
air mauritius
ANNUAL REPORT
2018/19

MISSION, VISION & VALUES

STRATEGIC ROLE

To be a profitable national airline

CORE OBJECTIVES

Sustained profitability

Support inbound tourism and home originating market

Grow with smart investments

Deliver exceptional service with a Mauritian touch

Create a culture that encourages innovation and efficiency and rewards creativity

MISSION STATEMENT

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

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

TABLE OF CONTENTS

04 Key Results

05 Message from the Chief Executive Officer

08 Glossary

09 Annual Report and Business Review
10 Results for the year
10 Overview of the Business
12 Corporate Governance
35 Sustainability Report
37 Enterprise Risk Management

45 Management Discussion and Analysis

84 Certificate from the Company Secretary

84 Directors' Disclosure Statement

85 Statement of Compliance

86 Directors' Responsibility Statement

87 Independent Auditors' Report

93 Consolidated and Separate Financial Statements
94 Consolidated and Separate Statements of Financial Position
95 Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income
96 Consolidated and Separate Statements of Changes in Equity
98 Consolidated and Separate Statements of Cash Flows
100 Notes to the Consolidated and Separate Financial Statements

175 Appendices to Annual Report
176 Translation of the Consolidated and Separate Statements of Financial Position
177 Directors in Subsidiaries
180 Shareholders' Information

KEY RESULTS

Group Financial Results		2018/19	2017/18
Revenue	Eur M	**499.8**	514.3
Gross (loss)/profit	Eur M	**(3.1)**	47.3
Net (loss)/profit	Eur M	**(29.0)**	4.9
Attributable (loss)/profit to equity holders of the parent	Eur M	**(29.1)**	4.7
Total equity	Eur M	**49.4**	85.6
(Loss)/Earnings per share	Eur	**(0.28)**	0.05

Key Financial statistics			
Gross (loss)/profit margin	%	**(0.6)**	9.2
Net margin	%	**(5.8)**	1.0
Return on equity	%	**(58.8)**	5.7
Return on net assets	%	**(22.7)**	3.0
Interest cover	Times	**(22.8)**	3.5
Interest and lease cover	Times	**0.4**	1.1
Gearing ratio	Times	**1.4:1**	0.4:1

Group Operating statistics			
Passengers carried	'000	**1,724**	1,695
Seats offered	'000	**2,298**	2,262
Revenue passenger kilometres (RPK)	Million	**7,337**	7,366
Available seat kilometres (ASK)	Million	**9,361**	9,339
Revenue tonne kilometres (RTK)	Million	**903**	873
Available tonne kilometres (ATK)	Million	**1,381**	1,376
Passenger load factor	%	**78.4**	78.9
Revenue per ASK (RASK)	Eur Cent	**5.70**	5.68
Cost per ASK (CASK)	Eur Cent	**6.31**	5.76

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Shareholders

The year under review, a transition year, has been a challenging one for our airline. In fact, this is testified by the negative results of Eur 21.7 M posted for the financial year ended March 31, 2019.

Digging deeper into our results, there are some silver linings. We fared well indeed in many areas, carrying more passengers than ever (over 1.7 million for the first time) in spite of difficult trading conditions especially intense competitive pressures, volatility of fuel prices and exchange rates. We progressed on our fleet renewal and improvement program refurbishing the cabins of two of our Airbus A330-200 aircraft and prepared for the entry into service of the Airbus A330neo, which unfortunately were delayed by a few months. These major investments in product together with our investments in service design and delivery allowed us to resume the Indian ocean leadership at the World Travel Awards 2018 edition in Durban in October last year with awards for Leading Indian Ocean Airline, Leading Indian Ocean Airline Brand, Leading Business Class, Leading Cabin Crew and Leading Airport Lounge. We were pleased to be recognised again at the World Travel Awards 2019 edition held in Mauritius last month where we maintained our leadership position in all five areas. Customer Satisfaction also improved by 3 %.

Our costs increased as a result of the investments in fleet and product which amounted to Eur 15.9 M, fuel hikes and MOU conclusion with the Unions. The fuel cost increased by 17.5% to Eur 152.1 M or 30% of our operating costs. Employee costs increased by Eur 9.6 M as a result of the new MOUs signed with the Unions, four years after the expiry of the previous ones. In spite of all the challenges, the Board and management felt that the hardworking employees of Air Mauritius had to be encouraged. It is to be noted that the company would have wiped out its losses had it not been for the increase of the fuel bill to the tune of Eur 22.6 M.

We had recognised that the year would be difficult from the beginning of the year and the Board concluded that the business model of the company was no longer sustainable in the face of so many variables affecting our performance. Some urgent interventions had to be made on capacity deployment for the third and fourth quarters in the light of massive capacity injections by seasonal operators. At the same time, we enlisted the support of CAPA and PWC to assist us with the review of our business model and strengthening of our financial position. Much work has been done already and it is expected that the major highlights of the plan will be made available soon.

A few principles are already emerging and will be detailed at the Annual Meeting of Shareholders in July. First, is a review of the network based on a three pronged action plan – simplify, consolidate and grow. Second, is to procure the most appropriate fleet to deliver the network and in this context, the single aisle fleet will be the next one to tackle. Third, will be our revenue generating capabilities, fourth, a focus on cost management and finally the appropriate organisation to deliver results. The new model will lay emphasis on digital transformation to accelerate the transition to the new Air Mauritius.

Furthermore, an overarching principle will be the national role of the airline and in this context we have impressed on our shareholders that such a mission will need to be better supported. A recent study by the Air Transport Action Group issued last year indicated that Aviation

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

contributes 3.6% to World GDP including direct, indirect, induced and catalytic effects. This figure increases to 10. 6% for Small Island States. For Mauritius, travel and tourism, using the same principles account for 23.7% of GDP according to the latest figures published by the World Travel and Tourism Council. We therefore firmly believe that a recognition of the value of Aviation, and incidentally, national airlines for Small Island States, can help contribute even more to their national economies. We are pleased to note that this idea is gathering momentum among our shareholders as testified by the unanimous support to the three Resolutions presented at the Special Meeting of Shareholders in June.

An Extraordinary General Assembly of shareholders held on June 10, 2019 voted three resolutions which are the first steps to restructure the airline, strengthened its capital structure and boost its cash flow. We have acquired shares in the Mauritius Duty Free Paradise Co Ltd, our shares in Pointe Coton Resort Hotel Co Ltd have been disposed and our capital structure has been reinforced with the sale of unissued shares to Airports of Mauritius Co Ltd. These measures also favour a more equitable integration of Air Mauritius within the country's aviation ecosystem, taking into account its vital contribution to the national economy.

As we build for our future, we also reinforce our status as a stronger Air Mauritius with a robust, motivated and competent workforce. The Air Mauritius Institute is being inaugurated and will offer a wide range of specialised, technical and management courses. It will include the Flying Academy for the training of pilots in Mauritius.

All these steps have been/are being designed to take Air Mauritius to greater heights. However, timely implementation is crucial. The key objective is to deliver safe and profitable operations and build a more resilient and agile Air Mauritius, equipped to fully play its role as the national airline of Mauritius while delivering value to its shareholders, its customers and its employees.

Somas Appavou, FRAeS
Chief Executive Officer

June 19, 2019

GLOSSARY

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

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

Profit after Tax
Profit attributable to the equity holders.

Gross profit margin
Gross profit expressed as a percentage of turnover.

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

Earnings per share
Profit after tax attributable to owners' of the Company divided by number of shares issued.

Net worth per share
Total equity divided by number of shares issued.

Return on Equity
Profit after tax divided by shareholders' interest.

Interest Cover
Profit before interest expense divided by interest payable.

Interest and lease Cover
Profit before interest and lease expense divided by interest and lease payable.

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

Return on Net Assets
Profit after tax divided by total assets less current liabilities.

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

Revenue passenger-km (RPK)
The number of passengers carried multiplied by the distance flown (in kms).

Passenger load factor
RPK expressed as a percentage of ASK.

Available tonne-km (ATK)
The product of capacity offered (in tonnes) and the distance flown (in kms).

Revenue tonne-km (RTK)
Multiplying revenue load carried (in tonnes) by the distance flown (in kms).

Overall load factor
RTK expressed as a percentage of ATK.

Cargo tonne-km (CTK)
Multiplying cargo tonnage carried by the distance flown.

Revenue per ASK (RASK)
Total operating revenue divided by ASK.

Cost per ASK (CASK)
Total operating costs divided by ASK.

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

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

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortisation.

Gearing Ratio
Total debt to equity. Debt includes interest-bearing loans and borrowings.

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

Winter season
Period between end of October to end of March.

Summer season
Period between end of March to end of October.

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

ANNUAL REPORT AND BUSINESS REVIEW

The Directors have pleasure in presenting the Annual Report, Business Review and Financial Statements of Air Mauritius Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended March 31, 2019. The Financial Statements are set out on pages 94 to 174.

Results for the year

The Group reported a loss of Eur 29M for the year ended March 31, 2019 compared to a profit of Eur 4.9M in the previous year. The Company posted a loss of Eur 21.7M for the year compared to a profit of Eur 4.5M for the previous year.

The number of passengers carried increased by 1.7% to reach a record level of 1,724,231. The number of seats offered went up by 1.6% to 2,298,304 and the Passenger Load Factor declined from 78.9% to 78.4%. The erosion of 4% in passenger yield caused the operating revenue of the Company to drop by 2.2% from Eur 509.6M to Eur498.5M. On the other hand, operating expenses increased by 8.1% from Eur 464.7M to Eur 502.3M mainly due to higher fuel costs, labour costs and lease of new aircraft.

Overview of the Business

Principal activities

Air Mauritius Limited

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

The Company is the leading scheduled international passenger airline in the Indian Ocean region. The Group's Head Office is in Port Louis, while its principal place of operations is SSR International airport, Mauritius. From this base, it serves 22 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 to about 37.7% of its passenger sales revenues. The Company has interline outward billings with other carriers which amount to around 9.2 % of the airline passenger flown revenues.

The Group also operates a worldwide air cargo business, solely in conjunction with its scheduled passenger services, using the belly hold capacity for cargo transshipment.

Economic value is generated by the Group by meeting the demand for business and leisure travel, with leisure travel being the main passenger segment. The Company provides vital links for trade and investment, and feeds the tourism sector and the rest of the economy through its substantial leisure travel opportunities for individuals and families. In the financial year ended March 31, 2019, the Group earned Eur 499.8M in revenue as compared to Eur 514.3M for the previous year. 82% of this revenue was generated from passenger traffic, 10% from cargo and 8% from other activities. During the period under review, the number of passengers uplifted was 1,724,231 and 44,042 tonnes of cargo were uplifted across the network. At the end of March 2019, the Group had 12 fixed wing aircraft and 2 helicopters in operation.

Mauritius Estate Development Corporation Limited ("MEDCOR").

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

MEDCOR recorded a profit after tax of Mur 29.1M (Eur 0.7M) as compared to Mur 12.1M (Eur 0.3M) for last year. The office space stood at 99.7% occupancy level during the year.

Pointe Coton Resort Hotel Co. Ltd

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

The company recorded a profit of Mur 8.0M (Eur 0.2M) compared to a profit of Mur 11.6M (Eur 0.3M) for 2017/18. The occupancy rate of the hotel was 75% compared to 77% of last year. Subsequent to the year end, the shareholders have resolved to dispose of the shares.

Airmate Ltd

Airmate Ltd is a wholly owned subsidiary of Air Mauritius Limited. It provides Call Centre services and provision of Human Resources to its holding company. Airmate Ltd recorded a turnover of Mur 287.6m (Eur 7.2M) and a profit of Mur 3.9M (Eur 97,906) as compared to a turnover of Mur 221.3M (Eur 5.6M) and a profit of Mur 0.2M (Eur 3,908) for last year.

ANNUAL REPORT
AND BUSINESS REVIEW

Mauritius Helicopter Limited

Mauritius Helicopter Limited is a wholly owned subsidiary of Air Mauritius Limited. It is in the business of providing helicopter services over the island.

The company recorded a loss of Mur 16.6m (Eur 0.4M) as compared to a loss of Mur 5.9m (Eur 148K) for the previous year.

Air Mauritius (S.A) (Pty) Limited

In South Africa, the Group operates through a 100% owned subsidiary, Air Mauritius (S.A) (Proprietary) 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 the books of the parent company.

Air Mauritius Institute Co Ltd

Air Mauritius Institute Co Ltd is a wholly owned subsidiary of Air Mauritius Limited. It caters for the learning and development needs of Air Mauritius employees.

Objectives

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

Shareholders' return

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

Other stakeholders

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

Corporate Governance

PRINCIPLE 1: GOVERNANCE STRUCTURE

Role of the Board

The role of the Board is threefold namely, to establish policies, to make significant and strategic decisions and to oversee the organisation's activities. 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 towards the stakeholders are understood and met.

The role of the Board is to effectively represent and promote the interests of shareholders with a view to adding long-term value to the Company's shares. Having regard to this role the Board will direct, and review the management of the business and affairs of the Company including, in particular:

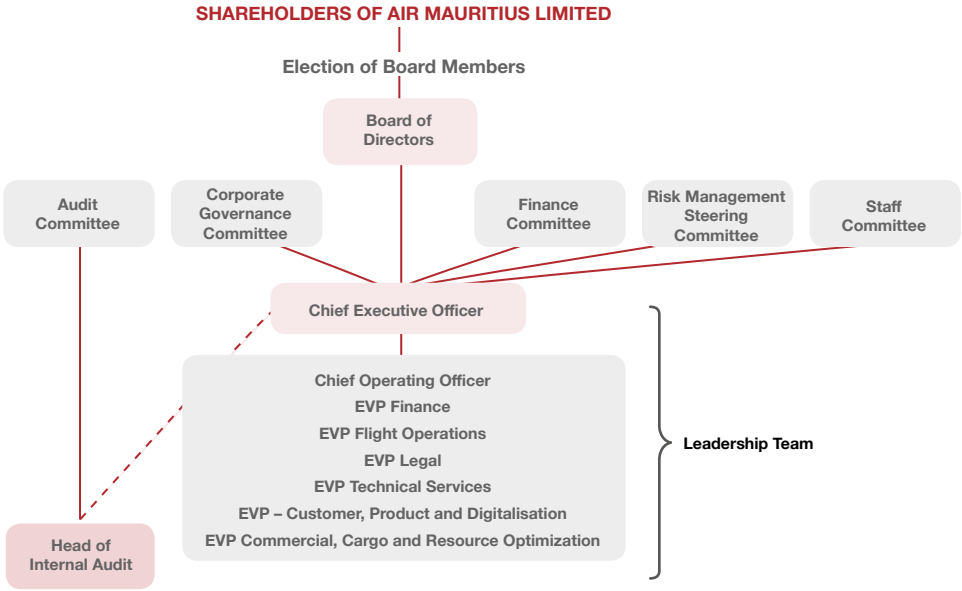
- Ensuring that the Company goals are clearly established and strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management);
- Establishing policies for strengthening the performance of the Company including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;
- Monitoring the performance of management;
- Deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- Ensuring the Company's financial statements are true and fair and otherwise conform with law;
- Ensuring the Company adheres to high standards of ethics and corporate behavior;
- Ensuring the Company has appropriate risk management/regulatory compliance policies in place.

The Board has approved the following key governance documents which are available on the Company's website (airmauritius.com). These documents are also reviewed and updated if necessary at least on a yearly basis.

- Board Charter
- Code of Ethics
- Organisation Chart

Corporate Governance (Cont'd)

The organisation chart is as follows:



Air Mauritius Limited has approved the job description for the key governance positions to provide appropriate guidance on their roles, responsibilities and accountabilities. The role of the Chairman and the Chief Executive Officer are held by two distinct individuals.

