounting policy of the Group in respect of the consolidation of subsidiaries is presented in the basis of consolidation in note 3 above. In the separate company financial statements, investments in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the 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

In the separate company financial statements, the investment in the associate is carried at cost less any impairment in value.

In the consolidated financial statements, the Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

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

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

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

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

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

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

(f) Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or losses. The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. After initial measurement, such assets are carried at amortised cost using effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

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

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

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

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

(v) Fair Value

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

Derecognition

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

- the right to receive cash flows from the assets has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(g) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

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

Available-for-sale investments

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

In the case of equity investments classified as available-for-sale objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.
In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded 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 profit or loss, the impairment loss is reversed through profit or loss.

(h) Cash and cash equivalents

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

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

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

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

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

(j) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial liabilities at fair value through profit or loss

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

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

Financial guarantee liabilities

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

Derecognition

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

(k) Hedge Accounting

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting 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

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

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

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the income statement.

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

(ii) Cash flow hedge

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

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

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

(l) Provisions

(i) General

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

(ii) Maintenance reserve

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

(m) Power by the hour

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

(i) Routine maintenance

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

(ii) Major overhauls

Assets owned or finance leased by the Group

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

Assets rented under operating leases

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

(n) Intangible assets

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

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

(o) Inventories

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

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

(p) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or 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 dependent 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 statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

Group as a lessor

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

(q) 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 reporting date. For the year ended March 31, 2010 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 statement of financial position 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 Labour Laws. The net present value of benefits payable is calculated by a qualified actuary and provided for. The severance allowance payable and the accumulated sick leaves are unfunded.

(iv) End of contract gratuity for pilots

The terms of the employment contracts of all expatriate pilots contain a condition for the payment of an end of contract gratuity which is calculated based on a percentage of the total basic salary paid to the pilots over the period of the contract. The amount of the end of contract gratuity is estimated and provided for annually at the reporting date.

(r) Taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(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

- 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 statement of financial position.

(s) Impairment of non-financial assets

The Group reviews the carrying amounts of its assets at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

(t) Borrowing costs

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

(u) Customer loyalty programme

The Company operates a customer loyalty programme, Kestrelflyer Programme, that entitles customers to accumulate mileage credits that entitle them to a choice of various awards, primarily free travel. The fair value attributed to the awarded mileage credits is deferred as a liability and recognised as revenue on redemption of the miles by the participants to whom the miles are issued. The accounting policy for mileage revenue recognition was amended during the year in line with IFRIC 13 Customer loyalty programme. Refer to note 4.1 for changes in accounting policy.

The deferred revenue is reduced to reflect the outstanding obligation as participants redeem award credits or as their entitlement expires after 3 years.

(v) Revenue recognition

(i) Passenger and cargo sales

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

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

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

(iii) Dividend income

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

(iv) Interest income

Interest is recognised as it accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(v) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

(vi) Redemption of miles on Kestrelflyer Programme

Redemption revenue received for the issuance of points is deferred as a liability (sales in advance on carriage) until the miles are redeemed or the passenger is uplifted in the case of flights redemptions. Redemption revenue is measured based on management's estimate of the fair value of the expected awards for which the miles will be redeemed. The fair value of the awards are reduced to take into account the proportion of miles that are expected to expire (purged).

(w) Operating segment

For management purposes, the Group is organised into business units based on their services and the operating segments are aircraft operations, ground operations, investment property, hotel and restaurant services and call centre.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.
Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(x) 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, CASS 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. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Head of Credit Control. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalent, available-for-sale investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

(ii) Liquidity Risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its 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.

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, 2010	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Interest bearing loans and borrowings	9,447	14,510	41,318	75,336	40,962	181,573
Financial derivatives	-	4,725	1,576	-	-	6,301
Collateral payment	(446)	-	-	-	-	(446)
Trade and other payables	-	76,853	23,295	975	-	101,123
	9,001	**96,088**	**66,189**	**76,311**	**40,962**	**288,551**
	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

The Company	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Above 5 years**	**Total**
At March 31, 2010	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Interest bearing loans and borrowings	9,447	14,510	35,747	75,336	40,962	176,002
Financial derivatives	-	4,725	1,576	-	-	6,301
Collateral payment	(446)	-	-	-	-	(446)
Trade and other payables	-	77,127	23,382	975	-	101,484
	9,001	**96,362**	**60,705**	**76,311**	**40,962**	**283,341**
	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

(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, 2010, approximately 25% of the Group's borrowings were at a fixed rate of interest (2009: 19%).

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
2010		
Euro	**+15**	**(186)**
US dollar	**+20**	**(80)**
Euro	**-10**	**124**
US dollar	**-15**	**60**
2009		
Euro	+15	(40)
US dollar	+20	(287)
Euro	-10	26
US dollar	-15	215

(iv) Commodity price risk

One of the Group's principal variable cost components is jet fuel. The price of jet fuel is indexed according to international commodity prices and accordingly the Group's profitability is exposed to commodity price risk. The risk associated to fluctuations in the price of jet fuel is managed by various hedging techniques as well as the use of a fuel surcharge, whereby some of the cost is passed on to the customer.

The following table demonstrates the sensitivity to a reasonably possible change in fuel price, with all other variables held constant, of the Group's and the Company's profit before tax equity. As at March 31, 2010, the fair value of the Group's derivative financial asset relating to commodity hedges was €6,301k (2009:€72,245k).

The Group and the Company

	Increase/ decrease in USD	Effect on profit before tax €'000	Effect on equity €'000
2010			
Increase in fuel price	**+10**	**896**	**3,062**
Decrease in fuel price	**-10**	**1,625**	**(3,062)**
2009			
Increase in fuel price	+10	13,621	4,403
Decrease in fuel price	-10	(22,210)	(5,105)

(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 profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward exchange contracts).

The Group and the Company

	Increase/ decrease in US dollar rate	Effect on profit before tax €'000	Effect on equity €'000
2010	**+5%**	**(7,705)**	**-**
	-5%	**7,705**	**-**
2009	+5%	(10,216)	(1,983)
	-5%	9,243	2,482

(vi) Hedging by the Company

The Risk Management Steering Committee sets out the objectives and policies for hedging transactions in order to mitigate exposure on changes in foreign exchange rates and fuel prices. The Company's hedging policies are risk averse. As such, derivatives are not used to generate profits but to hedge against anticipated exposures.

As derivatives are only used for the purposes of risk management, they do not expose the group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged.

Foreign currency risks in relation to disbursements made by the Company denominated in USD are hedged by using forward contracts and options based on the budgeted USD cash outflow in the future. These forward contracts and options are rarely taken for a period of more than one year.

Fuel-hedging instruments are used to protect the Company against sudden and significant increases in fuel prices while ensuring that the Company is not significantly affected in the event of a substantial fall in the price of fuel.

These fuel and foreign exchange derivative instruments are both accounted for as "cash flow hedges" as per IAS 39.

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, 2010 and March 31, 2009.

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 of equity attributable to the equity holders of the parent.

(viii) Financial instruments

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Interest bearing loans and borrowings	**154,309**	132,910	**159,633**	136,639
Equity	**97,627**	39,431	**105,190**	49,097
Gearing ratio	**158%**	337%	**152%**	278%

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	
		2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Financial assets					
Cash	L.R	**24,222**	23,407	**24,222**	23,407
Available-for-sale investments	A.F.S	**578**	423	**578**	423
Derivative financial instruments	F.V.T.P.L	**-**	3,091	**-**	3,091
Collateral payments	L.R	**446**	11,408	**446**	11,408
Trade and other receivables	L.R	**46,386**	46,426	**46,386**	46,426
Financial liabilities					
Bank overdraft	F.L	**(9,447)**	(44,734)	**(9,447)**	(44,734)
Interest-bearing-loans and borrowings:					
- Obligations under finance	F.L	**(131,505)**	(86,269)	**(131,505)**	(86,269)
- Fixed rate borrowings	F.L	**(5,820)**	(1,907)	**(5,820)**	(1,907)
Derivative financial instruments	F.V.T.P.L	**(6,301)**	(72,245)	**(5,855)**	(60,938)
Trade and other payables	F.L	**(101,123)**	(116,271)	**(101,123)**	(116,271)