Roles and functions of Chairman and Chief Executive Officer

The **Chairman**'s primary function is to preside over meetings of Directors and to ensure the smooth running of the Board and to preside the Company's meetings of Shareholders.

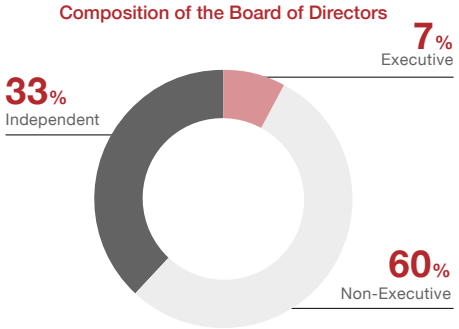
The function and role of the **Chief Executive Officer** is separate from that of the Chairman. The main functions of the Chief Executive Officer are, interalia, to develop and recommend to the Board a long-term vision and strategy for Air Mauritius Limited and its subsidiaries (the "Group"), to devise business plans and budgets that support the Company's long-term strategy, to strive to consistently achieve the Company's financial and operating objectives and to ensure that the day-to-day business affairs of the Company are appropriately managed and monitored.

PRINCIPLE 2: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Company is headed by a unitary Board composed of 15 members from different industries and backgrounds with various business and management experience which are important, considering the nature of the Group's activities and the number of Board committees.

The Board composition for the year under review is as follows:

Composition of the Board of Directors



Corporate Governance (Cont'd)

Directors' Profiles

Dr SUDDHOO Arjoon, FRAeS - Chairman
(resigned on April 29, 2019)

Dr Arjoon Suddhoo, FRAeS, was appointed to the Board and elected Chairman on March 09, 2015. He acted as Chairman until his resignation on April 29, 2019. After winning the national Laureateship in 1978, Dr Suddhoo completed his Aeronautical Engineering course with First Class Honours at the University of Manchester and pursued his PhD in Aeronautics at the same University. He is also holder of an MBA with Distinction from the University of Liverpool. After his post-doctoral research at Manchester University, he was employed in 1986, as Research Scientist/Manager for Rolls Royce Aerospace in UK. In 1993, Dr Suddhoo was appointed as Head of Research and Planning by the Tertiary Education Commission and subsequently, in 1998, he assumed the post of Executive Director of the Mauritius Research Council up to April 29, 2019; date which coincide with his resignation from the Board. Dr Suddhoo has also been the Chairman of Air Mauritius Limited for the period 2001 to 2005. He is a Fellow of the Royal Aeronautical Society, Fellow of the Mauritius Institute of Directors and Fellow of the Mauritius Academy of Sciences as well as Founding President and Fellow of the Aeronautical Society of Mauritius. Dr Suddhoo also chaired the Risk Management Steering Committee until his resignation.

Directorship in other listed companies: None

APPAVOU Somas, FRAeS - Chief Executive Officer

Mr Somas Appavou, FRAeS, was appointed CEO of Air Mauritius Limited in July 2017. Having worked in key global markets, he has over 20 years' of experience in the aviation industry. He holds a M. Phil Degree in Aerospace and Air Transport Economics from l'Ecole Nationale de l'Aviation Civile' and University of Toulouse as well as a Master Degree in Applied Mathematics from the University of Bordeaux (France). He started his career in the Strategic Planning department of Air Mauritius Limited. He then joined Airbus where he held leadership position including Head of Supply Chain in Hamburg, Germany; Regional Sales Director for Subcontinent-India and Africa. From 2009 to 2017, he held the position of Senior Sales Director, Middle East and Africa at Airbus. In this capacity, Somas Appavou was in charge of expanding market presence and supporting the growth of established airlines as well as the development of new airlines in Africa, whereby he contributed largely to the growth of Airbus commercial reach. He was appointed member of the executive committee of the African Airlines Association (AFRAA) in November 2018 for a period of three years.

Mr Appavou is well versed in business development, industrial partnerships as well as global functional support. Holder of multiple awards in Innovative Aircraft Financing Structure, Process Improvement and Aircraft Economics, Somas is a certified Six Sigma Black Belt and a passionate pilot having obtained his license in 1999.

Directorship in other listed companies: None

ESPITALIER-NOËL Marie Hector Philippe

Mr Philippe Espitalier-Noël was appointed to the Board on October 09, 2000. He is currently the Chief Executive Officer of Rogers and Company Limited, one of the largest listed conglomerates in Mauritius. He holds a BSc in Agricultural Economics from the University of Natal in South Africa and an MBA from the London Business School. Mr Espitalier-Noël presides over the Business Mauritius Sustainability and Inclusive Growth Commission. He is also the Honorary Consul of the Kingdom of Denmark since March 2004. He is the Chairman of the Risk Management Steering Committee as from April 30, 2019

Directorship in other listed companies: Rogers & Co Ltd, Swan General Ltd, Ascencia Limited, Swan Life Ltd

Corporate Governance (Cont'd)

RIVALLAND Jean Louis

Mr Louis Rivalland is currently the Group Chief Executive of Swan General Ltd and Swan Life Ltd. He was previously part of the management team of Commercial Union in South Africa and conducted several assignments for Commercial Union in Europe. He then worked as Actuary and Consultant for Watson Wyatt Worldwide. He is a former President of the Joint Economic Council and of the Insurers' Association of Mauritius.

He holds a BSc (Hons) in Actuarial Science and Statistics, a Post Graduate Diploma in Strategy and Innovation from SAID Business School, University of Oxford and is a Fellow of the Institute of Actuaries, UK. He was appointed to the Board on July 26, 2012 and is the Chairperson of the Audit Committee.

Directorship in other listed companies: New Mauritius Hotels Ltd, Swan General Ltd, Swan Life Ltd

BALLAH Nayen Koomar, G.O.S.K.

Mr Nayen Koomar Ballah, G.O.S.K, was appointed Secretary for Home Affairs on January 01, 2015 and Secretary to Cabinet and Head of the Civil Service on September 16, 2016. He holds a Diploma in Public Administration and Management, a Bachelor of Arts in Political Science and Economics, and a Bachelor of Arts (Honours) in English. He has a long career in the public service and has been the Secretary of the Public Service Commission and the Disciplined Forces Service Commission. He has served in senior positions in various Ministries such as the Ministry of Agriculture, Fisheries and Natural Resources, Ministry of Arts and Culture, Ministry of Youth and Sports, the Ministry of Public Infrastructure, Land Transport and Shipping, and the Prime Minister's Office. He has also served as chairperson and member on various boards and committees and is currently the Chairperson of the State Bank of Mauritius Ltd, Mauritius Telecom, the Mauritius Revenue Authority and Multi-Carrier (Mauritius) Ltd, and Director on the Board of Mauritius Duty Free Paradise Co. Ltd. He was appointed to the Board on November 10, 2016.

Directorship in other listed companies: None

MAUNTHROOA Ramprakash

Mr Ramprakash Maunthrooa is a Fellow Member of the Institute of Chartered Secretaries and Administrators – UK (FCIS) and a Fellow Member of the Chartered Institute of Transport – UK (FCIT). Mr Maunthrooa has spent more than two decades in the port sector. He was Director General of the Mauritius Ports Authority (MPA) up to October 1998. He has also served as Chairman of the MPA from October 2000 to November 2003. Mr Maunthrooa was also the Managing Director of the Board of Investment during the period 2010/2011. Mr Maunthrooa worked as Senior Adviser at the Prime Minister's Office (PMO) from January 2015 to April 2019 and also serves on the Board of State Bank of Mauritius (SBM) Holdings Ltd, SBM (NBFC) Holdings Ltd, SBM (Bank) Holdings Ltd, SBM (NFC) Holdings Ltd and State Insurance Company of Mauritius (SICOM). He was appointed to the Board on February 05, 2015.

Directorship in other listed companies: SBM Holdings Ltd

MANRAJ Dev, G.O.S.K.

Mr Dev Manraj, G.O.S.K., is currently the Financial Secretary at the Ministry of Finance and Economic Development of the Government of the Republic of Mauritius. Mr Manraj is a Fellow of the Association of Chartered Certified Accountants (FCCA) and holds a Diploma in International Management Development from (IMD) Lausanne, Switzerland. During his career, predominantly within the public and semi-governmental spheres in Mauritius, he has contributed on a large scale to the socio-economic development of the country. Mr Manraj has participated in the negotiations leading to the signature of Double Taxation Avoidance Agreements with several countries.

Corporate Governance (Cont'd)

He attended numerous discussions and consultative meetings with the World Bank, International Monetary Fund as well as other key international institutions. As Financial Secretary, Mr Manraj concluded "G to G" agreements with various African countries such as Ghana, Senegal and Ivory Coast on behalf of Mauritius Africa Fund. He has, additionally, successfully negotiated, on behalf of Mauritius, to obtain concessional financing and grants from India and China to implement major national infrastructure projects.

Mr Manraj has likewise participated actively in the implementation of major projects in Mauritius such as the Ebène Cyber City project and the setting up of numerous public sector organisations including the State Investment Corporation (SIC), State Informatics Ltd (SIL), the former Mauritius Offshore Business Activities Authority, the National Computer Board, the Board of Investment, Business Parks of Mauritius Ltd amongst others. He was appointed to the Board on March 09, 2015.

Directorship in other listed companies: None

MUNGROO Bissoon, G.O.S.K.

Mr Bissoon Mungroo, G.O.S.K. is the President of the Association of Hotels de Charme de l'ile Maurice, President of the Rashitriya Sanatan Dharma Mandir Sangathan, Trustee/Founder Member of Mangal Mahadev Foundation and the Chairman and Managing Director of Manisa Hotel (Mauritius) and Le Flamboyant Hotel. He is the Managing Director of Mungroo & Sons Ltd (Transport), Gitanjali Co Ltd (Transport), Member of ALTEO Sugar Milling Company and the Managing Director of Office Clean and DHR Training. He is a Member of the School Management Committee, MITD Ecole Hôtelière Sir Gaëtan Duval. He was appointed to the Board on April 10, 2015.

Directorship in other listed companies: None

SALEMOHAMED Muhammad Yoosuf

Mr Yoosuf Salemohamed started his career in a chartered accountants firm where he obtained training in Accounting and Auditing. He joined a vertically integrated textile manufacturing Company as accountant in 1975 and ended his career there as General Manager. He has been associated in various textile activities since 1975 to date. He is a past president of the Mauritius Chamber of Commerce and Industry, past Chairman of the Mauritius College of the Air, past president of the MEFPA and past Chairman of Enterprise Mauritius. He has also been a Director of the Development Bank of Mauritius, a member of the Petroleum Pricing Committee and an adviser to the Ministry of Commerce and Industry. He is currently the Chairman of SICOM and is also a Board member of the Islamic Cultural Centre Trust Fund Board. He was appointed to the Board on July 30, 2015 and is the Chairperson of the Corporate Governance Committee.

Directorship in other listed companies: None

ROUX Patrick

Mr Patrick Roux is a graduate from the Ecole Nationale Supérieure des Télécommunications in Paris. He began his career at Air France in 1990. In 1992, he joined the Revenue Management Team at Paris headquarters where he was in charge of implementing the first yield management tool. After having implemented the merger with Air Inter, he became, in 1998, Head of Pricing and Revenue Management for all short and medium haul flights. In November 1999, he became Head of the Air France CEO's Executive Cabinet, until 2002, when he became the worldwide Marketing Director of Air France. In 2008, his responsibilities were expanded when he was appointed Senior Vice-President of Marketing for Air France-KLM. In September 2010, he became Senior Vice-President Air France-KLM for the American Continent based in New York. In September 2013, he was appointed Senior Vice President Air France-KLM for Asia Pacific, and Senior Vice President Alliances Air France-KLM as from February 01, 2016. He was appointed to the Board on January 22, 2016.

Directorship in other listed companies: None

LAM PO TANG Derek

Mr Derek Lam Po Tang is currently the Executive Director of several companies of the Lam Po Tang Group. He has over 25 years of management experience both in trading and manufacturing sector. He holds a Bachelor of Arts in Business Administration with Honours from Washington State University in USA. He was appointed to the Board on May 04, 2017 and is the Chairperson of the Finance Committee.

Directorship in other listed companies: None

RAGAVOODOO Ammanah

Mrs Ammanah Ragavoodoo holds a Bachelor of Laws Degree from the London School of Economics and Political Science, United Kingdom since 1996. Having successfully completed the Vocational Examinations held by the Council of Legal Education in 1997, she was admitted as an Attorney in December 1998 and became a Member of the Mauritius Law Society. She is currently an Independent Practitioner and has over the last twenty-one years been advising corporate bodies, statutory bodies, local and International clients. She is also a Board Member of the Financial Intelligence Unit and member of the Electoral Supervisory Commission. She was appointed to the Board on May 04, 2017 and is the Chairperson of the Staff Committee.

Directorship in other listed companies: None

ABBASAKOOR Anwar

Mr Anwar Abbasakoor is a practising Attorney-at-Law. He qualified as an Attorney at Law in April 1989 and has since then been exercising in the general practice of law in various fields including constitutional, political, administrative, family, tax, corporate, real estate, business, industrial, commercial, bankruptcy, insolvency, environmental and intellectual property laws. Over the past 30 years, he has been working with a widely diverse portfolio of clients ranging from local and foreign private individuals to corporate entities in Mauritius, few foreign corporate entities, NGOs, parastatal bodies, parastatal corporate entities and an autonomous regional government namely the Rodrigues Regional Assembly. He has also been a Lecturer in Law at the Council of Legal Education for three years. He is currently an Independent Practitioner whilst working in close collaboration with various other law firms and barristers' chambers. He was appointed to the Board on May 04, 2017.

Directorship in other listed companies: None

LOHANI Ashwani (Appointed on April 24, 2019)

Mr Ashwani Lohani, IRSME 1980 is presently the Chairman and Managing Director of Air India. This is his second tenure as the CMD of Air India. Earlier he had served the India's national carrier from August 2015 to August 2017, during which he helped pilot the organization to a position of stability and earned operating profits consecutively for two years.

In between his two stints in Air India, he worked as the Chairman of the Indian Railway Board. During his tenure with the railways, it went through a major reform process leading to transformation. His tenure resulted in impetus to the Vande Bharat train, Dedicated Freight Corridors, High Speed Railway between Ahmedabad and Mumbai, cleanliness levels, improvements to station infrastructure, doubling of tracks, electrification and above all a vastly improved safety record.

He has worked earlier as the Managing Director and Commissioner Tourism, Government of Madhya Pradesh,

Corporate Governance (Cont'd)

Chief Mechanical Engineer of Northern Railway, Divisional Railway Manager Delhi, Director, National Rail Museum, New Delhi, Director in the Ministry of Tourism Government of India, Chairman and Managing Director of India Tourism Development Corporation and other important assignments in railways.

Directorship in other listed companies: None

GOBURDHUN Goolabchund (Appointed on May 23, 2019)

Mr Goolabchund Goburdhun is currently the Managing Director of the State Investment Corporation Limited (SIC) and holds directorship in various SIC investee companies and Lottotech Ltd. In the past, he was in public practice as a Chartered Certified Accountant providing services relating to Accounting, Auditing, Management Consultancy and Corporate Secretarial Services. He was licenced as Auditor by the Financial Reporting Council. He also held chairmanship on various Government-related companies/institutions such as MauBank Holdings Ltd, MPCB (now MauBank Ltd), National Pensions Board and Responsible Gambling and Capacity Building of the Gambling Regulatory Authority.

Mr Goburdhun is a Fellow of the Association of Chartered Certified Accountants and holds an Msc in Finance from the University of Mauritius. He has extensive experience in the field of accounting and finance. He is registered with the Mauritius Institute of Professional Accountants (MIPA) as 'Professional Accountant.'

Directorship in other listed companies: None

CHELLAPERMAL Radhakrishna

Mr Radhakrishna Chellapermal is currently Deputy Financial Secretary at the Ministry of Finance and Economic Development. Mr Chellapermal is a qualified Accountant and admitted as a member of the Association of Chartered Certified Accountants UK in 1980.

After working in the private sector for 6 years, Mr Chellapermal joined the Ministry of Finance and Economic Development in 1983, where he has been involved in various projects mostly in the improvement of the business and investment climate and private sector development. Mr Chellapermal has served on various Boards and Committees amongst others: Board of Investment, Financial Services Commission, State Investment Corporation Ltd.

He is presently the Chairperson of the Investment Committee of the National Pension Fund (NPF) and the Mauritius Africa Fund (MAF). He is also Board Director of Airports of Mauritius Co. Ltd., Airport Terminal Operations Ltd (ATOL), Airport of Rodrigues Ltd. (ARL), Rodrigues Duty Free Paradise & Co. Ltd and MauBank Holdings Ltd. He was appointed to the Board as alternate to Mr Dev Manraj on May 15, 2015.

Directorship in other listed companies: None

PREVOST Olivier

Mr Olivier Prevost is a graduate from a French Business school (Institut Supérieur de Gestion), and he started his career in 1980 as a financial analyst on the stock market and followed the training of Société Française des Analystes Financier, within a bank (BRED). In 1984, he joined a listed company of the computer Industry (BULL), in charge of financing projects and financial communication, and then in 1987 was a controller and in 1992 became the head of restructuring and M&A projects, especially in charge of the Privatisation completed in 1995.

In January 1996, he joined Air France as project manager of Air Inter Merger and the Air France's IPO for the AF's CFO. After the Air France's IPO in 1999, he implemented the financial communication, and then moved to Alliance Department as head of the financial affairs, where he worked in particular on the Alitalia JV (2001) and the KLM merger (2003-2004). Since the end of 2008, he is in charge of the AF's Subsidiaries and M&A projects (creation, acquisitions, or sales). In 2019, he also became the vice President of CRPN (the French pension fund of pilots and flight attends). He is also Board member of several companies not only in France. He was appointed to the Board as alternate to Mr Patrick Roux on October 1, 2017.

Directorship in other listed companies: None

Corporate Governance (Cont'd)

BEEJAN Manickchand
(resigned on February 27, 2019)

Mr Manickchand Beejan, the former Managing Director of the State Investment Corporation Ltd holds a B.A. Hons with Distinction in Economics from a Canadian University and an Msc in Financial Management from the University of London. He had a long and successful career with work experience in government, state-owned enterprises and private sector companies. He sat in capacities ranging from Chairman, Executive Director and Independent Director on more than 40 Boards of companies that are involved in a diverse range of activities including insurance, equity investment, portfolio and wealth management, fund management, casinos, housing, property development, sugar sector, IT sector, commerce and education. He was appointed to the Board on June 13, 2018 and submitted his resignation on February 27, 2019.

Directorship in other listed companies: None

KHAROLA Pradeep Singh
(resigned on February 14, 2019)

Mr Pradeep Singh Kharola has a Phd and Masters in Development Management and is the chairperson and Managing Director of Air India Limited since December 12, 2017.

A 1985-batch Karnataka Cadre Officer, he has worked in various posts in Karnataka, including as the Chairman of Karnataka Urban Infrastructure Development and Finance Corporation Ltd. He has also served as Principal Secretary to the Karnataka Chief Minister. He was the Managing Director of Bangalore Metro Rail Corporation Ltd since February 2015. He was appointed to the Board on January 30, 2018.

Directorship in other listed companies: None

Corporate Governance (Cont'd)

Residency

All the Directors currently sitting on the Board are resident in Mauritius except for Mr P Roux and Mr O Prevost who both resides in France, and Mr A Lohani and Mr P S Kharola who both reside in India.

Attendance of the Board

		Board	AC	CGC	FC	RMSC	SC
Number of meetings held		**13**	**6**	**2**	**3**	**8**	**3**
Category	**Name of Directors**						
Executive							
	Mr Somas Appavou, FRAeS	13/13	n/a	2/2	3/3	7/7	3/3
Non-Independent Non-Executive							
	Dr Arjoon Suddhoo, FRAeS [1]	13/13	n/a	n/a	3/3	6/8	n/a
	Mr Louis Rivalland	9/13	6/6	n/a	n/a	7/8	n/a
	Mr Patrick Roux	2/13	n/a	n/a	n/a	n/a	n/a
	Mr Philippe Espitalier-Noël	9/13	n/a	n/a	3/3	5/8	3/3
	Mr Dev Manraj, G.O.S.K.	4/13	n/a	n/a	n/a	n/a	n/a
	Mr Ashwani Lohani [2]	n/a	n/a	n/a	n/a	n/a	n/a
	Mr Nayen Koomar Ballah, G.O.S.K.	6/13	n/a	n/a	n/a	n/a	n/a
	Mr Ramprakash Maunthrooa	11/13	n/a	n/a	2/3	n/a	2/3
	Mr Pradeep Singh Kharola [3]	1/11	n/a	n/a	n/a	n/a	n/a
	Mr Manickchand Beejan [4]	8/10	2/3	n/a	n/a	6/7	n/a
	Mr Goolabchund Goburdhun[5]	n/a	n/a	n/a	n/a	n/a	n/a
Independent Non-Executive							
	Mr Bissoon Mungroo, G.O.S.K.	12/13	n/a	1/2	n/a	n/a	n/a
	Mr Anwar Abbasakoor	13/13	5/6	1/2	n/a	n/a	n/a
	Mrs Ammanah Ragavoodoo	13/13	6/6	2/2	n/a	n/a	3/3
	Mr Muhammad Yoosuf Salemohamed	13/13	n/a	2/2	1/3	n/a	n/a
	Mr Derek Lam Po Tang	11/13	6/6	n/a	3/3	7/8	n/a
Alternate	Mr Radhakrishna Chellapermal	2/2	n/a	n/a	n/a	n/a	n/a
	Mr Olivier Prevost	1/1	n/a	n/a	n/a	n/a	n/a

1. Dr A Suddhoo resigned from the Board on April 29, 2019
2. Mr A Lohani was appointed to the Board on April 24, 2019
3. Mr P S Kharola resigned from the Board on February 14, 2019
4. Mr M Beejan resigned from the Board on February 27, 2019
5. Mr G Goburdhun was appointed to the Board on May 23, 2019

AC – Audit Committee
CGC – Corporate Governance Committee
FC – Finance Committee
RMSC – Risk Management Steering Committee
SC – Staff Committee

ANNUAL REPORT
AND BUSINESS REVIEW

Corporate Governance (Cont'd)

The table below shows the Board Membership across the Group at March 31, 2019:

Name of Directors	Air Mauritius Holding Limited	Air Mauritius Limited	Mauritius Esttae Development Corporation Limited (MEDCOR)	Pointe Coton Resort Hotel Co Ltd	Airmate Ltd	Mauritius Helicopter Limited	Air Mauritius Institute Co Ltd
Dr Arjoon Suddhoo, FRAeS	•	•	•	•	•	•	•
Mr Somas Appavou, FRAeS	•	•	•	•	•	•	•
Mr Louis Rivalland	•	•					
Mr Patrick Roux	•	•					
Mr Philippe Espitalier-Noël	•	•					
Mr Dev Manraj, G.O.S.K.	•	•					
Mr Nayen Koomar Ballah, G.O.S.K.	•	•					
Mr Ramprakash Maunthrooa	•	•			•	•	
Mr Pradeep Singh Kharola (up to February 14, 2019)	•	•					
Mr Manickchand Beejan (up to February 27, 2019)	•	•	•	•			
Mr Radhakrishna Chellapermal (alternate Director to Mr D Manraj)	•	•					
Mr Olivier Prevost (alternate Director to Mr P Roux)	•	•					
Mr Bissoon Mungroo, G.O.S.K.		•					
Mr Anwar Abbasakoor		•					
Mrs Ammanah Ragavoodoo		•					
Mr Muhammad Yoosuf Salemohamed		•					
Mr Derek Lam Po Tang		•					

Corporate Governance (Cont'd)

Tenure of office

0 and 2 years	Between 2 and 5 Years	More than 5 Years
6	7	2

Gender Balance

Male (14)	Female (1)

Role of Non-Executive and Independent Non-Executive Director

There were 13 Directors serving on the Board of Air Mauritius as at March 31, 2019, with 2 vacancies awaiting to be filled. Non-executive and Independent Directors play a vital role in providing independent judgement in all circumstances. The non-executive Directors are drawn from a diversity of businesses and other backgrounds, so as to bring a broad range of views and experiences to Board deliberations. Although the Board is presently composed of one executive Director, it is of the view that the spirit of the Code is being respected in view of the attendance and participation of the leadership team at Board and sub-committee meetings and deliberations on matters including strategy, sustainability and investment and financial performance.

The Board acknowledges that the current practice is for the controlling shareholder to propose members of the Board for election by shareholders at the Annual Meeting of the Company.

Any shareholder can also propose members of the Board for election by shareholders at the Annual Meeting of the Company.

All Directors stand for election / re-election on a yearly basis. In accordance with its constitution, the Board shall consist of a minimum of 9 Directors and a maximum of 15 Directors. The Board shall comprise of a sufficient number of independent Directors and its size shall be in relation to the scale and degree of complexity of the organization.

Nominations to the various committees are also made on a yearly basis. The minimum number of Senior Executives of the Company are invited regularly to attend Board meetings and sub-committee meetings. External consultants are also invited to attend Board and subcommittee meetings as and when their expertise are required.

The terms of reference of the Board and the various committees are assessed at least on a yearly basis

Throughout the year ended March 31, 2019, to the best of the knowledge of the Board, Air Mauritius Limited has complied with the requirements of the Code except for the following:

- The Chairperson of the Board chaired the Risk Management Steering Committee until his resignation on April 29, 2019. A non-executive director, Mr Philippe Espitalier-Noël is now the Chairperson of this Committee effective April 30, 2019
- The Chairperson of the Audit Committee is not an independent director but in mitigation, has the professional knowledge, expertise and experience in finance to head this committee and discharge the responsibility effectively. The Audit Committee comprises of five members with three Directors being independent.
- With regards to the requirement to have two executive directors on the Board, only the Chief Executive Officer as part of the Leadership Team currently sits as a member on the Board as an Executive Director. However, the whole Leadership Team is called upon as required to participate, and to respond to any Board queries during its sittings.

Corporate Governance (Cont'd)

Board of Directors Main Deliberations during the financial year

Board

Main terms of reference	Main Focus
• Ensuring that the Company goals are clearly established and strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management); • Establishing policies for strengthening the performance of the Company including ensuring that management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital; • Monitoring the performance of management; • Deciding on whatever steps are necessary to protect the Company's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken; • Ensuring the Company's financial statements are true and fair and otherwise conform with law; • Ensuring the Company adheres to high standards of ethics and corporate behavior; • Ensuring the Company has appropriate; risk management/regulatory compliance policies in place.	• Review long term sustainability; • Assessment of liquidity adequacy and address equity requirement; • Monitor financing of major investments; • Approval of annual budgets; • Approval of quarterly and yearly accounts; • Monitor financial performance; • Approval of cost containment measures; • Review network and fleet; • Monitor Asset Management of large equipment; • Approval of policies; • Monitor fleet entry into service and exit; • Issue guidelines for salaries negotiations; • Self-assessment of Board Performance by Directors on an anonymous basis; • Approval of Consultants; • Review and monitor the strategic intent of the airline; • Review of risk management framework; and • Approval of recommendation of management for pension issues.

Corporate Governance (Cont'd)

Dedicated Board Committees assisting the Board in its Duties

Audit Committee

Main terms of reference	Main Focus
• To oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information; • To review the effectiveness of the Company's internal financial control; • To evaluate the independence and to review the effectiveness of the internal audit function; • To ensure that no unjustified restrictions are made on the internal and external audit functions; • To review the effectiveness of the independent audit process including recommending the appointment and assessing the performance of the External Auditors; • 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 Company's accounting policies and consider changes to them; • To review the significant accounting judgements 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; • To review the work undertaken by the external auditors and assess annually its independence and objectivity taking into account relevant professional and regulatory requirements; and • To monitor the provision of any non-audit services as well as the process for the rotation of partners in the audit process.	• Approval of yearly internal audit plan and follow up; • Recommendation for approval of quarterly and yearly accounts; • Review and recommend for approval of annual budgets; • Examine and address Key Audit Matters; • Assess the effectiveness of the internal control systems; • Recommend to the Board fees of external auditors for the financial year 2018/19; • Ensure compliance of reporting for Financial Statements and; • Receive, assess and cause management to address issues raised by both the internal audit department and external auditors; • Review the work undertaken by the external auditors; • Assess the independence and objectivity of the external auditors; • Monitor the external auditor's compliance with regulatory, ethical and professional standards; and • Review any non-audit services and the processes for the rotation of partners in the audit process.

ANNUAL REPORT
AND BUSINESS REVIEW

Corporate Governance (Cont'd)

Corporate Governance Committee

Main terms of reference	Main Focus
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.	• Ensure implementation of new Code of Corporate Governance; • Identify appropriate workshops for Directors to attend; • Examine and recommend: - Board Charter - Code of Ethics - Whistleblowing policy - Conflict of interest and related party transactions policy

Finance Committee

Main terms of reference	Main Focus
The Committee advises the Board in relation to: • Financial policies, strategies and courses of action, • Capital structure and funding; • Capital management planning and initiatives including capital allocation; • Acquisitions and divestments of assets, including proposals which may have a material impact on the capital position of the Company financial risk management practices; and • Transactions or circumstances which could materially affect the financial condition and profile of the Company.	• Ratify contracts awarded by the tender committee; • Consider and approve all contracts exceeding Eur 1m; • Monitor capital expenditure; • Review cash flow forecasts and monthly management accounts; • Examine and monitor the financing of major investments; and • Assess adequacy of liquidity and equity requirement for Board appraisal.

Corporate Governance (Cont'd)

Risk Management Steering Committee

Main terms of reference	Main Focus
• Ensuring there is a system of risk assessment across the Company on an ongoing basis; • Reviewing the effectiveness of the Company's risk management system including risk assessment reports; • Assisting the Board to understand the total risks facing the Company; • Approving risk mitigation actions for specific items of risk and identifying areas for system improvements and monitoring; • Reviewing actions taken for specific critical transactions in accordance with the risk map for both financial and non-financial risks on a continuing basis; and • 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.	• Update hedging policies for both fuel and foreign exchange; • Review hedging positions; • Approve / ratify hedging transactions; • Assessment of non-financial risks; • Ensure implementation of control measures and follow ups; • Monitor enterprise risk management; • Approval of counterparties for hedging transactions and working capital requirements; and • Approval of budget parameters for price of fuel and EUR/USD parity.

Staff Committee

Main terms of reference	Main Focus
To take appropriate decisions and/or to make recommendations to the Board on matters relating to inter alia: • Human Resource plans and strategies; • Selection, recruitment, appointments, promotion, restructuring and other related exercises; Remuneration and Performance Management System; • Terms and Conditions of Service; and • Training and Human Resource Development; and Industrial relations policies and practices.	• Approval of KPIs of the leadership team; • Discussion on collective agreements of the various unions; • Discussion on pension issues as highlighted by management; • Monitor recruitment and deployment of employees across the Company; • Approval / ratification of appointments; • Approval of salary adjustments as recommended by management; • Consider requests of early retirement of employees; and • Advise on litigation cases concerning employees.