The Company

	Category	Carrying amount		Fair value	
		2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Financial assets					
Cash	L.R	**22,963**	21,980	**22,963**	21,980
Available-for-sale investments	A.F.S	**578**	423	**578**	423
Derivative financial instruments	F.V.T.P.L	**-**	3,091	**-**	3,091
Collateral payments	L.R	**446**	11,408	**446**	11,408
Trade and other receivables	L.R	**45,732**	45,888	**45,732**	45,888
Financial liabilities					
Bank overdraft	F.L	**(9,447)**	(44,734)	**(9,447)**	(44,734)
Interest-bearing-loans and borrowings:					
- Obligations under finance	F.L	**(131,505)**	(86,269)	**(131,505)**	(86,269)
- Fixed rate borrowings	F.L	**(11,144)**	(5,636)	**(11,144)**	(5,636)
Derivative financial instruments	F.V.T.P.L	**(6,301)**	(72,245)	**(5,855)**	(60,938)
Trade and other payables	F.L	**(101,484)**	(116,474)	**(101,484)**	(116,474)

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*

6. PROPERTY, PLANT AND EQUIPMENT

The Group	Aircraft on lease €'000	Aircraft & accessories €'000	Aircraft spares €€'000	Aircraft & engine overhaul €'000	Buildings & hangars on leasehold land €'000	Plant & equipment €'000	Furniture & fittings €'000	Computer & office equipment €'000	Motor vehicles Owned €'000	Motor vehicles Leased €'000	Total €'000
Cost											
At April 01, 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 19)	-	-	(11,784)	-	-	-	-	-	-	-	(11,784)
Reclassified to investment property (note 7)	-	-	-	-	(874)	-	-	-	-	-	(874)
Additions	-	11,909	804	16,405	197	411	143	450	400	50	30,769
Disposals	-	(218)	(1,167)	(13,109)	(4)	(93)	(71)	(388)	(844)	-	(15,894)
Exchange differences	-	-	-	-	(164)	(54)	(23)	(12)	(5)	-	(258)
At March 31, 2009	**269,153**	**137,046**	**17,161**	**42,024**	**32,228**	**18,906**	**6,184**	**10,995**	**4,616**	**185**	**538,498**
Transfer to assets held-for-sale (note 19)	-	-	5,855	-	-	-	-	-	-	-	5,855
Reclassified from investment property (note 7)	-	-	-	-	220	(6)	-	-	-	-	214
Additions	49,736	5,536	2,463	11,555	104	581	81	379	-	-	70,435
Disposals	-	-	(8)	(11,466)	-	(974)	(56)	(846)	(172)	(20)	(13,542)
Exchange differences	-	-	-	-	180	23	22	20	9	-	254
At March 31, 2010	**318,889**	**142,582**	**25,471**	**42,113**	**32,732**	**18,530**	**6,231**	**10,548**	**4,453**	**165**	**601,714**
Depreciation											
At April 01, 2008	100,513	68,249	18,246	18,976	17,302	16,648	5,326	9,704	3,599	38	258,601
Transfer to assets held-for-sale (note 19)	-	-	(6,210)	-	-	-	-	-	-	-	(6,210)
Charge for the year	10,976	7,909	1,775	14,640	1,293	789	311	720	784	31	39,228
Disposals	-	(104)	(489)	(12,963)	(3)	(93)	(68)	(377)	(771)	-	(14,868)
Exchange differences	-	-	-	-	(87)	(50)	(16)	(14)	(3)	-	(170)
At March 31, 2009	**111,489**	**76,054**	**13,322**	**20,653**	**18,505**	**17,294**	**5,553**	**10,033**	**3,609**	**69**	**276,581**
Transfer from assets held-for-sale (note 19)	-	-	2,552	-	-	-	-	-	-	-	2,552
Transfer	354	(354)	-	-	-	-	-	-	-	-	-
Charge for the year	11,467	6,317	1,540	13,048	1,245	694	233	664	507	39	35,754
Disposals	-	-	(8)	(11,345)	-	(973)	(52)	(837)	(165)	(18)	(13,398)
Exchange differences	-	-	-	-	111	30	14	19	8	-	182
At March 31, 2010	**123,310**	**82,017**	**17,407**	**22,356**	**19,861**	**17,045**	**5,748**	**9,879**	**3,959**	**90**	**301,671**
Net book value											
At March 31, 2010	**195,579**	**60,565**	**8,064**	**19,757**	**12,871**	**1,485**	**483**	**669**	**494**	**75**	**300,043**
At March 31, 2009	157,664	60,992	3,838	21,371	13,723	1,612	631	962	1,007	116	261,917

Certain aircraft and accessories have been pledged as security against borrowings of the Group.
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.

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company	Aircraft on lease €'000	Aircraft & accessories €'000	Aircraft spares €'000	Aircraft & engine overhaul €'000	Buildings & hangars on leasehold land €'000	Plant & equipment €'000	Furniture & fittings €'000	Computer & office equipment €'000	Motor vehicles Owned €'000	Motor vehicles Leased €'000	Total €'000
Cost											
At April 01, 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	16,405	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**
Transfer from assets held-for-sale (note 19)	-	-	5,855	-	-	-	-	-	-	-	5,855
Additions	49,736	5,536	2,463	11,555	55	558	60	368	-	-	70,331
Disposals	-	-	(8)	(11,466)	-	(971)	(56)	(846)	(163)	(20)	(13,530)
At March 31, 2010	**318,889**	**142,582**	**25,471**	**42,113**	**27,359**	**17,748**	**5,850**	**10,309**	**4,358**	**165**	**594,844**
Depreciation											
At April 01, 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**
Transfer from assets held-for-sale (note 19)	-	-	2,552	-	-	-	-	-	-	-	2,552
Transfer to assets held-for-sale (note 19)	354	(354)	-	-	-	-	-	-	-	-	-
Charge for the year	11,467	6,317	1,540	13,048	1,070	683	217	654	497	39	35,532
Disposals	-	-	(8)	(11,345)	-	(970)	(52)	(837)	(156)	(18)	(13,386)
At March 31, 2010	**123,310**	**82,017**	**17,407**	**22,356**	**18,315**	**16,308**	**5,477**	**9,655**	**3,890**	**90**	**298,825**
Net book value											
At March 31, 2010	**195,579**	**60,565**	**8,064**	**19,757**	**9,044**	**1,440**	**373**	**654**	**468**	**75**	**296,019**
At March 31, 2009	157,664	60,992	3,838	21,371	10,059	1,566	534	949	972	116	258,061

Certain aircraft and accessories have been pledged as security against borrowings of the Company.

7. INVESTMENT PROPERTY

The Group	2010 €'000	2009 €'000
At April 01,	9,581	8,975
Transfer (to)/from property, plant and equipment (note 6)	(214)	874
Exchange difference	895	(868)
Fair value (loss)/gain	(181)	600
At March 31,	10,081	9,581

The investment property is held by Mauritius Estate Development Corporation Limited ("MEDCOR"), a subsidiary of the Company. The investment property is stated at fair value, which has been determined based on a valuation performed by an independent valuer, Property and Assets Valuation Ltd, Chartered Valuer, at March 31, 2010 and at March 31, 2009, which has recent experience in the valuation of investment property of the same nature and location. The basis used for the valuation is the open market value approach.

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

	2010 €'000	2009 €'000
(a) Rental income from the investment property	1,018	1,145
(b) Operating expenses arising on the investment property:		
- that generated rental income during the year	336	308
- that did not generate rental income during the year	-	-

8. INTANGIBLE ASSETS

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Carrying amount				
Computer software (see below)	1,636	680	1,633	673
Goodwill on acquisition of subsidiary	14	14	-	-
	1,650	694	1,633	673
Computer software				
Cost				
At April 01,	5,052	4,914	4,978	4,843
Additions	1,459	143	1,459	135
Disposals	(444)	-	(444)	-
Exchange differences	5	(5)	-	-
At March 31,	6,072	5,052	5,993	4,978
Amortisation				
At April 01,	4,372	3,890	4,305	3,839
Charge for the year	505	486	499	466
Disposals	(444)	-	(444)	-
Exchange differences	3	(4)	-	
At March 31,	4,436	4,372	4,360	4,305
Net book value				
At March 31,	1,636	680	1,633	673

9. INVESTMENT IN SUBSIDIARY COMPANIES

	2010	2009
The Company	€'000	€'000
Cost		
At April 01, and March 31,	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 2010	2009
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 AN ASSOCIATE

(a) Carrying value of investment in associate

	2010 €'000	2009 €'000
Cost	102	102
Share of post-acquisition profits, net of dividend received	60	25
Carrying value	162	127

(b) Interest in an associate

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 2010	2009
The Mauritius Shopping Paradise Co. Ltd	Mauritius	Ordinary	102	41.65%	41.65%

Notes to the Financial Statements

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10. INVESTMENT IN AN ASSOCIATE (Continued)

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

	2010 €'000	2009 €'000
Total assets	798	724
Total liabilities	(411)	(420)
Net assets	387	304
Group's share of associate's net assets	162	127
Revenue	-	-
Loss after tax for the period	(5)	(158)
Group's share of associate's losses	(2)	(66)
Group's share of associate's movement in reserves	37	(396)

11. AVAILABLE-FOR-SALE INVESTMENTS

	2010 €'000	2009 €'000
The Group and the Company		
At April 01,	423	623
Fair value gain /(loss)	155	(200)
At March 31,	578	423

Available-for-sale - quoted unit trust
The Group holds units in some unit trusts. The fair value of the units has been calculated based on the official valuation performed by the Fund administrator at year end. These investments amounting to €532k have been classified as Level 2 fair value hierarchy (2009:Level 2).