The terms of reference of the sub-committees are reviewed at least on a yearly basis as appropriate.

Corporate Governance (Cont'd)

Role and Function of Company Secretary

Mr Vijay Seetul is the Company Secretary and the Executive Vice President-Finance and currently also oversees the Procurement and Facilities functions as well as the Human Resources functions of the Company. A former President of ACCA (Mauritius) and Vice-Chairman of the Mauritius Institute of Professional Accountants, he also sat on the Board of the Financial Reporting Council. He is a Fellow of the Chartered Association of Certified Accountants since 1987 and joined the Company in 1989.

The Company Secretary plays a key role in advising the Board in the application of Corporate Governance in the Company. He also ensures that the Company complies with its constitution and all relevant statutory requirements, codes of conduct and rules established by the Board. The Company Secretary ensures that papers for Board and Committee Meetings are distributed prior to the relevant meetings. All Board members have access to the Company Secretary for any further information they may require in the discharge of their responsibilities. The Company Secretary is the focal point of contact for institutional and other shareholders. The appointment and removal of the Company Secretary is a matter for the Board.

Leadership Team

Other than Mr Somas Appavou, whose profile is given on page 14 and Mr Vijay Seetul under Company Secretary above, the leadership team of Air Mauritius comprises of the following senior executives:

Indradev Buton

Mr Buton was the Executive Vice President-Strategic Planning and Information Systems until September 2017. He has concurrently been the Officer-in-Charge from October 2016 to July 2017. Since September 2017, he is assuming the role of Chief Operating Officer, responsible for the main airport functions as well as the Fleet Planning department. Mr Buton joined Air Mauritius in 1986.

Donald Emmanuel Payen

Mr Payen is the Executive Vice President – Customer, Product and Digitalisation. In the course of the year, he also oversaw Crisis Communications. Mr Payen has held several leadership positions in the operational areas, Cargo, Customer Experiences, Commercial, Communications and has also served the Company in Reunion, Singapore and France. He received the French national award, Knight of the Order of Merit - 'Chevalier de l'Ordre National du Mérite' in November 2016. He joined Air Mauritius in 1979.

Fooad Nooraully

Mr Nooraully is the Executive Vice President – Legal. He was the Executive Vice President – Legal, Corporate Communications and Company Secretary up to February 27, 2017. Barrister-at-law by profession, he was formerly a State Counsel at the Attorney General's Office. Mr Nooraully has also worked as Lecturer in Law at the University of Mauritius and News Producer at the MBC. He joined the Company in April 2001.

Ashok Keerodhur

Mr Keerodhur is the Executive Vice President-Technical Services. He is in charge of the Technical Services Department which provides maintenance and engineering services for the airline fleet and technical handling services to third parties. He joined the Company in April 1989.

Balakrishna Seetaramadoo

Mr Seetaramadoo is the Executive Vice President-Commercial, Cargo and Resource Optimization. He initially joined the Company in 1984 and left in 2002. He has a wide experience in various areas of the airline business and is also a member of the IATA Faculty. He joined the Company in January 2016.

Captain Alain Leung Hing Wah

Captain Leung Hing Wah is the Executive Vice President – Flight Operations. Captain Leung Hing Wah joined the Company in 1985 after studies in SFACT and ENAC. He is a Captain on A350/A330 and he is also involved in Pilots' training and checking.

PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES

The Board may appoint any person to be a Director either to fill a casual vacancy or as an additional Director as long as the number of Directors will not exceed the maximum number as per the Company's constitution. The Director so appointed will hold office until the next Annual Meeting of Shareholders.

Directors shall be eligible for election / re-election annually by the shareholders at the Annual Meeting by way of separate resolutions.

Corporate Governance (Cont'd)

The Board considers knowledge, experience, diversity, reputation and independence as the main criteria prior to making any appointment of Directors.

Board Induction and Orientation

The Board is responsible for the induction of newly appointed Directors through a process facilitated by the Company Secretary. All newly appointed Directors receive an induction pack.

Professional Development

The Board regularly assesses the professional development needs of Directors and in that respect, they have attended seminars to keep themselves abreast of changes and key factors affecting the business in which the Company operates. They regularly receive information as part of their Boards packs and are kept updated of the industry's trends.

Succession Planning

The Staff Committee recommends plans for succession for senior management while the Corporate Governance Committee identifies succession plan in relation to members of the Board.

The Board regularly reviews its composition, structure and succession plans.

PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

All Directors including Alternate Directors are fully made aware of their fiduciary duties upon their appointment. Several policies have been implemented to guide them, namely the Code of ethics, Board Charter, Conflict of interest and related party transactions policy where they are informed of the duties and responsibilities under the various relevant legislations. To the extent that a Director finds himself/herself in a position of conflict, he/she will declare his/her interests in the said transaction and will abstain from discussion and voting at the Board/sub-committees on such matters.

Directors' Interests

All Directors declare their direct and indirect interests in the shares of the Company as well as their interests in any transaction undertaken by the Company which is recorded in an Interests Register. The Company Secretary maintains the Interests Register and ensures that it is updated regularly. The register is available to shareholders for consultation upon written request to the Company Secretary.

The direct interests of the directors and Chief Executive Officer of Air Mauritius and their indirect interests through related parties in the equity securities of the Company as at March 31, 2019 are set out below.

Name of Director	Direct Interests	% Held	Indirect Interests
Mr Anwar Abbasakoor	142,488	0.1390%	-
Mr Derek Lam Po Tang	10,520	0.0103%	-
Mr Bissoon Mungroo, G.O.S.K.	16,100	0.0157%	-
Mr Louis Rivalland	100	0.0000%	-

Corporate Governance (Cont'd)

Remuneration and Benefits

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

Monthly fees payable to each Director amount to Rs 15,000 (Eur 377) except for the Chairman who is paid Rs 75,000 (Eur 1,883) per month plus a car allowance of Rs 75,000 (Eur 1,883) per month, which were the same as in financial year ending March 31, 2018. No fees are payable to Directors sitting on the Board's committees. Directors appointed on the subsidiaries of the Company, also receive similar fees. There are no other variable incentives or benefits that are availed by the Directors.

The fees payable to Directors are reviewed and approved at the Annual Meeting of Shareholders

FEES and BENEFITS PAID (Eur'000)	The Group		The Company	
Name of Director	2019	2018	2019	2018
Dr Arjoon Suddhoo, FRAeS*	79	80	62	61
Mr Somas Appavou, FRAeS*	11	6	5	3
Mr Bissoon Mungroo, G.O.S.K.	5	5	5	5
Mr Ramprakash Maunthrooa	8	8	5	5
Mr Anwar Abbasakoor	5	4	5	4
Mrs Ammanah Ragavoodoo	5	4	5	4
Mr Muhammad Yoosuf Salemohamed	5	5	5	5
Mr Derek Lam Po Tang	5	4	5	4
Mr Louis Rivalland	5	5	5	5
Mr Patrick Roux ** (AF)	3	3	3	3
Mr Philippe Espitalier-Noël	5	5	5	5
Mr Dev Manraj, G.O.S.K.	5	5	5	5
Mr Nayen Koomar Ballah, G.O.S.K.	5	5	5	5
Mr Pradeep Singh Kharola ** (AI)	3	3	3	3
Mr Manickchand Beejan ** (SIC)	4	0	2	0
Mr Olivier Prevost	-	-	-	-
Mr Radhakrishna Chellapermal	-	-	-	-

** Salaries paid to Mr S Appavou stood at EUR 305k for 2019 (2018: EUR 202k)*
*** The fees were paid to the organization that they represent on the Board namely Societe Air France (AF), Air India (AI) and State Investment Corporation (SIC)*

Dealing in Securities

The Board ensures the principles of the Model Code for Securities Transactions by Directors of Listed Companies are followed. Directors are appraised of closed periods on a quarterly basis and also of their responsibilities in respect of the above code.

Information, Information Technology and Information Security Policy

To cater for the growing number of systems deployed across the organisation and the increasingly complex enterprise computing resources required to support Air Mauritius Limited operations worldwide, the Company's ICT Infrastructure and networks have been reinforced to provide higher performance, availability and security of information.

The Company has also adopted various IT related policies which are disclosed on the Company's website (airmauritius.com). The policies are regularly reviewed by the Board.

Corporate Governance (Cont'd)

Board Evaluation

The Board evaluates its performance on a yearly basis. During this financial year, a Board appraisal was carried out by means of a questionnaire sent to all Directors to be completed in an anonymous manner and aimed at specific areas. The findings of the aforesaid appraisal have been considered at the level of the Board.

PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

The Board is fully accountable for the development and execution of an overall robust risk management framework. The Risk Management Steering Committee is mandated by the Board to review the Company's risk management process while the Audit Committee regularly reviews the systems of internal control.

Internal Control

The Audit Committee has a process to review both internal and external audit reports on systems and effectiveness of the systems of internal control in place. The Committee reviews the reports and ensures that the findings are addressed and corrective measures being implemented.

Risk and Compliance Report

The complete Risk Management Report can be found on pages 37 to 44 in this annual report.

Whistle Blowing Policy

The Company has established a policy which sets out the procedures. The staff and any other stakeholder who have genuine cases of wrongdoing or malpractice are encouraged to report them. A copy of the policy is available on the Company's website (airmauritius.com).

PRINCIPLE 6: REPORTING WITH INTEGRITY

The annual report is fully published on the Company's website (airmauritius.com).

The Directors affirm their responsibilities in preparing the Annual Report and the Financial Statements of the Company and its subsidiaries in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

Charitable and Political Donations

Donations Eur'000	The Group		The Company	
	2019	2018	2019	2018
Political	-	-	-	-
Charitable	53	25	53	25

The following issues are covered under the Sustainability Report on pages 35 to 37 of the annual report

- Environmental
- Health and Safety
- Corporate social responsibility

ANNUAL REPORT
AND BUSINESS REVIEW

Corporate Governance (Cont'd)

PRINCIPLE 7: AUDIT

The external joint auditors of the Company, who were appointed after a tender exercise carried out in 2014, are Ernst & Young and KPMG.

The external auditors are responsible for providing an independent opinion on the financial statements. The auditors' report also includes Key Audit Matters which in the auditors' judgement are of significant importance in the audit of the financial statements. These Key Audit Matters are taken up for discussion with the Audit Committee in the presence of the leadership team prior to finalising.

Members of the Audit Committee regularly meet with the team of External Auditors, EY and KPMG and also discussed about the accounting policies among others. Fees paid to the external auditors for both audit and other services performed during the financial year are set out below:

Fees – Eur'000	The Group		The Company	
	2019	2018	2019	2018
Audit	172	171	151	149
Non-Audit	74	295	70	287

Upon appointment or re-appointment of auditors, the audit committee will ascertain from the auditors that they are independent of Air Mauritius Limited. Furthermore, the audit committee will also assess the level and nature of any non-audit fees being provided by the auditors.

Internal Audit

The role of the Internal Audit is to provide independent opinion and assurance to the Management and the Board through the Audit Committee. The Internal Audit assists the Company by making recommendations that should be implemented for improving the operations, internal controls and risk management system.

The Internal Audit Plan is regularly reviewed by the Audit Committee and amendments are made to reflect changes in relation to the risks that the Company faces.

The Head of Internal Audit, Mr Lekrajlall Narain is a Fellow of the Association of Chartered Certified Accountants and also holds an MBA. He reports directly to the Audit Committee. Most personnel of the internal audit team are also members of the Association of Chartered Certified Accountants.

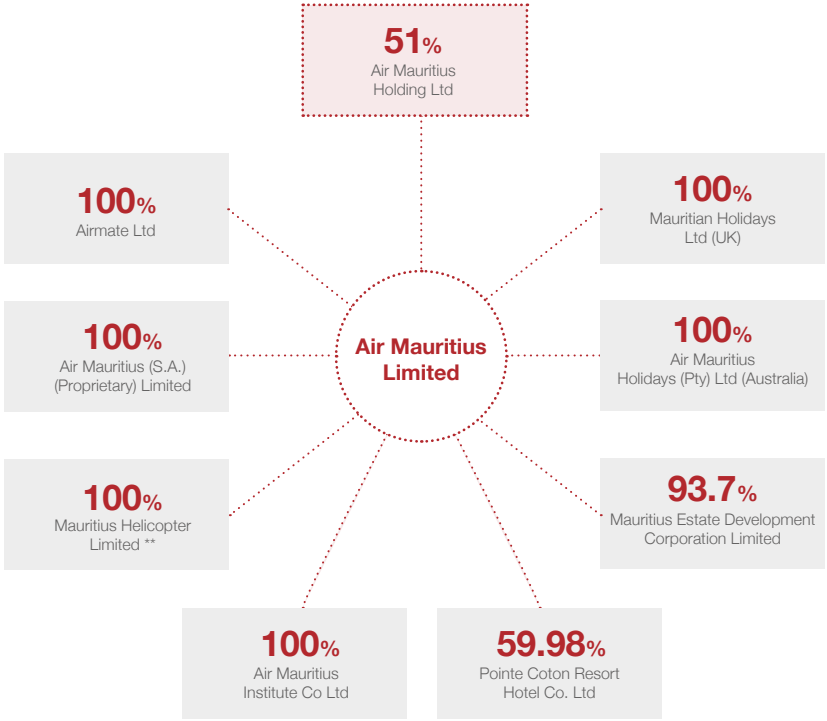
The key contribution of internal audit during the financial year were as follows:-

1. Add value and to improve the performance of the operations of Air Mauritius Limited and its subsidiaries (the Group);
2. Assist the organization in its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes;
3. Assess compliance with policies and procedures and sound business practices in all areas of operations;
4. Evaluate the adequacy of the system of internal controls and recommend improvements in controls;
5. Assess compliance with laws and contractual obligations;
6. Performing investigation as may be specifically requested by Management or the Audit Committee;
7. Undertake assignments without any no restrictions imposed by management.

Corporate Governance (Cont'd)

PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The holding structure of the Company is set out below:



*** The Board approved the disposal of 49% shareholding in Mauritius Helicopter Limited on March 29, 2019.*

The Board also approved the purchase of 20% shares in Mauritius Duty Free Paradise Co Ltd and the sale of 59.98% shares in Pointe Coton Resort Hotel Co. Ltd on March 29, 2019, subject to relevant approvals.

The winding up process for Mauritius Shopping Paradise Ltd and Air Mauritius Holidays Ltd are in their completion stage and the companies will be struck off once finalised.

Corporate Governance (Cont'd)

Shareholding of Air Mauritius Limited including the major shareholders as at March 31, 2019 is as follows:

Ordinary Shareholder	Number of shares of Rs10 each	% voting rights
Air Mauritius Holding Ltd	52,175,550	51.00
The Government of Mauritius	8,564,658	8.37
The State Investment Corporation Ltd	4,646,265	4.54
Rogers and Company Limited	4,379,344	4.28
Societe Air France	2,841,986	2.78
Air India	2,617,098	2.56
National Pensions Fund	2,078,508	2.03
The MCB Ltd (A/C The Mauritius Development Investment Trust Co Ltd)	1,788,229	1.75
Other Investors	23,213,362	22.69
Total	**102,305,000**	**100**

Substantial Shareholders

The following shareholders were directly or indirectly beneficially interested in 5% or more of Air Mauritius Limited share Capital as at March 31, 2019.