Available-for-sale - unquoted equity share
The Group holds unquoted equity shares in a private company amounting to €46k whose fair value cannot be reliably measured and has been stated at cost. The fair value of this investment could not be reliably measured as the variability in the range of reasonable fair value estimates was too significant. The Group does not intend to dispose of the equity shares in the foreseeable future.

12. OTHER FINANCIAL ASSETS

The Group and the Company	2010 €'000	2009 €'000
Derivative financial instruments [note 39(b)]	-	3,091
Less maturing within one year	-	(2,710)
Maturing after one and before two years	-	381

13. DEFERRED TAX ASSET

The Group	2010 €'000	2009 €'000
At April 01,	44	216
Exchange differences	107	18
Charge to income statement (note 30)	(104)	(190)
At March 31,	47	44

Deferred tax assets are attributable to the following items:	2010 €'000	2009 €'000
Provisions	15	15
Accelerated depreciation	32	29
	47	44

The deferred tax asset relates to accelarated depreciation and provisions in Mauritius Estate Development Corporation Limited and has been computed at the current tax rate of 15% (2009: 15%).

Unused tax losses

Unused tax losses of the Group that have not been recognised as deferred tax asset amount to €2.6M (2009:€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. As result:
- No deferred tax has been provided for in the financial statements of the company.
- No tax expense has been set-off against other comprehensive income.

14. LONG TERM DEPOSITS

The Group and the Company	2010 €'000	2009 €'000
Predelivery payment (note 17)	-	14,452
Deposits on finance/operating leases	9,062	7,533
	9,062	21,985
Less: short-term portion included in trade and other receivables (note 17)	-	(14,452)
	9,062	7,533

15. LONG TERM RECEIVABLE

The Group and the Company	2010 €'000	2009 €'000
Loan	135	562

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 measured using effective interest rate method. The rate of interest on the remaining loan is 4.9% per annum.

16. INVENTORIES

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Aircraft spares - at net realisable value	7,759	9,631	7,759	9,631
Cabin services - at net realisable value	1,410	2,111	1,410	2,111
Others - at cost	1,271	1,235	1,246	1,213
	10,440	12,977	10,415	12,955

Notes to the Financial Statements

for the year ended March 31, 2010

17. TRADE AND OTHER RECEIVABLES (CURRENT)

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Trade receivables	**33,875**	36,342	**33,623**	36,109
Receivable from subsidiary companies	**-**	-	**155**	251
Predelivery payment (note 14)	**-**	14,452	**-**	14,452
Other receivables and prepayments	**10,453**	10,084	**9,896**	9,528
	44,328	60,878	**43,674**	60,340

Outstanding balances receivable from related parties, identified under note 34, 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, 2010, trade receivables at nominal value of €2,695k (2009:€2,496k) for the Group and €2,553k (2009:€2,341k) for the Company were impaired and fully provided for.

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

	THE GROUP	THE COMPANY
	Individually impaired €'000	**Individually impaired €'000**
At April 01, 2008	1,660	1,526
Charge for the year (Note 26(a))	836	815
At March 31, 2009	2,496	2,341
Charge for the year (Note 26(a))	505	503
Utilised	(306)	(291)
At March 31, 2010	**2,695**	**2,553**

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

		Past due but not impaired			
	Total	< 30 days	30 - 60 days	61 - 180 days	>180 days
The Group	**€'000**	€'000	€'000	€'000	€'000
2010	**33,875**	**28,939**	**2,732**	**453**	**1,741**
2009	36,342	34,156	733	770	683
The Company					
2010	**33,623**	**28,782**	**2,668**	**437**	**1,736**
2009	36,109	34,015	710	703	681

18. CASH AND SHORT TERM DEPOSIT

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Cash and short-term deposits	**24,222**	23,407	**22,963**	21,980
Bank overdraft (note 21)	**(9,447)**	(44,734)	**(9,447)**	(44,734)
	14,775	(21,327)	**13,516**	(22,754)

Cash resources include deposits and bank accounts totalling €16 M (2009:€16M) which earn interest at rates ranging between 0.2% and 10% per annum (2009:0.2% and 10% per annum)

19. ASSETS CLASSIFIED AS HELD-FOR-SALE

In February 2009, the directors had resolved to dispose 3 Airbus A340 engines and in 2009 the carrying amount of the engines classified as held-for-sale amounted to €5,574 and is presented separately in the Statement of Financial Position.

In May 2009, the directors resolved to dispose only one Airbus A340 engine and the asset has been classified as held for sale.

The proceed of the engine is expected to exceed the net carrying amount of relevant asset. The carrying amount of the engine classified as held for sale amounted to €2,271k.

20. SHARE CAPITAL

The Group and the Company	2010 Number	2009 Number	2010 €'000	2009 €'000
Authorised				
Ordinary shares of Rs 10 each	**200,000,000**	200,000,000	**81,566**	81,566
Issued and fully paid				
Ordinary shares of Rs 10 each	**102,305,000**	102,305,000	**41,724**	41,724

The ordinary shares are denominated in Mauritian rupees.

21. INTEREST-BEARING LOANS AND BORROWINGS

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Non-current				
Bank loans [notes (b) & 39(a)]	**9,147**	14,936	**9,147**	14,573
Obligations under finance leases [notes (c) & 39(a)]	**89,625**	50,000	**89,625**	50,000
	98,772	64,936	**98,772**	64,573
Current				
Bank overdraft (notes 18 & 39 (a))	**9,447**	44,734	**9,447**	44,734
Bank loans	**23,287**	5,436	**23,287**	5,354
Loan from subsidiary	-	-	**5,324**	4,174
Obligations under finance leases (note (c))	**22,803**	17,804	**22,803**	17,804
	55,537	67,974	**60,861**	72,066
Total interest-bearing loans and borrowings	**154,309**	132,910	**159,633**	136,639

(a) Details of the interest-bearing loans and borrowings are given in note 39(a).

(b) Bank loans

	THE GROUP		THE COMPANY	
	2010 €'000	2009 €'000	**2010 €'000**	2009 €'000
Repayable by instalments: - within one year	**23,287**	5,436	**23,287**	5,354
- after one year and before two years	**4,573**	5,431	**4,573**	5,340
- after two years and before five years	**4,574**	9,505	**4,574**	9,233
- after five years	**-**	-	**-**	-
	32,434	20,372	**32,434**	19,927

21. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

(c) Obligations under finance leases

The Group and the Company	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
Amounts payable under finance leases:	**€'000**	€'000	**€'000**	€'000
- within one year	**26,116**	20,682	**22,803**	17,804
- after one year and before two years	**21,804**	20,438	**19,205**	18,625
- after two years and before five years	**36,061**	23,577	**30,557**	22,098
- after five years	**46,803**	9,532	**41,473**	9,277
	130,784	74,229	**114,038**	67,804
Less: Future finance charges	**(16,746)**	(6,425)	**-**	-
Present value of lease obligations	**114,038**	67,804	**114,038**	67,804
Less: Amount due for settlement within 1 year			**(22,803)**	(17,804)
Amount due for settlement after 1 year			**91,235**	50,000

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 negociated.

(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 7.5% to 8.25%.

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

22. FINANCIAL DERIVATIVES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
Non-current	**€'000**	€'000	**€'000**	€'000
Financial derivatives [note 39(a)]	**-**	14,116	**-**	14,116
Current				
Financial derivatives [note 39(a)]	**6,301**	58,129	**6,301**	58,129
Collateral payment	**(446)**	(11,408)	**(446)**	(11,408)
	5,855	46,721	**5,855**	46,721
Total financial derivatives	**5,855**	60,837	**5,855**	60,837

(a) 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.

23. PROVISIONS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Amount of provisions recognised in the Statements of Financial Position:				
Defined benefit pension schemes [note (a)]	**16,107**	13,171	**16,107**	13,171
Other post retirement benefits [note (b)]	**3,584**	2,647	**3,442**	2,533
End of contract gratuity for pilots [note (c)]	**730**	1,477	**730**	1,477
Contractual maintenance expenses [note (d)]	**21,566**	18,222	**21,566**	18,222
	41,987	35,517	**41,845**	35,403

(a) Defined benefit pension schemes

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Present value of funded obligations	**64,336**	53,353	**64,336**	53,353
Fair value of plan assets	**(42,579)**	(35,487)	**(42,579)**	(35,487)
	21,757	17,866	**21,757**	17,866
Unrecognised actuarial loss	**(5,650)**	(4,695)	**(5,650)**	(4,695)
Liability in the Statements of Financial Position	**16,107**	13,171	**16,107**	13,171

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Current service cost	**2,468**	2,245	**2,468**	2,245
Interest cost	**5,942**	4,935	**5,942**	4,935
Expected return on plan assets	**(4,235)**	(4,078)	**(4,235)**	(4,078)
Total included in staff costs(note 26(b))	**4,175**	3,102	**4,175**	3,102

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Opening defined benefit obligation	**53,352**	50,864	**53,352**	50,864
Current service cost	**2,468**	2,245	**2,468**	2,245
Interest cost	**5,942**	4,935	**5,942**	4,935
Benefits paid	**(1,292)**	(1,219)	**(1,292)**	(1,219)
Liability gain	**-**	(55)	**-**	(55)
Exchange differences	**3,866**	(3,418)	**3,866**	(3,418)
Closing defined benefit obligation	**64,336**	53,352	**64,336**	53,352

23. PROVISIONS (Continued)

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Opening fair value of plan assets	**35,487**	39,028	**35,487**	39,028
Expected return	**4,235**	4,078	**4,235**	4,078
Contributions by employer	**2,193**	2,101	**2,193**	2,101
Benefits paid	**(1,292)**	(1,219)	**(1,292)**	(1,219)
Asset losses	**(615)**	(5,878)	**(615)**	(5,878)
Exchange differences	**2,571**	(2,623)	**2,571**	(2,623)
Closing fair value of plan assets	**42,579**	35,487	**42,579**	35,487

(v) The Group expects to contribute €2.4M to its defined benefit plans in the year ending March 31, 2011.

(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	
	2010	2009	**2010**	2009
	%	%	**%**	%
Equities local	**6**	-	**6**	-
Property	**5**	5	**5**	5
Overseas bonds and equities	**45**	36	**45**	36
Others	**44**	59	**44**	59
	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 :

	2010	2009	2008	2007	2006
The Group and the Company	**€'000**	€'000	€'000	€'000	€'000
Defined benefit obligations	**(64,336)**	(53,352)	(50,864)	(43,115)	(46,167)
Fair value of plan assets	**42,579**	35,487	39,028	34,793	33,561
Deficit	**(21,757)**	(17,865)	(11,836)	(8,322)	(12,606)
Experience adjustment on plan assets	**(615)**	(5,878)	(2,588)	1,825	212
Experience adjustment on plan liabilities	**-**	(5,077)	-	-	1,965

(viii) Movement in the liability recognised in the Statements of Financial Position:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
At April 01,	**13,171**	13,046	**13,171**	13,046
Total expense	**4,175**	3,103	**4,175**	3,103
Contributions paid	**(2,193)**	(2,101)	**(2,193)**	(2,101)
Exchange differences	**954**	(877)	**954**	(877)
At March 31,	**16,107**	13,171	**16,107**	13,171
Actual return on plan assets	**3,620**	(1,800)	**3,620**	(1,800)

(b) Other post retirement benefits

(i) The amounts recognised in the Statements of Financial Positions are as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Present value of funded obligations	**4,296**	3,299	**4,296**	3,299
Fair value of plan assets	**(1,286)**	(1,009)	**(1,286)**	(1,009)
	3,010	2,290	**3,010**	2,290
Present value of unfunded obligations	**571**	480	**462**	373
Unrecognised actuarial losses	**3**	(123)	**(30)**	(130)
Liability in the Statements of Financial Positions	**3,584**	2,647	**3,442**	2,533

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Current service cost	**1,040**	737	**1,031**	728
Interest cost	**359**	321	**347**	312
Expected return on plan assets	**(101)**	(101)	**(101)**	(101)
Actuarial loss recognised	**-**	70	**-**	70
Total included in staff costs (note 26(b))	**1,298**	1,027	**1,277**	1,009

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Opening funded defined benefit obligation	**3,299**	3,371	**3,299**	3,371
Opening unfunded defined benefit obligation	**480**	416	**373**	318
Current service cost	**1,040**	737	**1,031**	728
Employee cost	**534**	522	**534**	522
Interest cost	**359**	321	**347**	312
Benefits paid	**(1,091)**	(1,123)	**(1,091)**	(1,121)
Liability losses	**(25)**	(211)	**-**	(211)
Exchange differences	**271**	(254)	**265**	(247)
Closing defined benefit obligation	**4,867**	3,779	**4,758**	3,672
Analysed as follows:				
- Closing funded defined benefit obligation	**4,296**	3,299	**4,296**	3,299
- Closing unfunded defined benefit obligation	**571**	480	**462**	373
	4,867	3,779	**4,758**	3,672

Notes to the Financial Statements

for the year ended March 31, 2010

23. PROVISIONS (Continued)

(b) Other post retirement benefits (Continued)

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Opening fair value of plan assets	**1,009**	1,062	**1,009**	1,062
Expected return	**101**	101	**101**	101
Contributions by employer	**551**	561	**551**	561
Employee contributions	**534**	522	**534**	522
Benefits paid	**(1,091)**	(1,121)	**(1,091)**	(1,121)
Asset losses	**109**	(44)	**109**	(44)
Exchange differences	**73**	(72)	**73**	(72)
Closing fair value of plan assets	**1,286**	1,009	**1,286**	1,009

(v) The Group expects to contribute €0.6M to its other post retirement benefit plan in the year ending March 31, 2011.

(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	
	2010	2009	**2010**	2009
	%	%	**%**	%
Cash and others	**100**	100	**100**	100

(vii) Obligations, assets and experience adjustments:

	2010	2009	2008	2007	2006
The Group and the Company	**€'000**	€'000	€'000	€'000	€'000
Defined benefit obligations	**(4,758)**	(3,671)	(3,690)	(2,994)	(2,315)
Fair value of plan assets	**1,286**	1,009	1,062	921	933
Deficit	**(3,472)**	(2,662)	(2,628)	(2,073)	(1,382)
Experience adjustment on plan assets	**109**	(44)	(129)	(21)	(76)
Experience adjustment on plan liabilities	**-**	169	-	(247)	298

(viii) Movement in the liability recognised in the Statements of Financial Position:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
At April 01,	**2,647**	2,341	**2,533**	2,236
Exchange difference	**190**	(137)	**183**	(150)
Total expense	**1,298**	1,026	**1,277**	1,008
Contributions paid	**(551)**	(583)	**(551)**	(561)
At March 31,	**3,584**	2,647	**3,442**	2,533
Actual return on plan assets	**210**	57	**210**	57

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	**2010**	2009
	%	%
Discount rate	**10.5**	10.5
Expected return on plan assets	**11.0**	11.0
Future salary increases	**8.0**	8.0
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:

	2010	2009
	€'000	€'000
Increase in benefit obligation at end of period resulting from a 1% increase in medical cost increase	**1132**	869
Decrease in benefit obligation at end of period resulting from a 1% decrease in medical cost increase	**(868)**	(666)
Increase in current service and interest costs resulting from a 1% increase in medical cost increase	**169**	169
Decrease in current service and interest costs resulting from a 1% decrease in medical cost increase	**(131)**	(127)

(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.

(v) Assumptions for future salary increases for the last year was revised from 9% to 8%. There has been no impact on total provision.

(c) End of contract gratuity for pilots

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
At April 01,	**2,594**	2,103	**2,594**	2,103
Charge for the year (note 26(b))	**1,108**	1,333	**1,108**	1,333
Payments	**(1,561)**	(793)	**(1,561)**	(793)
Exchange differences	**16**	(49)	**16**	(49)
At March 31,	**2,157**	2,594	**2,157**	2,594
Provided as follows:				
- less than one year (note 24)	**1,427**	1,117	**1,427**	1,117
- after one year and before two years	**414**	1,072	**414**	1,072
- after two years and before five years	**316**	405	**316**	405
	730	1,477	**730**	1,477
	2,157	2,594	**2,157**	2,594

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23. PROVISIONS (Continued)

(d) Contractual maintenance expenses

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
At April 01,	**30,171**	17,171	**30,171**	17,171
Net Accrued for the year	**1,077**	10,019	**1,077**	10,019
Payment	**(7,804)**	(262)	**(7,804)**	(262)
Exchange Differences	**(420)**	3,243	**(420)**	3,243
At March 31,	**23,024**	30,171	**23,024**	30,171
Provided as follows:				
- less than one year (note 24)	**1,458**	11,949	**1,458**	11,949
- after one year and before two years	**652**	-	**652**	-
- after two years and before five years	**19,255**	3,835	**19,255**	3,835
- after five years	**1,659**	14,387	**1,659**	14,387
	21,566	18,222	**21,566**	18,222
	23,024	30,171	**23,024**	30,171

24. TRADE AND OTHER PAYABLES (CURRENT)

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Trade payables	**48,264**	46,716	**48,040**	46,490
Sales in advance of carriage (see note below)	**47,758**	53,811	**47,758**	53,811
Amounts due to subsidiary companies	**-**	-	**824**	657
Other payables and accruals	**2,216**	2,678	**1,977**	2,450
End of contract gratuity for pilots [note 23(c)]	**1,427**	1,117	**1,427**	1,117
Contractual maintenance expenses [note 23(d)]	**1,458**	11,949	**1,458**	11,949
	101,123	116,271	**101,484**	116,474

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.