Range of Shares	Direct %	Indirect %	Effective %
Air Mauritius Holding Ltd	51.00	-	51.00
The Government of Mauritius	8.37	36.05	44.42
The State Investment Corporation Ltd	4.54	9.19	13.73
Rogers and Company Limited	4.28	9.24	13.52
Societe Air France	2.78	5.72	8.50
Air India	2.56	4.50	7.06

Shareholder Analysis as at March 31, 2019

Range of Shares	No. of Shareholders	No. of voting rights	% share capital	% of all shareholders
1 – 1,000	10,269	3,847,746	3.76	85.82
1,001 – 5,000	1,121	2,591,792	2.53	9.37
5,001 – 10,000	243	1,796,194	1.76	2.03
10,001 – 25,000	173	2,748,617	2.69	1.45
25,001 – 50,000	76	2,735,210	2.67	0.63
50,001 – 100,000	45	3,135,546	3.07	0.38
100,001 – 1,000,000	31	6,358,257	6.21	0.26
Over 1,000,000	8	79,091,638	77.31	0.067
Total	**11,966**	**102,305,000**	**100**	**100**

Corporate Governance (Cont'd)

Key Stakeholders

Air Mauritius Limited places great importance on the relationship with its stakeholders by meeting their expectations and interests in an effective and efficient manner as described below:

Shareholders	The Company communicates to its shareholders through its Annual Report, Annual Meeting of Shareholders, press announcements, publication of unaudited quarterly abridged financial statements and its website (airmauritius.com). The Annual Meeting remains the most appropriate forum for shareholders to interact with the Board Directors and management team on matters pertaining to the Company's operations and performance. Shareholders are encouraged to attend Annual Meeting to remain updated on the Company's strategies, projects and goals.
Customers	The Company engages with its customers which is at the centre of its activities by having a dedicated customer service unit, use of promotional and marketing campaigns, social media, surveys, give aways and meetings.
Financial Partners	Communication with the financial institutions is actively pursued to address the needs of the Company.
Regulators	The Company ensures that it complies with all statutory and regulatory requirements in the conduct of its business while meeting the various deadlines set by regulators.
Staff	The Company recognises that its workforce, as one of its most valuable assets, is key to its performance and development. An employee engagement survey will be launched in June 2019 to provide the basis for further bonding and interaction.
Suppliers	The Company engages with suppliers through due process to ensure that value for money for its procurement of goods and services is obtained in a win/win situation.
Community	The airline plays an important role in the community at large; for more information, please refer to pages 35 to 37 of the Sustainability Report.

Dividend

The Company has a policy of paying 30% of profits each year as dividend, subject to the solvency test as required under the Mauritius Companies Act 2001. In determining the level of dividend, consideration is given to the Company's future funding requirements. The Company has not declared any dividends for the financial year ended March 31, 2019.

Shareholders Calendar

June 10, 2019	Extraordinary General Meeting of Shareholders
June 19, 2019	Abridged Financial Statements for the ended March 31, 2019
July 25, 2019	Annual Meeting of Shareholders
August 14, 2019	Publication of first quarter results to June 30, 2019
November 14, 2019	Publication of half-year results to September 30, 2019
February 14, 2020	Publication of third quarter results to December 31, 2019

Share Price Information

The share price of the Company stood at Rs14.50 on March 31, 2018 and closed at Rs 9.60 on March 29, 2019 (last date of trading for the month).

Shareholders' Agreement

The Directors confirm that to the best of their knowledge, they are not aware of the existence of any such agreement for the financial year under review.

Sustainability Report

Sustainable Development Goals Program

Air Mauritius is engaged to support the UN Sustainability Development Goals (UNSDGs) initiatives.

SDG 13- Climate Action

To mitigate the greenhouse gas emissions, whilst adapting to the climate change, Air Mauritius took the initiative to plant more than 500 units of mangrove propagules at the International Ramsar Site of Pointe D'esny, south eastern part of the island of Mauritius. Various stakeholders, the community of the region, nearby hotels, commonwealth climate finance access hub, and students from secondary schools of the regions were invited to join this initiative.

Under the one Take-Off one tree initiative, and as agreed upon with the Mauritian Wildlife Foundation, a total of 7,000 endemic and endangered plants were planted in natural both in Mauritius and Rodrigues. Family members had the opportunity to volunteer for weeding, potting and planting on Ile Aux Aigrettes and at Mondrain site.

SDG 14- Life below water

Air Mauritius, in close collaboration with its social wing, the Paille-en-Queue Social Club of Air Mauritius, participated in the annual full day awareness program on the urgency for keeping our beaches and lagoon rubbish-free.

SDG 12 – Responsible Production and Consumption

Air Mauritius collected all its unused banners/roller banners & billboards and up-cycle them into school bags for the needy children. Nearly 100 of such children received a bag. This recycled project is done in close collaboration with the partner "SAKILI".

A study is being carried by the University of Kassel in collaboration with the World Airlines Clubs Association to reduce the cabin waste on board and Air Mauritius passengers were interviewed at the Airport who express their wish to contribute to reduce cabin waste on board.

SDG 4- Quality Education

Air Mauritius employees donated school materials and this allowed the Company to:

- Maintain its sustainable action towards helping the needy children cared for by the NGO "Association Elles C'est Nous". For the third consecutive year, the children received their uniforms, shoes, school bags (which were all made from recycled banners) and school materials.
- Donate basic school materials to 60 needy children from Rodrigues island and who are under the responsibility of the NGO Care-Co and to 30 children aged between 5 and 12 of Bois des Amourettes.

Combatting Human Trafficking

In line with the IATA resolutions to combat human trafficking including child sex abuse in travel and tourism, Air Mauritius in collaboration with the Association Airline Ambassadors organised a workshop with various stakeholders on the subject matter and same is included in the course of the cabin crew abinitio.

Health and Safety

Air Mauritius has achieved the following Safety, Health and Environment performance during the financial year 2018/19:

(a) Reportable Incidents

For the second consecutive year Air Mauritius as an employer has had no notifiable or reportable accident, and fatal accident among its employees during the financial year 2018/19.

(b) Emergency Preparedness Plan

In compliance with Occupational Safety and Health Act of 2005 and the Mauritius Fire & Rescue Act of 2013, fire incident management teams were established at all worksites at Head Office, Ebene and SSR International Airport for implementing the Fire Preparedness Plans. The effectiveness of the teams was verified during unannounced fire drills which were conducted in all sites and corrective measures had been taken in light of the observations.

There had been close monitoring of Communicable Diseases occurring either in Mauritius and Outstations and regular communication exercises had been done to refresh our team members of basic precautionary measures to be taken. Air Mauritius had been working in close collaboration with the Ministry of Health and Quality of Life to prevent outbreak and spread of Communicable Diseases at the Airport.

Sustainability Report (Cont'd)

(c) Health & Safety Communication

Air Mauritius played an active role in enhancing safety among its internal and external stakeholders:

- Air Mauritius management team had adhered to the statutory requirement for meeting employees' representatives six times during the financial year 2018/19 at the level of the Occupational Safety and Health (OSH) consultation platform, that is, the Safety and Health Committee with a view to attend and promote OSH at its worksites. On the other hand, fruitful achievement had been noted through the Departmental Safety and Health Committee established for Cabin Operations, Technical Services, Ground Operations, Transport Section and Facilities Management Unit demonstrating visible OSH leadership at these clusters.
- OSH team has been fully involved in the Aerodrome Safety Committee as well as forum organised by the Department of Civil Aviation on matters relating to safety as well as threat to health at the SSR International Airport.

Health & Safety Training

OSH initial and refresher training had been on-going and the following programmes were conducted:

- OSH induction for Ground Operations Staff:
- Fire Fighting Techniques and Familiarisation with Fire Evacuation Procedures:
- Working Safely in Aircraft Fuel Tank;
- Noise at Work;
- Sensitisation on Plague Diseases;
- Manual Handling;
- First Aid at Work;
- OSH Induction for Cabin Crew;
- Technical Services and Contractors;
- Familiarisation with Defensive Driving and Changes in Road Traffic Act for Drivers;
- Ramp Safety;
- Human Factors;
- Safety Management System;
- Training in Emergency Procedures; and
- Training of Automated External Defibrillator.

Management of Hazardous Wastes

In its endeavour to manage outbreak of Communicable Diseases within the Airport premises, the following actions were initiated by the Company during the financial year 2018/19 to respond to its commitment to provide clean and environmentally safe working areas to its employees. The following environmental interventions were taken:

- Systematic cleaning of drains and yard upkeep together with the help of the Ministry of Health and Quality of Life;
- Malaria Insecticides spraying and fogging; and
- Storage of unused or expired chemicals for conveyance to local hazardous chemicals storage facility.

OSH, Fire and Environmental Routine Inspections

Air Mauritius attended to all improvement notices made by the Ministry of Health and Quality of Life during their routine visits and also had unannounced visits of the Mauritius Fire and Rescue Service and the Inspectors of the Occupational Safety and Health Inspectorate.

OSH Improvements

In line with the OSH requirements, Air Mauritius made a close follow up on the following improvements

- Upgrading of welfare facilities at Ground Operations;
- Installation, testing, commissioning and operation of addressable fire detection and alarm system at Hangars A340 & ATR 72 for Aircraft Fire Fighting; and
- Review of electrical installation system at Hangars A340 and ATR 72.

Health Screening Campaign

Air Mauritius joined the Fighting Diabetes at the Work Place (FDW) programme launched by the Mauritius Research Council, in collaboration with the Ministry of Health.

Almost half of the working population voluntarily participated in the first phase of the programme and the results are expected by June 2019. Once received, the Company shall move further with the FDW programme for the wellbeing of the team members in addressing the following:

- Systematic management and follow-up of Diabetic/ Pre-diabetic employees' health.

Sustainability Report (Cont'd)

Routine screening for diabetes complications such as fasting blood glucose, urine testing for protein as a check on renal function, taking blood for lipid estimations, measuring blood pressure, examining the eyes and the feet.

- Other preventive measures.

Enterprise Risk Management

The underlying premise of Enterprise Risk Management (ERM) is that every entity exists to provide value for its stakeholders. All entities face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance stakeholder value.

Enterprise Risk Management (ERM) is a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of risks, thereby enhancing management decisions and fulfilling corporate governance obligations.

Air Mauritius has an Enterprise Risk Management framework to ensure the process of planning, organising, leading and controlling its activities in order to minimise the effects of all type of risks on capital and earnings. Air Mauritius does not compartmentalise or "silo" risks but adopts an ERM approach that allows to identify all risks, take a holistic view of the risk profile, recognise correlation between risk types and put in place controls to mitigate future loss events. The focus remains on mitigating these risks at all levels in the business, although many remain outside the Company's control such as government regulation, taxes, terrorism, adverse weather and pandemics.

Benefits of an ERM approach

- Increase of risk awareness across all operations;
- Improvement of Risk Mitigation reducing the company's exposure;
- Increase of performance through greater certainty;
- Effective balance between risk seeking, risk management and risk avoidance;
- Enablement of a risk aware decision-making process;
- Achievement of risk governance objectives; and
- Protection of shareholder value.

Management selects a risk response strategy for specific risks identified and analysed, which may include:

(a) Avoidance: exiting the activities giving rise to the risk.

(b) Reduction: taking action to reduce the likelihood or impact related to the risk.

(c) Share or insure: transferring or sharing a portion of the risk, to reduce it.

(d) Accept: no action is taken due to a cost/benefit decision.

Risk Management Structure

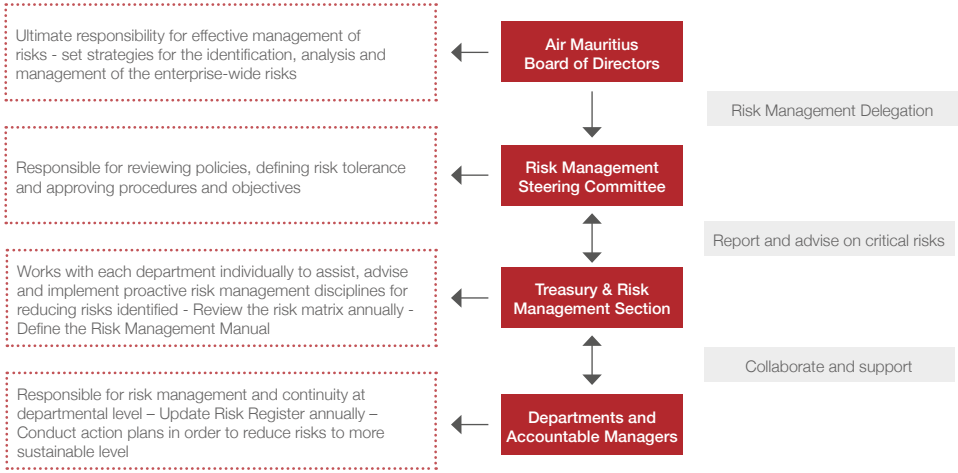
At Air Mauritius, everyone has some responsibility for Enterprise Risk Management, but the ultimate responsibility for effective management of risks rests with the Company's Board of Directors with overall management of risks delegated to a sub board committee - the Risk Management Steering Committee (RMSC). The Board sets strategies for the identification, analysis and management of the enterprise-wide risks for the company on an ongoing basis. Management supports the Company's risk management philosophy, promote compliance and manage risks within their areas of responsibility consistent with pre-determined risk tolerances.

The RMSC is responsible for reviewing policies, defining risk tolerance and approving procedures and objectives. RMSC meets on a regular basis to set risk management policies and procedures, review, assess and ratify risk management activities. The Company has a Risk Management manual which provides guidelines for the establishment and implementation of the ERM process.

The accountable managers of the department are responsible for risk management under a clear and predefined delegated authority. The Treasury and Risk Management Section works with Risk Owners to assist, advise and implement proactive risk management disciplines for mitigating risks identified to more sustainable levels.

Enterprise Risk Management (Cont'd)

ERM Process - Organization chart



Risk Management Framework

A formalized Risk Management Framework has been implemented across the Company to identify, evaluate, control risks on a coordinated and integrated basis.

Key elements of this Framework detailed as follows:

(a) Involvement of Internal Teams and Line Management to build up, update on a regular basis the risk portfolio with the generation of a risk register;

(b) A continuous update performed all through the year, in case of modifications on risks already identified, new risks or new mitigation plans identified by Risk Owners; and

(c) Regular reporting to RMSC for the review of major risks together with treatment measures in place.

ACTIONS PERFORMED ON AN ANNUAL BASIS

1. Risk identification	2. Risk assessment	3. Risk mitigation
• Review list of risks identified during last update • Identification of new risk issues	• Assess new risks • Review action plans which were implemented since last update • Update risks assessment taking into account environmental evolutions and new controls in place	• Define further risk treatment measures • Conduct actions to set up new controls • Report on actions performed

Collaborative work between Treasury & Risk Management Section and each Department

Enterprise Risk Management (Cont'd)

Major Risk Areas

The highly regulated and commercially competitive environment, together with operational complexity leaves, the Company exposed to a number of principal risks. Over the course of the period under review, the following were the major risks categories identified:

1. Market Competition Risks

Competition is becoming fiercer in Mauritius with airlines bidding for broader air access with increased frequencies and novel offers from other destinations. The markets in which the Company operates are highly competitive. Additionally, the markets continue to be liberalized with competitors maintaining lower cost structures coupled with other competitive advantages. The downward pressure on yield persists as the Company tries to stimulate demand. The Company has taken robust and proactive measures in order to make its turnaround sustainable in the longer term. Management has responded to this risk by implementing a number of initiatives:

- Review of Business Model with objectives of repositioning the Company and equally responding to competition in order to maintain passenger traffic.
- The Company has made significant progress to consolidate its status as the first choice of customers in the markets it serves in terms of state-of-the-art new cabin products and its "Mauritianness".
- The Company is maintaining its growth plans while constantly adapting to changes in the market conditions. The major investments in aircraft, product and service have enabled the airline to better respond to growing customer expectations and have been positively acknowledged by the market.