25. OPERATING SEGMENTS

	THE COMPANY				TOTAL		SUBSIDIARY COMPANIES								TOTAL	
	Aircraft operations		Ground operations		The Company		Investment Property		Hotel & Restaurant		Call Centre		Adjustment / Unallocated		THE GROUP	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Operating revenue	365,304	437,273	4,686	6,394	369,990	443,667	1,018	1,145	1,206	1,269	1,214	1,016	(1,729)	(1,550)	371,699	445,547
Operating expenses	(343,333)	(456,104)	(3,502)	(3,733)	(346,835)	(459,837)	(336)	(315)	(415)	(406)	(975)	(847)	1,729	1,550	(346,832)	(459,855)
Segment results	21,971	(18,831)	1,184	2,661	23,155	(16,170)	682	830	791	863	239	169	-	-	24,867	(14,308)
Administrative expenses					(19,176)	(23,526)	-	-	(713)	(771)	(203)	(125)	-	-	(20,092)	(24,422)
Share of result of associate					-	-	-	-	-	-	-	-	(2)	(66)	(2)	(66)
Other operating income					3,051	4,539	3	1	96	77	4	7	-	-	3,154	4,624
Fair value adjustment					-	-	(181)	600	-	-	-	-	-	-	(181)	600
Finance revenue					2,211	10,230	245	527	31	114	2	4	-	(3,099)	2,489	7,776
Finance cost					(11,350)	(8,600)	-	-	(10)	(51)		-	-	-	(11,360)	(8,651)
(Loss)/profit before derecognition of hedging instruments					(2,109)	(33,527)	749	1,958	195	232	42	55	(2)	(3,165)	(1,125)	(34,447)
Derecognition of hedging instruments					(4,806)	(50,816)	-	-	-	-	-	-	-	-	(4,806)	(50,816)
(Loss)/profit before taxation					(6,915)	(84,343)	749	1,958	195	232	42	55	(2)	(3,165)	(5,931)	(85,263)
Taxation					-	-	(98)	(183)	-	-	(6)	(7)	-	-	(104)	(190)
(Loss)/ profit for the year					(6,915)	(84,343)	651	1,775	195	232	36	48	(2)	(3,165)	(6,035)	(85,453)
(Loss)/profit attributable to:																
- Equity holders of the parent					(6,915)	(84,343)	610	1,663	106	126	36	48	(2)	(3,168)	(6,165)	(85,674)
- Minority interests					-	-	41	112	89	106	-	-	-	3	130	221
					(6,915)	(84,343)	651	1,775	195	232	36	48	(2)	(3,165)	(6,035)	(85,453)
Assets																
Segment assets	374,496	350,601	7,108	7,080			19,633	17,756	2,240	2,260	412	337	-	-	403,889	386,258
Investment in associate	-	-	-	-			-	-	-	-	-	-	162	127	162	127
Unallocated corporate assets	-	-	-	-			-	-	-	-	-	-	578	423	578	423
															404,629	386,808
Equity and Liabilities																
Segment liabilities	295,350	337,349	8,899	7,133			251	336	280	634	104	83	-	-	304,884	345,535
Capital and reserves	-	-	-	-			-	-	-	-	-	-	97,627	39,431	97,627	39,431
Minority interests	-	-	-	-			1,221	1,097	897	745	-	-	-	-	2,118	1,842
															404,629	386,808
Capital additions	69,934	30,552	1,856	296			3	2	98	58	3	2	-	2	71,894	30,912
Depreciation and amortisation	34,567	37,952	1,464	1,454			7	7	205	268	14	27	2	6	36,259	39,714

Notes to the Financial Statements

for the year ended March 31, 2010

26. OPERATING PROFIT/(LOSS)

(a) Operating profit/(loss) is arrived after:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Crediting:				
Revenue from redemption of miles	**1,283**	1,211	**1,283**	1,211
Rental income	**1,105**	1,260	**87**	115
Gain/(loss) on disposal of property, plant and equipment	**41**	(139)	**39**	(139)
Charging:				
Included in operating expenses				
Depreciation of property, plant and equipment	**33,042**	36,161	**32,839**	35,884
Operating lease rental	**22,654**	26,667	**22,654**	26,667
Cost of inventories recognised as expenses	**5,535**	4,467	**5,355**	4,285
Increase in provision for stock obsolescence	**520**	316	**520**	316
Loss on fuel hedging	**33,705**	49,707	**33,705**	49,707
Employee benefit expense	**45,103**	47,057	**44,004**	46,193
Included in administrative expenses				
Depreciation of property, plant and equipment	**2,712**	3,067	**2,693**	3,056
Increase in provision for impairment on trade receivables (note 17)	**505**	836	**503**	815
Amortisation of intangible assets (note 8)	**505**	486	**499**	466
Employee benefit expense	**4,292**	5,770	**4,094**	5,575

(b) Analysis of employee benefit expense

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Salaries and wages	**40,343**	44,759	**39,125**	43,784
Social security costs	**2,105**	2,212	**2,047**	2,146
Defined benefit pension schemes (note 23(a)(ii))	**4,175**	3,102	**4,175**	3,102
Other post retirement benefits (note 23(b)(ii))	**1,298**	1,027	**1,277**	1,009
End of contract gratuity for pilots (note 23(c))	**1,108**	1,333	**1,108**	1,333
Defined contribution pension scheme	**366**	394	**366**	394
	49,395	52,827	**48,098**	51,768

27. FINANCE REVENUE

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Finance revenue				
Other interest income	**558**	2,712	**280**	2,130
Gain on currency hedging	**1,921**	4,794	**1,921**	4,794
Dividend income - quoted	**-**	98	**-**	98
- unquoted	**10**	172	**10**	3,208
	2,489	7,776	**2,211**	10,230

Notes to the Financial Statements

for the year ended March 31, 2010

28. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Foreign exchange				
Release of provision on blocked funds	**-**	(418)	**-**	(418)
Unrealised loss on translation of monetary assets and liabilities	**5,260**	3,533	**5,260**	3,533
	5,260	3,115	**5,260**	3,115
Interest expense				
Finance leases	**2,498**	3,721	**2,498**	3,721
Bank overdraft	**2,325**	750	**2,325**	750
Other loan	**732**	157	**722**	157
Bank loans	**545**	908	**545**	857
	6,100	5,536	**6,090**	5,485
Total	**11,360**	8,651	**11,350**	8,600

29. LOSS ON DERECOGNITION OF HEDGING INSTRUMENTS

In April 2010, the Company unwound part of its remaining fuel hedge contracts. The loss on the derecognition of this financial liability amounting to €4.8m (2009:€50.8m) has been recognised in statements of comprehensive income.

30. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
(a) Income tax				
Deferred tax charge for the year (note 13)	**104**	190	**-**	-
(b) Tax reconciliation				
Loss before tax	**(5,931)**	(85,263)	**(6,915)**	(84,343)
Tax at the rate of 15% (2009: 15%)	**(890)**	(12,790)	**(1,037)**	(12,651)
Expenses not allowable for tax purposes	**-**	1,235	**-**	1,268
Exempt income	**(43)**	(2,921)	**-**	(3,306)
Unrealised exchange gain	**3,978**	(547)	**3,978**	(547)
Deferred tax under provided in previous year	**-**	(23)	**-**	-
Effect of tax exemptions	**(2,941)**	15,236	**(2,941)**	15,236
Tax charge for the year	**104**	190	**-**	-

31 LOSS PER SHARE

	2010	2009
The Group	**€'000**	€'000
Loss earnings per share is based on:		
Loss for the year	**(6,915)**	(85,674)
Number of shares in issue during the year used in calculation	**102,305,000**	102,305,000

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

32. COMMITMENTS

	2010	2009
The Group and the Company	**€'000**	€'000
(a) Capital commitments		
(i) Commitments for the acquisition of property, plant and equipment	**-**	-

(ii) The Company has committed to take delivery of one ATR 72 aircraft by November 2010. It is intended that this aircraft will be financed using operating lease arrangements.

	2010	2009
(b) Operating lease commitments	**€'000**	€'000
The Group and the Company have the following commitments under non-cancellable operating leases:		
- within one year	**20,756**	30,071
- after one year and before two years	**20,031**	27,104
- after two years and before five years	**55,503**	77,395
- after five years	**69,136**	104,012
	165,426	238,582

The Group has entered into commercial leases on certain aircraft and accessories. The remaining lease duration period ranges from 1 to 10 years with a renewable option. The above commitments exclude costs to be incurred for the reconditioning of aircraft prior to return to lessor. The above lease rentals are subject to changes in market interest rates which are recognised when they arise.

33. CONTINGENT LIABILITIES

	2010	2009
The Company	**€'000**	€'000
Guarantee		
Guarantee in respect of subsidiary company loan	**-**	254

The Company had guaranteed a portion of a loan taken out by one of its subsidiaries. The loan was fully repaid during the year by the subsidiary.

Litigation

There are currently a number of lawsuits that have been filed against the Company for diverse reasons. The net estimated value of claims against the Company amounts to €6.8M (2009:€3.9M). The 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, 2010 with respect to these litigations amounts to €1.1M (2009:€1.1M).

Others

The Company has provided guarantees to various other parties in the normal course of business. The Company does not expect any liabilities to crystalise out of these guarantees.

34. SUBSTANTIAL SHAREHOLDERS

At March 31, 2010, 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	5.85	-	5.85

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.

	2010 €'000	2009 €'000
Income for the year	3,386	3,274
Expenses for the year	12,423	19,205
Amount receivable as at March 31,	506	787
Amount payable as at March 31,	1,321	2,103
Government guarantee	54,757	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.

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35. RELATED PARTY TRANSACTIONS (Continued)

(iii) Compensation

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	€'000	€'000	**€'000**	€'000
Short-term benefits	**862**	1,204	**858**	1,195
Termination benefits	-	277	**-**	277
Post-employment benefits:				
- Defined benefit	**96**	118	**96**	118
- Defined contribution	-	**-**	-	-
	958	1,599	**954**	1,590

(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 subsidiary companies and these companies have transacted with the Group during the financial year. Transactions relating to these entities are as follows:

The Group and the Company

	2010	2009
	€'000	€'000
Income for the year	**20,080**	33,232
Expenses for the year	**1,215**	1,286
Amount receivable as at March 31,	**2,824**	2,353
Amount payable as at March 31,	**98**	118

(2) Mr Arvind Jadhav, 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:

	2010	2009
	€'000	€'000
Expenses for the year	**706**	1,243
Amount payable as at March 31,	**71**	89

(3) Mr Kremchand Beegoo, who is a Director of the Company, is also the Managing Director of Cargotech Ltd. This company has transacted with the Group.

Transactions relating to this entity are as follows:

	2010	2009
	€'000	€'000
Income for the year	**816**	3,253
Amount receivable as at March 31,	**100**	100

(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, 2010, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2009: 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 associates

The Company holds investments in subsidiaries companies and in an associate as described in notes 9 and 10. The Company had no related party transactions with its associate. Transactions with subsidiaries companies 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.

	2010	2009
	€'000	€'000
Income for the year	**90**	76
Expenses for the year	**1,639**	1,474
Amount receivable as at March 31,	**155**	251
Amount payable as at March 31,	**824**	657
Loan from subsidiary companies	**5,324**	4,174

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

No material adjusting and non-adjusting events have arisen between the reporting date and the date the financial statements were approved.

38. RESTATEMENT OF COMPARATIVES

The comparative figures have been restated with respect to the first year adoption of IFRIC 13, Customer loyalty programmes for the year ended March 31, 2010. This has resulted in the reclassification of an amount of €3,098K which has been transferred from operating revenue to operating expense.

An amount of €4,794k has been transferred from finance cost to finance revenue with respect to gains on currency hedging, and an amount of €2,949 has been transferred to operating cost. These reclassifications were made in order to be consistent with this year's figures. There have been no impact on the statement of financial position.

Notes to the Financial Statements

for the year ended March 31, 2010

39. DETAILS OF BORROWINGS AND FINANCIAL DERIVATIVES

(a) Borrowings and financial derivatives

The Group and the Company		2010		2009		
Base currency	Interest rate %	Loans and obligations under finance leases €'000	Fair value of financial derivative liability €'000	Loans and obligations under finance leases €'000	Fair value of financial derivative liability €'000	Last repayment date
Leased aircraft under swap arrangements						
Fixed interest bearing loan						
EUR	4.55% to 4.58%	12,940	n/a	21,087	n/a	April 2011
Variable interest bearing loan						
EUR	Libor + 0.1% to 0.95%	31,754	n/a	39,017	n/a	October 2007 to March 2015
EUR	Libor +1.2%	52,183	n/a			October 2021
USD	8.06%	5,256	n/a	7,699	n/a	October 2011
MUR	PLR + 2%	10,135	n/a			October 2021
USD	Euribor + 0.80% to 0.82 %	160	n/a	336	n/a	April 2010
Bank loans						
Fixed interest bearing loan						
EUR	5 %	564	n/a	1,126	n/a	October 2010
MUR	7.06%	18,149	n/a			July 2010
Variable interest bearing loan						
USD	Libor + 0.4%	13,721	n/a	18,466	n/a	October 2012
Other loans						
MUR	4.65% to 9.35%	5,324	n/a	4,174	n/a	March 2011
Bank overdraft						
MUR	7.50% - 8.25%	9,447	n/a	44,701	n/a	On demand
GBP		-	n/a	15	n/a	On demand
EUR		-	n/a	18	n/a	On demand
Financial derivatives (note 22)		-	6,301	-	72,245	August 2010
Collateral payment			(446)	-	(11,408)	On demand
Company total		159,633	5,855	136,639	60,837	
Other loans						
MUR	8% to 11%	-	n/a	445	n/a	
MUR	4.65% to 9.35%	(5,324)	n/a	(4,174)	n/a	March 2011
Group total		154,309	5,855	132,910	60,837	

Except for financial asset, as described in notes 12, 15, 17 and 18, all other financial assets and liabilities are at call and do not bear any interest rate.

(b) Derivative financial instruments

The Group and the Company	**2010 €'000**	2009 €'000
Currency derivatives (note (i) and 12)	**-**	3,091
Fair value of commodity derivatives:		
- Liabilities (note (ii) and 22)	**(6,301)**	(72,245)
	(6,301)	(69,154)

(i) Currency derivatives

	Amount with remaining life			
	Less than three months €'000	**Between three months and one year €'000**	**More than one year €'000**	**Total fair value gain/(loss) €'000**
OTC Traded				
Forward rate agreements				
At March 31, 2010	**-**	**-**	**-**	**-**
At March 31, 2009	1,811	899	381	3,091

(ii) Fair value of commodity derivatives

	Amount with remaining life			
At March 31, 2010	**Less than three months €'000**	**Between three months and one year €'000**	**More than one year €'000**	**Total fair value loss €'000**
Liabilities				
OTC Traded				
Swaps	2,403	648	-	**3,051**
Collars	2,405	845	-	**3,250**
	4,808	1,493	-	**6,301**
Collateral payment				**446**
At March 31, 2009				
Liabilities				
OTC Traded				
Swaps	6,082	17,310	6,629	30,021
Collars	5,651	16,952	7,487	30,090
Corridor	5,294	6,840	-	12,134
	17,027	41,102	14,116	72,245
Collateral payment				11,408

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

Notes to the Financial Statements

for the year ended March 31, 2010

40. FINANCIAL SUMMARY

(a) The Group

	2010 €'000	2009 €'000 Restated	2008 €'000
STATEMENTS OF COMPREHENSIVE INCOME			
Turnover	**371,699**	445,547	448,077
Share of results of associates	**(2)**	(66)	2
(Loss)/profit before taxation	**(5,931)**	(85,263)	17,220
(Loss)/profit for the year	**(6,035)**	(85,453)	17,010
Minority interests	**130**	221	183
(Loss)/profit attributable to the shareholders	**(6,165)**	(85,674)	16,827
STATEMENTS OF FINANCIAL POSITION			
Non-current assets	**321,310**	281,262	307,541
Current assets	**81,048**	99,972	165,720
Assets held-for-sale	**2,271**	5,574	-
Current liabilities	**(162,515)**	(230,966)	(155,217)
Non-current liabilities	**(142,369)**	(114,569)	(117,036)
SHARE CAPITAL			
Authorised			
Ordinary shares of Rs. 10 each	**81,566**	81,566	81,566
Issued and fully paid			
Ordinary shares of Rs. 10 each	**41,724**	41,724	41,724
RESERVES			
Share premium	**18,869**	18,869	18,869
Other reserves	**(16,358)**	(80,719)	(6,786)
Retained earnings	**53,392**	59,557	145,231
EARNINGS AND DIVIDENDS			
Dividends			
- Rate (%)	-	-	15
- Ordinary shares (€'000)	-	-	3,712
- Per ordinary share (€)	-	-	-
(Loss)/earnings per ordinary share (€)	**(0.06)**	(0.84)	0.17
Number of ordinary shares:			
Authorised	**200,000,000**	200,000,000	200,000,000
Issued	**102,305,000**	102,305,000	102,305,000