The Company also remains alert to all developments in that area and constantly review its risk management strategies.

2. Business Model Risks

The Company is engaged in a Business Model review to ensure its sustainability with focus on the development of Hub Mauritius and implemented measures that were crucial to ensure recovery and thereafter long-term sustainability of the airline.

The Company continues on its fleet modernization initiative launched in 2017 with the introduction of its first two A350-900. The fleet renovation programme is being spurred up with the addition of two new A330-900 Neo in the second quarter of 2019 and two more A350-900 in last quarter of 2019. In order to align with the improved equipment of the new fleet, some aircraft are also undergoing major retrofit of the cabin and entertainment products.

The combined investments in aircraft, products and destinations will reinforce Air Mauritius' positioning among the top carriers in the region. While this programme weighs heavily on the Company's finances, it is a precondition to its sustainability. It also means that the Company is committed to delivering profitability and results in the coming years by adding momentum to its sales force and by abiding to tight cost control processes. These programmes are the main focus of the Board of Directors, management and all the teams.

3. Fleet, Network and Alliances Risks

- 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 with flexibility for already financed aircraft to be leased out or disposed of;
  - Financing its aircraft on both financing and operating leases to increase flexibility;
  - The introduction of new generation, more fuel efficient aircraft in the fleet; and
  - Fleet flexibility, swap in aircraft types, decision deadline to confirm delivery, option rights and purchase rights are some of the levers considered.
- Air Mauritius also aims at improving the economics of its various routes to maximize network profitability, provide customer satisfaction, and serve its market effectively and efficiently. In many instances, the company has to adjust capacity and frequencies, add new ports of calls and end flights to destinations which do not prove to be cost effective to meet the ever changing demand patterns and capitalize on growing markets. With its strategic partnerships, the Company ensures.
  - Constant scanning of the environment and up-to-date systems;

Enterprise Risk Management (Cont'd)

- high level mutual understanding and nurture relationships with major Code Share partners;
- Regular meetings to constantly align roles, vision, value creation, win-win and mutual trust; and
- Alignment of product and services, maximising available connections.

A significant source of exposure that the Company carries is operational risk; these risks range from fraud, major events such as aircraft crash, IT failures, safety and security. An array of risk controls is employed to reduce or remove the exposure.

4. Fraud Risks

Air Mauritius mitigates this risk by having a proper and efficient system of internal controls across the Company which is subject to regular internal and external audits. 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 which outlines procedures for prevention, detection and investigation of suspected frauds and irregularities. Staff and other stakeholders reckon the need to act with integrity and report all suspicious transactions to relevant authorities in accordance with Code of Business Practice and Ethics, Company procedures and the requirements of the law. The Code, which is applicable to all Directors and staff, is one of the key pillars for implementation of high standards in corporate governance throughout the Group.

5. Major Events

An aircraft crash may cause major disruptions to the operations. The Company ensures that its Emergency Procedures manual is regularly reviewed and updated with the support of consultants, to meet and align with best practice standards. The Emergency Response Plan in place, refers to the Company's arrangements to manage a large scale air accident. The Emergency Response Plan includes processes, procedures, checklists designed to be used in various situation rooms that are activated during an airline emergency, namely, the Crisis Management Centre, Local Incident Control Centres, Survivor's Reception Centre, Family Reception Centre and Public Information Centre. The Company is assisted by a specialist organization, Blake Emergency Services, since 2001 and which provides, beyond consultancy services, specialist services such as body and personnel effects recovery, casualty identification using DNA identification, and repatriation services among others.

At regular intervals, classroom training on emergency procedures are undertaken and crisis simulations are regularly carried out to familiarise staff with those procedures and ensure that everyone is clear about his role in emergency situations.

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 impact of these risks on its business performance by the monitoring of health alerts and flights modulations, implementing specific ground and inflight procedures.

6. Disruptions in Operations

(a) IT as Facilitator

The Company is highly dependent on IT systems for most of its principal business processes. The failure of a key system may cause significant disruption to operations and result in lost revenue. System controls, disaster recovery and business continuity arrangements to mitigate the risk of a critical system failure are as follows:

- Having off-site back-up systems, replication of servers between 3 sites (Airport, Ebene Office and Head Office and alternate disaster recovery sites.
- Ensuring maintenance and regular checks.
- On-time renewal and Upgrade of main Servers and Storage equipment to replace aging hardware so as to minimise system downtime/unavailability that can result from hardware failure.
- Regular upgrade and reinforcement of current Backup systems with new enhanced features e.g. duplication for faster backups, synthetic backups.
- Implementation of latest and more robust replication systems & data from main data centre in Ebene to disaster recovery site.
- 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.

Enterprise Risk Management (Cont'd)

Industrial relations

The Company has a large unionized workforce. Providing and maintaining an unfailing, trustworthy, healthy, safe and secure working environment is of paramount importance to the organization. Collective bargaining takes place on a regular basis between Management and the Unions as the Company recognizes that a breakdown in the bargaining process/communications may disrupt operations and adversely affect business performance. Management recognizes that and encourages effective communication with the Unions to maintain this state of affairs.

7. Safety and Security

The business depends on the absolute assurance of safe and secure operations and the safety and security if its customers and employees are fundamental values for the Company. It acknowledges the duty of care, it owes to its shareholders and stakeholders and is committed to establishing and sustaining a culture of safety and security within the organization.

It has in place a flight safety and security policy that ensures that necessary priority is given to this objective. Failure to prevent or respond effectively to a major safety or security incident may adversely impact operations and financial performance. The Company satisfies itself that it has appropriate safety resources and procedures. The Crisis Management Centre responds in a structured way in the event of an incident. The Company has a Crisis Communication Process within its Crisis Management Centre, a Media monitoring set up, Public Relation Agencies across the network, a restricted external communications policy and a Social media communication in place as mitigating actions.

8. Reputational Risks

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

The Company faces reputation risk and consequently loss of public confidence when it is confronted to a negative perception. The Company also acknowledges that reputational risks may occur as a direct result of people failing to communicate properly. It demonstrates the importance that it places on communication with its internal and external stakeholders by bringing under one roof all the communications functions including management of the corporate 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.

9. Legal and Regulatory Risks

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

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

10. Business Continuity

Since 2018, Air Mauritius has embarked on formalizing Business Continuity Plans (BCP). Whilst Enterprise Risk Management helps organizations identify, assess, and remedy risks to business objectives, a business continuity plan is a document that consists of the critical information an organization needs to continue operating during an unplanned event. The planning is designed to ensure that responses are effective, the threats to brands, stakeholders, customers, and reputation are minimized.

The Company now is focused on formalizing BCP; the tactical needs to respond to an incident and ensure continuity of business operations, focusing on minimizing downtime, data and system loss, and the resultant threats to its ability to remain in business.

Enterprise Risk Management (Cont'd)

In 2018, it conducted interactive onsite 2 weeks workshops with Management determining its needs, the essential functions of the business, identify which systems and processes must be sustained, and detail how to maintain them with the objectives to identify critical operations that may have irreversible impacts on the company if stopped for a certain period of time and define strategy to ensure resiliency.

The participation and engagement of the Company's Management has been important in putting in place the process, adding knowledge of the Company, providing oversight and helping to ensure the BCP will be regularly updated.

Initialization of the Business Continuity Plan in 2018:

- Review of crisis scenarios based on the critical risks identified;
- Study of business impacts and prioritization;
- Validation of the critical activities to cover and prioritization of recovery (maintenance, air operations, ground operations, human resources and general resources);
- Evaluation of the Recovery Time Objective (RTO) by activity and critical equipment;
- Study of recovery needs by critical activity;
- Preparation of the business continuity cards (prerequisites and operational procedures); and
- Identifying degraded procedures;
- Writing the Business Continuity Plan.

The BCP plan will ensure that sound responses have been planned, developed, documented and tested, such that when an incident occurs, those plans are enacted, allowing the organization to mobilize people, systems, backups, contingencies, and remedies.

Further onsite workshops to complete this exercise are scheduled with team members in July 2019.

Insurance

The Company buys in basic and fundamental insurance protection within the airline industry, intended to provide adequate security to the Company

- Against uncovering losses that could result in bankruptcy;
- To protect its assets;
- To meet its liabilities;
- To conform to Civil Aviation Regulations;
- To comply with credit and lease agreements.

The scope of coverage basically includes "All Risks, War and Terrorism" protection for loss or damage to aircraft, engines and spare parts, passenger and third-party liability, property damage, cargo, baggage liability and employee liability.

Claims not covered by or exceed insurance limits

The Company trusts that the insurance policies it has subscribed to, would considerably mitigate the impact of claims liable to be brought against the Group in foreseeable circumstances. However, despite the fact that from time to time, the Group reviews its limits based on worldwide trends, these limits can occasionally be broken and uncovered, leaving the Group with consequent risk of additional cost or loss.

Financial Risks

Air Mauritius, like other airlines in the industry, bear the risk of rising costs as a result of adverse changes in fuel prices, exchange rates and interest rates. The Company's policy is to manage these risks systematically by using tools and control mechanisms designed to identify, measure and monitor these risks, thereby minimising the negative impact of these market fluctuations on the Company's earnings, cash flows and equity.

The Board of Directors sets the Risk Management policies, objectives of the Company, and lays down the parameters within which the various aspects of Treasury risk management are operated. The Board through its Risk Management Steering Committee (RMSC) has approved a Risk Management Manual, which outlines the Company policies, procedures for managing corporate and asset financing and financial risks.

Enterprise Risk Management (Cont'd)

In carrying out its hedging activities and implementing its risk management strategy, Air Mauritius is guided by the provisions of its Risk Management Manual. The manual requires that the Company be hedged against variations in jet fuel prices and exchange rates. For jet fuel and foreign currency risk management, the minimum and maximum hedge ratios of 30% and 70% respectively are for a maximum tenor of two years, on a rolling basis. Compliance with above guidelines is monitored by the internal audit department. In addition, the RMSC meets on a regular basis to review hedging strategies and performances for both currency and fuel. The RMSC is regularly apprised of all the hedge transactions entered into by management under its mandate.

Foreign Exchange

Air Mauritius generates a surplus in most of the currencies in which it does business, with the exception of the US dollar and the Mauritian Rupee. As such, the Company experiences adverse or beneficial effects arising from exchange rate movements. For instance, it is likely to experience an adverse effect from a strengthening of the US dollar and a favourable effect from the strengthening of Euro.

Foreign exchange exposure arising from transactions in various currencies is minimised through cash flow planning, policy of matching as far as possible receipts and payments in each individual currency. Surpluses of various currencies are sold on the market to meet the US dollar obligations.

During the financial year 2018/19, the Eur/Usd traded within a wide range – from a low of 1.1180 to a high of 1.2380. Two things that dominated the financial world in 2018 were political turmoil and fears of slowing economic growth. Trade tensions between the United State and the rest of the world were among the top leading political jitters. United State protectionist policy to "make America great again," particularly focused on its trade deficit with China, has spurred fears throughout the year. Uncertainty coming from turmoil in the Euro bloc, with France falling into recession, fears of an Italian credit crunch, and the imminent Brexit without a clear deal, also knocked down the Euro.

Weak economic fundamentals in Europe and a bearish European Central Bank (ECB) also contributed to the downfall of the Euro. In December 2018, The Euro Zone Central Bank fulfilled its promise of putting an end to its massive Quantitative Easing Programme, signaling that the Central Bank had increased confidence in the health of the Euro Zone.

However, international developments coupled with domestic uncertainties and economic challenges crippled the European recovery that only two years ago was hailed as the "euroboom". In March 2019, the ECB announced that it will restart a cheap loan program for banks, as a weakening economy had derailed its plan to withdraw stimulus. The Central Bank downgraded both its inflation and growth outlook for the euro-zone, pledging to extend its interest rate hike guidance until end of 2019. This drastic U-turn of the ECB dragged the Eur/Usd below 1.12 in March 19.

Jet Fuel Price Risk

Jet fuel is a major variable cost component for Air Mauritius, accounting for over 25 % of total costs. Volatility in the price of jet fuel can have a material impact on the Company's operating results. The Company's fuel risk management strategy aims to provide the airline protection against sudden and significant increases in oil prices which can have a significant impact on operating results while ensuring that the airline is not competitively disadvantaged in a significant way in the event of a substantial fall in the price of fuel.

The risk associated to fluctuations in the price of jet fuel is managed by various hedging techniques as well as the use of fuel surcharge, whereby some of the cost is passed on to the customer. Air Mauritius uses predominantly Brent crude as proxy for monitoring and hedging against increases in the price of jet fuel. This price risk is partially hedged through the purchase of oil derivatives in forward markets with the principal objective to increase the predictability of cash flows and profitability. During the financial year 2018/19, Brent had been very volatile trading in the range of Usd 50 to Usd 86.

Oil had a tumultuous 2018, with prices rising to a four-year high in October before plunging more than Usd 30 in the following months to reach a low of Usd 49.90 in December 2018. Geopolitical tensions in the Middle East, plunging production in Venezuela, sporadic disruptions in Libya and the United State re-imposing sanctions on Iran's oil exports pushed Brent above the Usd 80/barrel level in 2018.

Enterprise Risk Management (Cont'd)

However, oil collapsed into a bear market by the end of 2018 as a global equity rout and trade tensions between the United State and China stoked concerns over economic growth and energy demand. The relentless growth in United State shale and America's unexpected temporary waivers that allow some nations to continue importing Iranian oil also weighed heavily on oil prices.

Oil recovered more than a third of 2018's late-year losses in the first quarter of 2019 as Organization of Petroleum Exporting Countries (OPEC) and its allies began cutting production in January 2019 to ease concerns over a supply glut. OPEC and its allies showed strong commitment to bring the market into balance in the face of surging American shale production. Deepening political turmoil in Venezuela, holder of the world's biggest oil reserves, and concerns about a global economic slowdown added some momentum to the rebound.

Counterparty credit risk

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

Interest rate risk

Air Mauritius earnings are also affected by changes in interest rates due to the impact of such changes on interest income and expenses from short term deposits other interest bearing financial assets and liabilities. Air Mauritius mitigates this risk by having a loan portfolio which carries both fixed and floating rates.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Context

The year 2018 has been a challenging year for the airline industry. The International Monetary Fund World Economic Outlook of April 2019 reported a decrease in the growth of global economic activity from 3.8% in 2017 to 3.6% in 2018. Growth in emerging and developing Asian economies namely China, India and ASEAN countries (Indonesia, Malaysia, Philippines, Thailand and Vietnam) decreased from 6.6% in 2017 to 6.4% in 2018. China's growth fell from 6.8% to 6.6% and India from 7.2% to 7.1%. The growth in Euro zone decreased from 2.4% in 2017 to 1.8% in 2018. The growth in Sub-Saharan Africa remained around the same level in 2018 as in 2017 at 3.0%.

Regarding the performance of the airline industry, the International Air Transport Association (IATA) announced a net profit of USD 30 billion in 2018 (compared to USD 37.7 billion in 2017) and a profit margin of 3.7% (compared to 5.0% in 2017). One of the factors for the lower profitability in 2018 was the increase in fuel prices with average Brent crude oil price climbing from USD 54.9 per barrel in 2017 to USD 71.6 per barrel in 2018. The industry profit remained unevenly distributed by region with carriers from Asia-Pacific, North America and Europe accounting for the bulk of the profit whilst carriers in Africa generated losses of USD 0.1 billion.

IATA projects a deterioration in global industry profitability in 2019 with a profit forecast of USD 28 billion and a profit margin of 3.2%. However, this is based on Brent crude oil price at USD 70 per barrel.