(b) The Company

	2010 €'000	2009 €'000 Restated	2008 €'000
STATEMENTS OF COMPREHENSIVE INCOME			
Turnover	**369,990**	443,667	445,888
(Loss)/profit for the year	**(6,915)**	(84,343)	15,643
STATEMENTS OF FINANCIAL POSITION			
Non-current assets	**334,236**	294,890	320,216
Current assets	**79,110**	97,985	157,672
Assets held for sale	**2,271**	5,574	30,748
Current liabilities	**(168,200)**	(235,261)	(155,523)
Non-current liabilities	**(142,227)**	(114,092)	(116,453)
SHARE CAPITAL			
Authorised			
Ordinary shares of Rs. 10 each	**81,566**	81,566	81,566
Issued and fully paid			
Ordinary shares of Rs. 10 each	**41,724**	41,724	41,724
RESERVES			
Share premium	**18,869**	18,869	18,869
Other reserves	**(5,286)**	(68,295)	4,178
Retained earnings	**49,883**	56,798	141,141
EARNINGS AND DIVIDENDS			
Dividends			
- Rate (%)	-	-	15
- Ordinary shares (€'000)	-	-	3,712
- Per ordinary share (€)	-	-	0.04
Number of ordinary shares			
Authorised	**200,000,000**	200,000,000	200,000,000
Issued	**102,305,000**	102,305,000	102,305,000

Translation of the Statements of Financial Position

for the year ended March 31, 2010

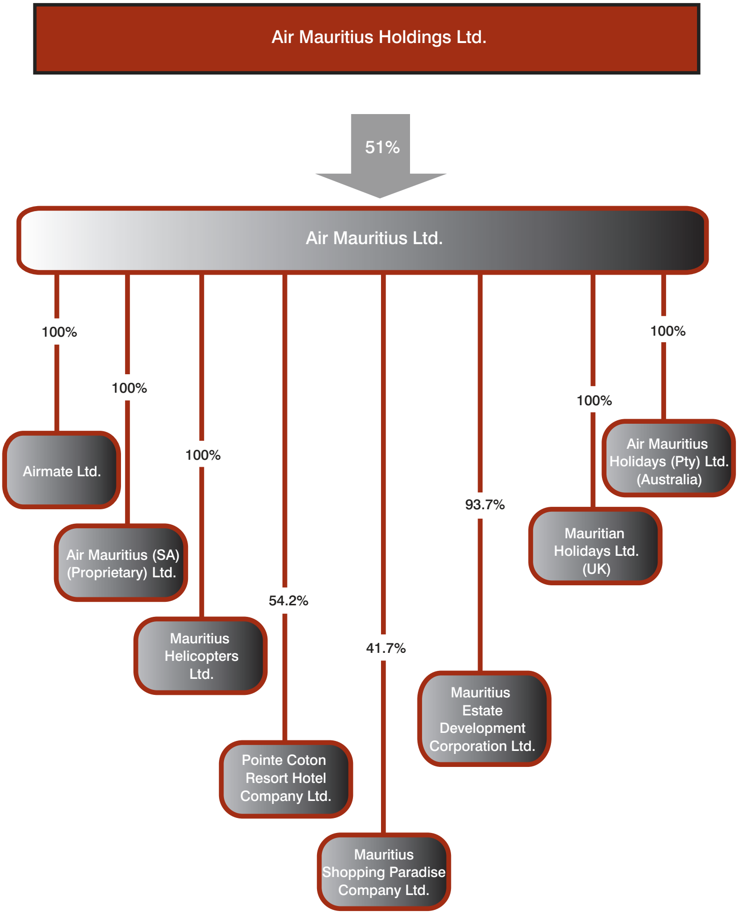
	THE GROUP		THE COMPANY	
ASSETS	**2010 MUR 'm**	2009 MUR 'm	**2010 MUR 'm**	2009 MUR 'm
Non-current assets				
Property, plant and equipment	**12,399**	11,608	**12,233**	11,437
Investment property	**417**	425	**-**	-
Intangible assets	**68**	31	**67**	30
Investment in subsidiary companies	**-**	-	**1,122**	1,204
Investment in associated companies	**7**	6	**4**	5
Available-for-sale investments	**24**	19	**24**	19
Other financial assets	**-**	17	**-**	17
Deferred tax asset	**2**	2	**-**	-
Long term deposits	**374**	334	**374**	334
Long term receivable	**6**	25	**6**	24
	13,297	12,467	**13,830**	13,070
Current assets				
Inventories	**431**	575	**430**	574
Trade and other receivables	**1,832**	2,698	**1,806**	2,673
Other financial assets	**-**	120	**-**	120
Cash and cash equivalents	**1,001**	1,037	**949**	974
	3,264	4,430	**3,185**	4,341
Assets classified as held for sale	**94**	247	**94**	247
Total assets	**16,655**	17,144	**17,109**	17,658
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	**1,724**	1,849	**1,724**	1,849
Share premium	**780**	836	**780**	836
Other reserves	**(676)**	(3,577)	**(218)**	(3,027)
Retained earnings	**2,206**	2,640	**2,061**	2,517
	4,034	1,748	**4,347**	2,175
Minority interests	**88**	82	**-**	-
Total equity	**4,122**	1,830	**4,347**	2,175
Non-current liabilities				
Interest bearing loans and borrowings	**4,082**	2,878	**4,082**	2,862
Financial derivatives	**-**	626	**-**	626
Provisions	**1,735**	1,574	**1,729**	1,569
	5,817	5,078	**5,811**	5,056
Current liabilities				
Trade and other payables	**4,180**	5,153	**4,194**	5,162
Interest bearing loans and borrowings	**2,295**	3,012	**2,515**	3,194
Financial derivatives	**242**	2,071	**242**	2,071
	6,716	10,236	**6,951**	10,427
Total equity and liabilities	**16,655**	17,144	**17,109**	17,658

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:

- Rajkamal Taposeea – Chairman (as from 01 Dec 2009)
- Manoj R.K Ujoodha, *G.O.S.K.*
- Ramapatee Gujadhur, *C.S.K.*
- Raj Ringadoo *(alternate Banoomatee Veerasamy)*
- Andries Viljoen (as from 18 May 2009)

Secretary: Fooad 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:

- Rajkamal Taposeea – Chairman (as from 02 March 2010)
- Manoj R.K Ujoodha, *G.O.S.K.*
- Anista Ramphul-Punchoo
- Andries Viljoen (as from 18 May 2009)
- Patrice Leal *(alternate Stephane Leal)*
- Raj Ringadoo *(alternate Banoomatee Veerasamy)*

Secretary: Fooad Nooraully

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

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

- Raj Ringadoo – Chairman (as from 04 May 2009)
- Manoj R.K Ujoodha, *G.O.S.K.*
- Suresh Seeballuck, *G.O.S.K.*
- Andries Viljoen (as from 04 May 2009)

Secretary: Fooad 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: Dhanwantee Bucktowonsing
Activity of this dormant entity is limited to the preparation and filing of the Annual Statutory returns to the relevant authorities in the United Kingdom.

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
- Steven Palombo

Secretary: Steven Palombo

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:

- Manoj R.K Ujoodha, *G.O.S.K.*
- Suresh Seeballuck, *G.O.S.K.*
- Pramil Banymandhub

Secretary: Fooad Nooraully

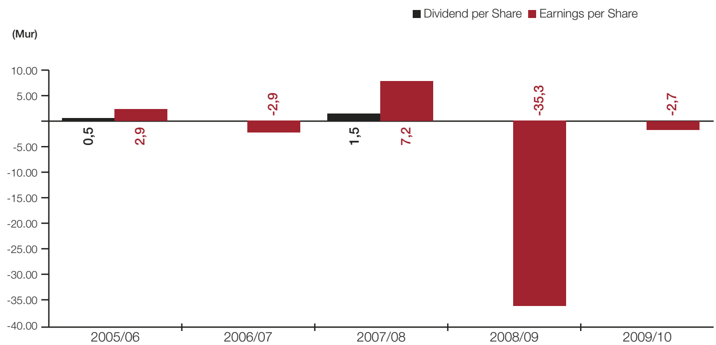
Shareholders Information

Shareholders Information

Key Data per Share

	2009/10 Amount (MUR)	2008/09 Amount (MUR)
Market Capitalisation	1,503,883,500	920,745,000
Highest Closing Price	15.80	25.80
Lowest Closing Price	8.75	8.50
Closing Price	14.70	9.00
Average Price	13.17	16.35
Net worth per share	39.44	17.08
Share Price/Equity per share at year end	37.3%	52.7%
P/E ratio,average	(4.96)	(0.46)
Loss per share	(2.65)	(35.31)
No. of shares traded during the year	2,495,397	6,147,069
No. of shares at year end	102,305,000	102,305,000

Earnings & Dividend



No dividend was declared by the board on account of the loss posted by the company for the financial year 2009/10.

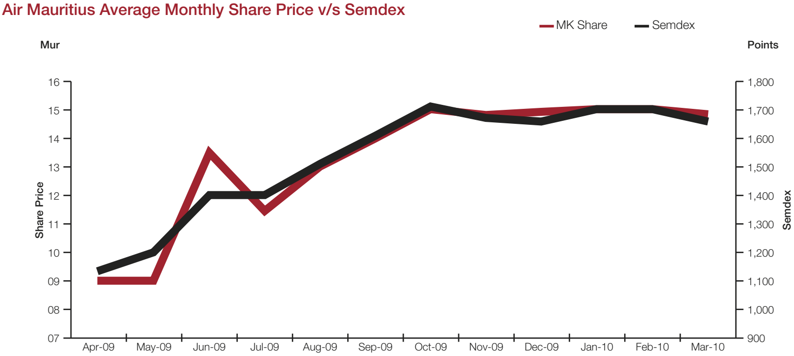
Share Review

The share price was quoted at Mur 8.80, its lowest point at the beginning of the financial year 2010/11 at the Stock Exchange of Mauritius. The global and economic crisis and the hedging losses, to a greater extent contributed to the fall in the share price. During the year, the share price gained value and oscillated between Mur 14.00 and 15.30 in the second half of the financial year 2009/10 as a result of the good performance achieved by the company during the year.

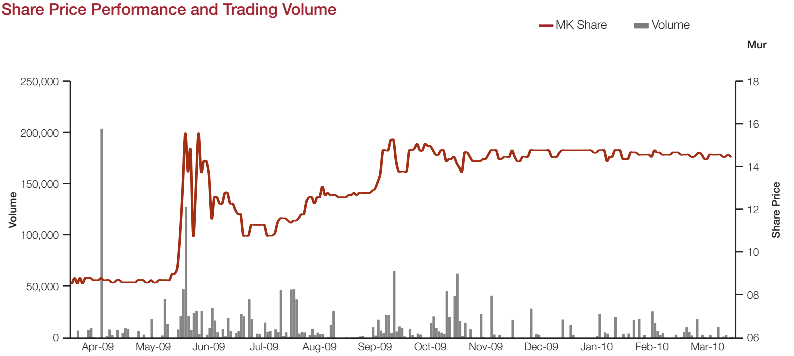
The share price was quoted at Mur 14.70 on 31st March 2010.

Shareholders Information

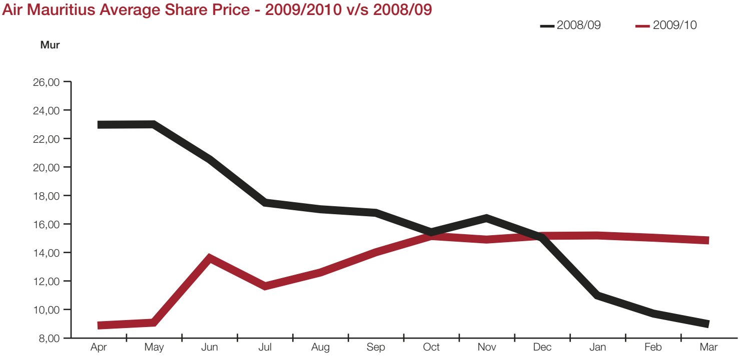
Air Mauritius Average Monthly Share Price v/s Semdex



Share Price Performance and Trading Volume



Air Mauritius Average Share Price - 2009/2010 v/s 2008/09



Shareholders Information

Financial Year End: March 31, 2010
Annual Meeting: July 22, 2010

Abridged Financial Statements

1st Quarter Apr-Jun 09 published: August 14, 2009
Half Year Results published: November 13, 2009
Interim (Quarterly) Oct-Dec 09 published: February 12, 2010
Annual Financial Statements published: June 18, 2010

Registered Office

Air Mauritius Ltd
Air Mauritius Centre
President John Kennedy Street
Port Louis
Website: http//www.airmauritius.com

Company Information

For any information regarding Air Mauritius, please consult our website - http//www.airmauritius.com

Notice of Meeting

AIR MAURITIUS ANNUAL MEETING 2009/10

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 Thursday 22nd July 2010 at 15.00 hours for the following purposes:

(1) To adopt the Minutes of Proceedings of the last Annual Meeting held on 22 July 2009.
(2) To receive the Report of the Directors.
(3) To receive the Report of the Auditors.
(4) To adopt the Group's and the Company's Accounts for the year ended 31 March 2010.
(5) To elect the Directors who are already in place and who offer themselves for re-election, namely:

Mr Rajkamal Taposeea
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 Raj Ringadoo
Mr Suresh Seeballuck, G.O.S.K.
Mr Timothy Taylor
Mrs Aisha Timol, G.O.S.K.
Mr Arvind Jadhav

(6) To elect the following persons who have been nominated by the Board and who offer themselves for election:
- Mr François Woo Shing Hai, G.O.S.K.
- Mr Dominique Patry

(7) To fix the remuneration of the Directors.
(8) To authorise the Directors to fix the remuneration of the Auditors.

By Order of the Board

Mr Fooad Nooraully
Company Secretary
Air Mauritius Limited

30th June 2010

N.B: Members entitled to attend and vote at the meeting may appoint proxies to attend and vote on their behalf. The instrument appointing a proxy or any general power of attorney shall be deposited at the Registered Office of the Company not less than **twenty-four hours** before the day fixed for the meeting or else the instrument of proxy shall not be treated as valid.

Registration of Shareholders at the meeting will start as from 14.00 hours.

Proxy Form

I/We ………………………………………………………………… of ………………………………………………

being a member of the above-named Company, hereby appoint ………………………………………………………..

………………………………………………………………………… of …………………………………………………

or failing him/her, ……………………………………………………………………………………………………
as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of the Company to be held at Swami Vivekananda International Convention Centre, Les Pailles, on Thursday 22nd July 2010 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 22 July 2009.	☐	☐
(2) To receive the Report of the Directors.	☐	☐
(3) To receive the Report of the Auditors.	☐	☐
(4) To adopt the Group's and the Company's Accounts for the year ended 31 March 2010.	☐	☐
(5) To elect the following Directors who are already in place and who offer themselves for re-election, namely:	☐	☐
Mr Rajkamal Taposeea	☐	☐
Mr Manoj R K Ujoodha, G.O.S.K.	☐	☐
Mr Kremchand Beegoo	☐	☐
Mr Dheerendra K. Dabee, SC	☐	☐
Mr Philippe Espitalier-Noël	☐	☐
Mr Ali Mansoor	☐	☐
Mr Ramapatee Gujadhur, C.S.K.	☐	☐
Mr Arvind Jadhav	☐	☐
Mr Raj Ringadoo	☐	☐
Mr Suresh Seeballuck, G.O.S.K.	☐	☐
Mr Timothy Taylor	☐	☐
Mrs Aisha Timol, G.O.S.K.	☐	☐
(6) To elect the following Directors who have been nominated by the Board and who offer themselves for election:		
• Mr Francois Woo Shing Hai, G.O.S.K.	☐	☐
• Mr Dominique Patry	☐	☐
(7) To fix the remuneration of the Directors	☐	☐
(8) To authorize the Directors to fix the remuneration of the Auditors	☐	☐
	☐	☐

Dated this …………………… day of …………….. 2010.

……………………………………………
Signature/s

Notes:

1. A member of the Company entitled to attend and vote at this meeting may appoint a proxy of his/her own choice (whether a member or not) to attend and vote on his/her behalf.
2. Please mark in the appropriate box how you wish to vote. If no specific direction as to voting is given, the proxy will exercise his/her discretion as to how he/she votes.
3. The instrument appointing a proxy or any general power of attorney shall be deposited at the Registered Office of the Company not less than **twenty-four hours** before the day fixed for the meeting or else the instrument of proxy shall not be treated as valid.

Air Mauritius Centre
President John Kennedy Street - Port Louis - Mauritius
T + 230 207 7070 **F** +230 208 8331 **E** contact@airmauritius.com **W** www.airmauritius.com