Air Mauritius Competitive Landscape

The operating environment for Air Mauritius has remained highly competitive in 2018/19 with new foreign operators on the Mauritius route as well as the consolidation of services by existing operators. In all, 24 foreign operators have served the Mauritius route during the year. Salient developments in the competitive landscape include the following:

- Alitalia started new operations on Rome-Mauritius route with 3 weekly A330-200 as from Winter 2018/19.
- Kenya Airways started new operations on Nairobi-Mauritius route with 4 weekly frequencies with E90 Embraer aircraft as from June 2018, increasing to 5 weekly frequencies in Winter 2018/19.
- LOT Polish resumed its operations from Warsaw with one weekly B787 flight throughout Winter 2018/19.
- Saudi Arabian Airlines had started 3 weekly B787-9 flights on Riyadh-Jeddah-Mauritius route as from September 2017. It maintained this base operation throughout 2018/19, resulting in an increase in capacity injection in Summer 2018 versus Summer 2017.
- Eurowings increased from 2 to 3 weekly A330-200 flights from Cologne in Summer 2018 and from 1 to 2 weekly A330-200 flights in Winter 2018/19.
- Thomas Cook operated 2 weekly charter flights in November and December 2018, one from Manchester and the other from London Gatwick.

The competitive environment will intensify further in 2019/20 with existing operators consolidating their operations such as Kenya Airways' plan to increase from 5 to 7 weekly flights Nairobi-Mauritius route.

Network

(a) Network Developments and Consolidation

- **Introduction of Amsterdam Operations**

Air Mauritius started new services on the Amsterdam route from IATA Summer 2018 in partnership with Air France/KLM under a joint venture agreement. The Company's operations consist of two weekly A340 flights with a 3rd weekly supplementary flight during July/August peak period. KLM maintained its 3 weekly B787-9 frequencies in Winter 2018/19, same as Winter 2017/18. The Amsterdam flights were commercialised jointly by Air Mauritius and KLM on a free flow codeshare basis.

- **Review of China and Asia operations**

The operations on China route were reviewed in view of improving the performance and economic sustainability of these operations. The China and Asia markets continued to be served through the 3 gateways in Far East namely Singapore, Hong Kong and Shanghai. The operations on the Hong Kong route were consolidated with a third weekly flight operated from July to September 2018. The once weekly flight on Guangzhou was suspended after April 04, 2018. Operations to Wuhan started on August 11, 2018 with a weekly A340 charter flight. The operations on Wuhan and Chengdu were suspended in October and November 2018 respectively.

Network (Cont'd)

- **Cape Town wide-body operations**

Air Mauritius has started regular wide-body operations on the Mauritius-Cape Town route with two weekly flights effective start of Summer 2018 replacing the A319 operations. This resulted in a substantial increase in seat capacity as well as cargo capacity to meet both passenger and cargo demand.

- **Capacity Rationalisation Plan**

Seat capacity was right-sized for the period October 2018 to March 2019 over the initial budget operating plan. This was prompted by an increase in fuel prices and uncertainty in markets like Europe and China, which increased the risks of operation especially where additional capacity/frequencies had been injected. Consequently, the seat capacity on routes such as India, Perth, Hong Kong, Geneva and Cape Town were reviewed and Air Mauritius did not go ahead with its plan to introduce services to Bangkok in Winter 2018/19.

(b) Online Network

During 2018/19, Air Mauritius operated on 23 online points excluding Guangzhou (suspended in the first week of April 2018) and Wuhan (which was operated for three months only). The points of operations were as follows:

Regions	Destinations
Europe	Paris, London, Amsterdam, Geneva
East Asia	Hong Kong, Singapore, Kuala Lumpur, Shanghai, Chengdu (suspended on 19 Nov), Wuhan (11 August to 13 October), Guangzhou (03 April)
India	Mumbai, Delhi, Chennai, Bangalore
Australia	Perth
Africa	Johannesburg, Cape Town, Nairobi, Durban, Dar es Salaam
Indian Ocean	Antananarivo, Saint-Denis, Saint-Pierre, Rodrigues

The Mauritius-Dubai route was served in codeshare with Emirates on its double daily A380 services.

(c) Codeshare Destinations

- **Beyond Paris (CDG)**

Air Mauritius code-shared to 41 European destinations beyond Paris under the Joint Venture Agreement with Air France as below:

Country	Destination
France	Brest, Bordeaux, Clermont-Ferrand, Lyon, Montpellier, Marseille, Nice, Nantes, Pau-Pyrénées, Rennes, Toulouse
Spain	Barcelona, Bilbao, Madrid
United Kingdom	Aberdeen, Birmingham, Edinburgh, London Heathrow, Manchester, Newcastle
Germany	Berlin, Bremen, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, Nuremburg, Stuttgart
Austria	Vienna
Italy	Rome, Bologna
Switzerland	Zurich, Geneva, Basel
Netherlands	Amsterdam
Sweden	Gothenburg, Stockholm
Norway	Oslo
Denmark	Copenhagen, Billund

Network (Cont'd)

- **Beyond Amsterdam**

Air Mauritius codeshared on KLM to 50 European destinations beyond Amsterdam with 18 destinations distinct from the Paris hub.

Points served via Amsterdam hub	Common points with Paris hub	Unique points on Amsterdam hub
France	Bordeaux, Lyon, Nice, Toulouse	-
United Kingdom	Aberdeen, Birmingham, Edinburgh, London Heathrow, Manchester, Newcastle	Bristol, Cardiff, Glasgow, Humberside, Leeds, Durham, Norwich
Germany	Berlin, Bremen, Dusseldorf, Frankfurt, Hamburg, Hannover, Munich, Nuremberg, Stuttgart	-
Italy	Rome	Milan
Norway	Oslo	Alesund, Bergen, Kristiansand, Stavanger, Oslo-Sandefjord, Trondheim
Denmark	Billund, Copenhagen	Alborg
Sweden	Goteborg, Stockholm	Linkoping
Switzerland	Basel, Geneva, Zurich	-
Spain	Barcelona, Bilbao, Madrid	-
Austria	Vienna	-
Belgium	-	Brussels
Finland	-	Helsinki

- **Beyond Kuala Lumpur (KUL)**

Under the cooperation with Malaysia Airlines, Air Mauritius codeshared beyond Kuala Lumpur has been carried on the following 9 destinations:

Country	Destination
Malaysia	Langkawi, Kuantan (southbound only), Penang, Kota Bharu, Johor Bharu
China	Beijing
Thailand	Bangkok
Singapore	Singapore
Hong Kong	Hong Kong

Network (Cont'd)

- **Beyond Perth**

Under the cooperation with Virgin Australia, Air Mauritius codeshared beyond Perth to 4 destinations namely Melbourne, Sydney, Adelaide and Brisbane.

- **Beyond Singapore**

Air Mauritius codeshared on Singapore Airlines flights as marketing carrier beyond Singapore to 5 destinations namely Perth, Sydney, Bangkok, Hong Kong and Shanghai.

- **Beyond Dubai**

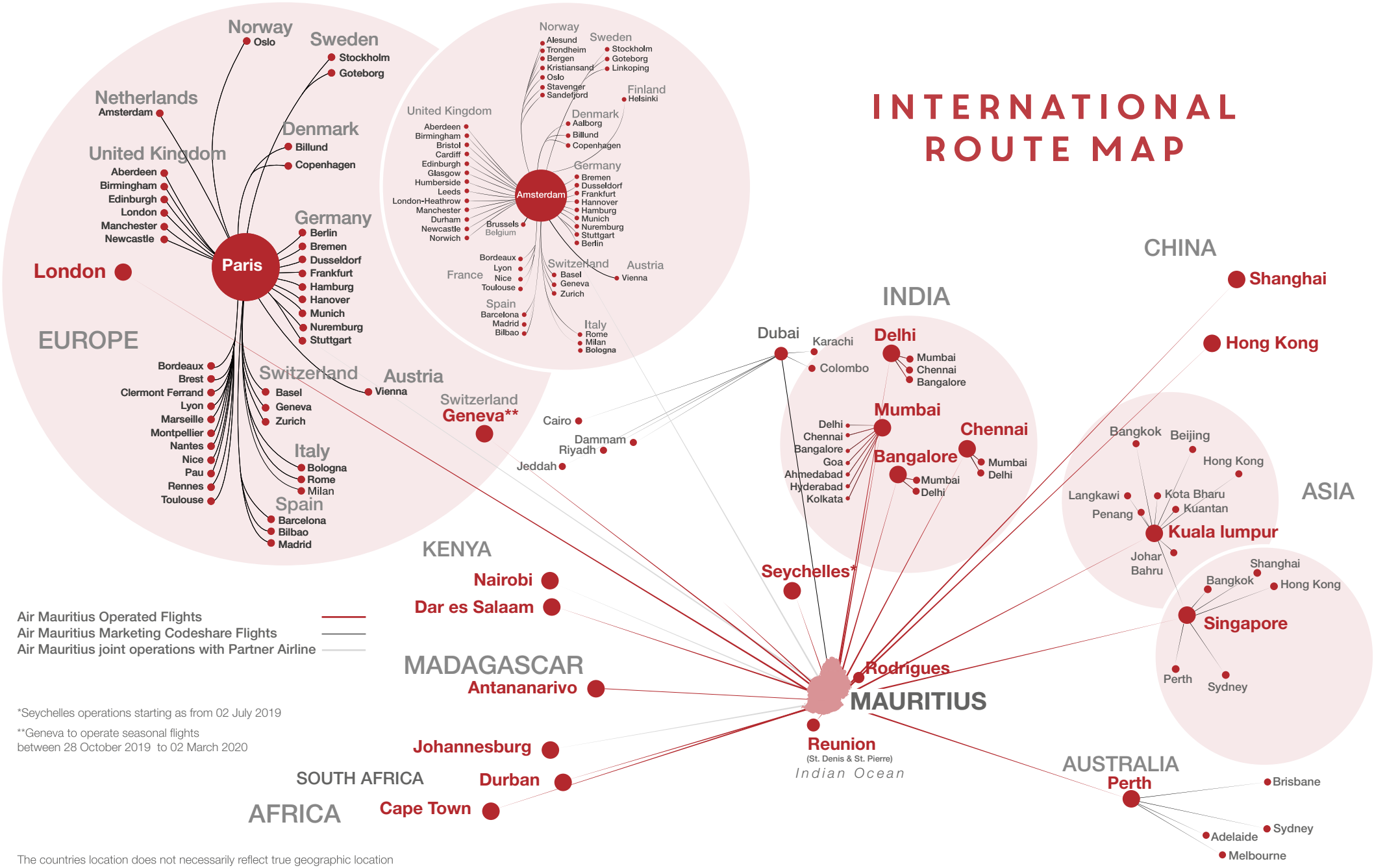
Air Mauritius has been the marketing carrier on Emirates operated flights beyond Dubai to 6 points namely Cairo, Karachi, Colombo, Riyadh, Jeddah and Dammam.

- **Domestic India**

The codeshare agreement between Air Mauritius and Air India covers 8 domestic sectors namely Delhi, Mumbai, Bangalore, Chennai, Goa, Ahmedabad, Hyderabad and Calcutta.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERNATIONAL ROUTE MAP



*Seychelles operations starting as from 02 July 2019

**Geneva to operate seasonal flights between 28 October 2019 to 02 March 2020

The countries location does not necessarily reflect true geographic location

Aircraft Fleet

Fleet Composition

Air Mauritius fleet consisted of 12 aircraft at the end of financial year 2018/19 as follows:

Type of Aircraft	Fleet	Owned/ Finance Lease	Operating Lease	Total	Average Age (Years) as at 31 March 2019
A350-900	Wide Body	-	2	2	1.4
A340-300C	Wide Body	2	1	3	22.0
A330-200	Wide Body	1	1	2	10.4
A319-100	Narrow Body	2	-	2	16.7
ATR72-500	Turbo Prop	1	2	3	11.2
Total		**6**	**6**	**12**	**13.0**

At the end of March 2019, the average age of the aircraft fleet stood at 13 years.

(i) Phase-out of three A340-300 aircraft

In line with the fleet modernisation plan, three A340-300 aircraft were returned to their respective lessors at the end of their lease periods, as per below:

- One A340-300C in May 2018
- Two A340-300E: in Dec 2018 and Feb 2019

(ii) Cabin Retrofit of two A330-200

During the financial year 2018/19, the two existing A330-200 aircraft have been retrofitted with new business and economy class seats, new inflight entertainment system as well as on-board internet connectivity. This has enhanced the generic product standard to that of the A350-900. The seat count after the retrofit is 273 with 18 full-flat seats in business class and 255 seats in economy class compared to 275 seats with 24 business class and 251 seats in economic class. The two aircraft have been deployed in service with the new cabin as from July and December 2018 respectively.

Fleet Deployment

The two A350-900 aircraft have primarily been dedicated on the Paris route. The A340-300 fleet has mainly served the other European and Chinese long haul routes, whilst the A330-200 fleet has been dedicated to medium haul operations to India, South East Asia and Perth. A mix of wide body and regional narrow body aircraft have been deployed to Africa, Madagascar, and Reunion (Saint Denis) taking into account both passenger and cargo requirements. The ATR72-500 fleet has been deployed on Rodrigues and Reunion (Saint Denis and Saint Pierre).

Aircraft Fleet (Cont'd)

Fleet Utilisation

Aircraft Fleet	Number of Flights	Total Utilisation (Block hours)	Average Daily Utilisation (Block Hours)
A350-900	1,207	9,596	13.2
A340-300	2,994	18,644	11.7
A330-200	1,340	8,138	12.4
A319-100	1,618	4,337	6.0
ATR72-500	5,378	7,102	7.5
Total	**12,537**	**47,817**	**-**

The above average daily utilization figures are based on aircraft available days, that is, after excluding aircraft maintenance days for overhaul and heavy checks.

Fleet Development Plans for the financial year 2019/20

The following are the main fleet developments planned for the financial year 2019/20:

(a) Delivery of two A330-900Neo aircraft

The first aircraft has already been delivered to Air Mauritius on April 17, 2019. With this delivery, Air Mauritius reaches a new landmark as the first airline in the southern hemisphere to operate the A330neo and the first airline in the world to operate both the A330neo and the A350-900.

The second aircraft is planned to be delivered to Air Mauritius in June 2019. The two A330-900Neo aircraft are one-to-one replacement for the two A340-300E aircraft which have been phased out during financial year 2018/19.

(b) Additional A350-900 aircraft

Air Mauritius has two A350-900 aircraft on direct order from Airbus and these aircraft are planned to be delivered during the fourth quarter of 2019.

(c) Phase-out of one A340-300C

The operating lease of the A340-300C 3B-NAU will terminate at the end of October 2019 and shall eventually be returned to its lessor.

(d) Cabin Retrofit of two A340-300C

The cabin retrofit of the two remaining A340-300C aircraft in the Air Mauritius fleet is planned to be completed by October 2019. Thereafter, Air Mauritius will have an aligned state-of-the-art cabin product across its wide body fleet, as from November 2019, for an enhanced passenger experience.

Capacity

Seat Capacity

The seat input for 2018/19 stood at 2.3 million one-way seats, representing an increase of 36,090 seats or 1.6% compared to 2017/18. The seat capacity evolution and distribution by region was as follows:

Region	2018/19	Variance over 2017/18	
		Seats	%
Europe	410,050	33,676	8.9
India	249,248	(6,495)	(2.5)
Far East	244,138	(49,256)	(16.8)
Australia	74,740	(3,338)	(4.3)
Africa	428,756	32,722	8.3
Inter-island*	891,372	28,781	3.3
Total	**2,298,304**	**36,090**	**1.6**

**Including Madagascar*

Cargo Capacity

Air Mauritius deployed a cargo capacity of 74,628 tons during 2018/19, representing an increase of 3.7% over 2017/18. The evolution and distribution by region stand as below:

Region	2018/19	Variance over 2017/18	
		Tonnes	%
Europe	17,882	2,502	16.3
India	9,878	(424)	(4.1)
Far East	9,410	(1,866)	(16.5)
Australia	2,776	(100)	(3.5)
Africa	12,261	1,865	17.9
Inter-island*	22,421	668	3.1
Network	**74,628**	**2,645**	**3.7**

**Including Madagascar*

Bilateral Air Services Agreements

During the financial year 2018/19, Mauritius concluded Bilateral Air Services Agreements with Korea and Turkey. As at March 31, 2019, the portfolio of traffic rights has been enlarged to a total of 62 agreements, including Bilateral Air Services Agreements and other traffic rights arrangements.

The withdrawal of the United Kingdom from the European Union could potentially have considerable implications for all players in the aviation sector. The Aeronautical Authorities of UK have already forwarded a draft Memorandum of Understanding to Mauritius advising about their intention to review and potentially update the Aviation Supplies and Academics (ASA) when the details of the UK's departure from the EU are known.

Aero-political and Industry Developments

On the aero-political and industry front, the major developments during the financial year 2018/19 included:

Bilateral Air Services Agreements (Cont'd)

(a) Air Transport Liberalisation

- **Mauritius – Air Access Policy**

  During the financial year 2018/19, around 20 foreign airlines operated scheduled flights to Mauritius. Two new entrants launched their services during the year, namely, Kenya Airways, effective June 07, 2018 and Alitalia, effective October 28, 2018. Moreover, a series of supplementary flights as well as charter flights were operated by Emirates, Condor, TUI Airways, Eurowings, Thomas Cook during the peak periods.

- **Trade in Services**

  Mauritius, as a member of Trade in Services Agreement (TiSA) and Southern African Development Community (SADC), participates in forums for the promotion of growth and development through trade in services. As a key aviation industry stakeholder in Mauritius, Air Mauritius is regularly called upon to give its views on the liberalisation of the services related to air transport

- **Air Transport Liberalisation in Africa**

  At the regional level, the African Union, COMESA and SADC supported by IATA and AFRAA are actively encouraging African governments to open up their skies and implement the Single African Air Transport Market (SAATM), which was established in January 2018 and started off from the Yamoussoukro Decision.

  Air Mauritius is not in favour of Mauritius joining the Single African Air Transport Market and advocates for the grant of air traffic rights under the current Bilateral Air Services Agreement framework.

(b) Environment and Climate Change

- **ICAO Market-Based Measure (MBM) on Aviation Emissions**

  Carbon Offset and Reduction Scheme for International Aviation (CORSIA) aims to stabilize net CO2 emissions from international civil aviation at 2020 levels. ICAO member states will apply the international standards of this new global market-based measure by monitoring their annual emissions effective January 01, 2019. ICAO's Carbon Offset and Reduction Scheme for International Aviation (CORSIA) is set to commence with a voluntary period (2021-2026) after which it will become mandatory. However, flights from Less Developed Countries (LDCs), Small Island Developing States (SIDS), Landlocked Developing Countries (LLDC) and states which represent less than 0.5% on international Revenue Tonne Kilometres (RTK) will be exempted from offsetting requirements, unless these States participate on a voluntary basis.

  Nevertheless, all operators are required to report emissions for all international flights as from January 01, 2019, including flights to/from exempted States. Air Mauritius will also be monitoring its emissions accordingly.

- **EU Emissions Trading Scheme (EU ETS)**

  The Commission has welcomed the adoption of a Resolution by the 2016 International Civil Aviation Organization (ICAO) Assembly on the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

  In light of the above, and in order to further support the ICAO process and remaining work on CORSIA, the new Regulation (EU) 2017/2392 amends the EU ETS Directive and maintains the current approach for aviation under the ETS beyond 2016 until 2023, keeping the scope limited to intra-EEA (European Economic Area) flights.

  The European Commission has published a Delegated Act that implements CORSIA for European airlines through the EU ETS.

  The Delegated Act requires aircraft operators that hold an air operator certificate issued by an EEA Member State, or are registered in a Member State, to submit to their Competent Authority an updated Emissions Monitoring Plan combining EU ETS and CORSIA. This means that European operators will have only one Monitoring Plan and one Annual Emissions Report when reporting emissions under both schemes. It will be then up to the European Commission to 'extract' the CORSIA relevant data from the reports, recalculate the emissions using emissions factor of 3.16 (instead of 3.15) and submit the data to the ICAO Secretariat.

Airline Alliances and Partnerships

Air Mauritius continues to leverage on airline partnerships, as a major strategic tool, to broaden its network and geographical reach. Furthermore, with the challenges facing airlines, creating synergies and commercial benefits among airline partners remains a priority.

In this context, during the financial year 2018/19, Air Mauritius consolidated its airline alliances and has initiated discussions with various partner airlines with a view to enhancing cooperation opportunities.

Air Mauritius' different airline partnerships for the financial year 2018/19 are provided below:

(a) Air Mauritius / Air France

Air France and Air Mauritius are in a joint venture agreement which covers the Mauritius-Paris-Mauritius route as well as destinations beyond Paris and beyond Mauritius.

Air Mauritius codeshares on flights operated by Air France beyond Paris to 41 destinations in 11 European countries, namely Spain. United Kingdom, Germany, Austria, Italy, Switzerland, Netherlands, Sweden, Norway, Denmark and domestic points in France.

Beyond Mauritius, Air France codeshares to Reunion (Saint Denis and Saint Pierre), Perth, Durban and Cape Town.

(b) Air Mauritius / KLM Royal Dutch Airlines

The joint venture agreement with KLM covers the trunk route Mauritius-Amsterdam-Mauritius as well as beyond Amsterdam and beyond Mauritius sectors.

(c) Air Mauritius / Singapore Airlines

Singapore Airlines codeshares on the Air Mauritius operated Singapore-Mauritius - Singapore sectors and Air Mauritius codeshares beyond Singapore to Perth, Sydney, Bangkok, Hong Kong and Shanghai.

(d) Air Mauritius / Emirates

The codeshare agreement between Air Mauritius and Emirates covers the trunk route Mauritius–Dubai–Mauritius as well as beyond Dubai and beyond Mauritius destinations. Air Mauritius codeshares beyond Dubai to Cairo, Karachi, Colombo, Riyadh, Dammam and Jeddah whereas Emirates codeshares beyond Mauritius to Antananarivo.

(e) Air Mauritius / Malaysia Airlines

Air Mauritius and Malaysia Airlines are in a codeshare agreement on the trunk route between Mauritius and Kuala Lumpur as well as beyond Kuala Lumpur and beyond Mauritius.

Air Mauritius codeshares beyond Kuala Lumpur to Langkawi, Kuantan, Penang, Kota Bharu, Johor Bahru, Beijing, Bangkok, Singapore and Hong Kong. On the other hand, Malaysia Airlines codeshares on Air Mauritius flights between Mauritius and Johannesburg.

(f) Air Mauritius / Air India

The codeshare agreement between Air Mauritius and Air India covers the Air Mauritius operated flights between India and Mauritius as well as beyond Mauritius and domestic Indian codeshare sectors.

There are 8 domestic Indian destinations (Delhi, Mumbai, Bangalore, Chennai, Goa, Ahmedabad, Hyderabad and Kolkata) onto which Air Mauritius codeshares. Air India codeshares, beyond Mauritius, to Perth, Johannesburg and Durban.

(g) Air Mauritius / Kenya Airways

With the start of Kenya Airways operations between Mauritius and Nairobi as from June 2018, the codeshare agreement between Air Mauritius and Kenya Airways has been converted into a bilateral codeshare arrangement, whereby each airline codeshares on the other airline`s flights between Mauritius and Nairobi.

Furthermore, Kenya Airways codeshares beyond Mauritius on Air Mauritius operated flights on Perth route.

(h) Air Mauritius / South African Airways

Under the codeshare agreement, Air Mauritius and South African Airways codeshare on each other's flights between Mauritius and Johannesburg.

(i) Air Mauritius / Virgin Australia

Air Mauritius codeshares on Virgin Australia operated domestic flights, beyond Perth, to Adelaide, Brisbane, Sydney and Melbourne

Airline Alliances and Partnerships (Cont'd)

(j) Air Mauritius/ Air Madagascar

The codeshare agreement between Air Mauritius and Air Madagascar allows Air Madagascar to codeshare on Air Mauritius operated Mauritius-Antananarivo-Mauritius flights.

Air Mauritius / Hong Kong Airlines

The codeshare arrangement between Air Mauritius and Hong Kong Airlines covers the Air Mauritius operated Mauritius-Hong Kong-Mauritius route on which Hong Kong Airlines codeshares.

(k) Air Mauritius / Air Austral

Air Austral codeshares on Air Mauritius operated flights between Mauritius- Perth- Mauritius.

(l) Air Mauritius / China Eastern Airlines

The codeshare agreement with China Eastern Airlines, allows China Eastern to codeshare on Air Mauritius flights between Mauritius and China.

Patterns of Operations

The main highlights of the financial year 2018/19 weekly pattern of operations are as follows:

(i) France

Air Mauritius served the Paris Charles de Gaulle route in a joint venture with Air France. The base weekly services consisted of 10 flights in Summer 2018 (7 flights by Air Mauritius and 3 flights by Air France) and 14 weekly flights in Winter 2018/19 (7 flights by Air Mauritius and Air France respectively). Air Mauritius operated its base operations with A350-900 aircraft and Air France with B777-300ER. Supplementary flights were added by Air Mauritius and Air France during all the peak periods in April, July to beginning of November and mid-December to mid-January to meet demand. Flight modulations have been carried out during the months of May and June.

The seat capacity on Paris route increased by 1.3% in 2018/19 over 2017/18.

(ii) United Kingdom

The base operations to the United Kingdom consisted of 3 weekly A340-300 frequencies to London Heathrow with a 4th weekly frequency during April 2018, July 11 to September 05, 2018 and December 12, 2018 to January 09, 2019. The seat capacity on London route decreased by 8.5% in 2018/19 compared to 2017/18.

(iii) Netherlands

Air Mauritius operated two weekly base A340-300 flights between Mauritius and Amsterdam during Summer 2018 with a third weekly flight during July and August. During Winter 2018/19, KLM operated on the route with three weekly base 787-9 flights. The operations were jointly marketed by both Air Mauritius and KLM on a free-flow basis.

(iv) Switzerland

The once weekly seasonal A340-300 flight to Geneva was operated from October 12, 2018 to January11, 2019. The seat capacity on Geneva route decreased by 6.7% in 2018/19 compared to 2017/18.

(v) China

Operations on mainland China in 2018/19 consisted of the following:

- Two weekly A340 frequencies to Shanghai except one flight from November 13, 2018 to January 08, 2019;
- Once weekly A340 frequency to Chengdu till November 12, 2018;
- Once weekly A340 frequency to Wuhan from August 11, to October13, 2018;
- Once weekly A340 flight to Guangzhou till April 03, 2018

(vi) Hong Kong

The operations on Hong Kong consisted of two base A330-200 flights with a 3rd weekly frequency from July to September 2018.

(vii) Singapore and Malaysia

Three weekly base A330-200 flights were operated on the Mauritius-Singapore-Kuala Lumpur-Singapore-Mauritius routing, with a fourth weekly flight operated in the second week of May 2018, from July 07 to August 18, 2018 and in October 2018.

Overall, seat capacity on Far East (China, Hong Kong and Singapore-Kuala Lumpur) has decreased by 16.8% in 2018/19 compared to 2017/18.

Patterns of Operations (Cont'd)

(viii) India

The operations on Mumbai (BOM) consisted of four base weekly flights. A fifth weekly flight was operated from April to June and from October 31, 2018 to January 30, 2019. A sixth weekly frequency was added in May and June 2018, and a seventh weekly frequency from May to first week of June 2018.

Two base weekly A330-200 frequencies were maintained on Delhi with a 3rd weekly flight operated in May and June 2018.

Two base weekly frequencies were operated on Bangalore/Chennai flight till mid-September and therefore the operation was modulated to one weekly frequency.

Overall, seat capacity growth on the India route fell by 3.0% in 2018/19 compared to 2017/18.

(ix) Australia

Two base weekly A330-200 flights were operated to Perth in 2018/19 with a third weekly flight in April 2018, from June 28, to October 25, 2018 and from December 06, 2018 to January 31, 2019. The seat capacity on the Perth route decreased by 4.3% in 2018/19 as compared to 2017/18.

(x) South Africa

The base weekly operations to Johannesburg consisted of 7 weekly flights with 4 wide-body and 3 A319-100 weekly flights, all operated in a day structure. Additional capacity has been provided through upgrades and supplementary flights during April 2018 and from December 2018 to January 08, 2019.

The base weekly operations to Cape Town consisted of two weekly A340-300 flights as from start of Summer 2018, replacing the previous A319 operations. A third weekly wide-body flight was operated to Cape Town during peaks from December 12, 2018 to January05, 2019.

The base operations on Durban consisted of three weekly A319-100 flights with a fourth supplementary weekly flight from April to May 06, 2018 and from December 16, 2018 to January 06, 2019.

Overall, seat capacity growth was 13.1% on the South African route over 2017/18.

(xi) Kenya/ Tanzania

Air Mauritius operated three base weekly flights with A319-100 aircraft on Nairobi in 2018/19 with one of these flights operating via Dar es Salaam. One Nairobi direct flight was modulated during off peaks from May to mid-July 2018 and in March 2019.

Seat capacity on this route decreased by 9.0% in 2018/19 compared to 2017/18.

(xii) Madagascar

The weekly operations on Antananarivo consisted of five wide-body and one A319-100 flights in 2018/19. The A319 frequency was operated in night structure for connectivity with the flight arrival from Singapore-Kuala Lumpur to Antananarivo. Seat capacity grew by 3.1% on this route in 2018/19 over 2017/18.

(xiii) Reunion

The base operations to Reunion consisted of 3 daily flights to Saint Denis Gillot (RUN) and twice daily ATR72-500 flights to Saint-Pierre Pierrefonds (ZSE). One of the daily RUN frequencies was operated with wide-body aircraft for cargo requirements. Additional capacity was injected during peaks through upgrades and supplementary flights. Seat capacity growth on the Reunion route was 4.0% over 2017/18.

(xiv) Rodrigues

Three base daily ATR72-500 flights were operated on the Rodrigues route in Summer 2018 with a fourth base daily flight as from Winter 2018/19. Additional capacity was injected during peak months, going up to ten daily flights during the hyper peaks from mid-December 2018 to mid-January 2019. Seat capacity growth on the Rodrigues route was 2.3% over 2017/18.

Revenue Management, Pricing and Business Intelligence

Air Mauritius continues to leverage on Revenue Management and Pricing (RMP) processes to achieve its revenue target. The Company uses pricing actions together with inventory management to meet its objective of optimizing revenue. It reacts to market conditions in a timely and proactive manner to stimulate traffic in case of poor demand and stiff competition, and to address yield decline. Appropriate actions are taken for the short and medium terms.

Revenue is geared by the synergy between pricing approach and inventory management with a view to push sales to higher fares on high demand flights, and to remain competitive on low demand flights.

The revenue generated by the RMP mechanism is achieved by the following:

- Agility to respond to the environment proactively and at short notice
- Minimizing impact of sluggish economic conditions
- Promoting Hub Mauritius concept
- Harnessing the benefits of Special Prorate Agreement (SPAs) to provide competitive pricing, to enhance sales volume opportunities to/from offline points, and to create opportunities to capture sales on new markets
- Coordinating RMP actions with other marketing actions to create volume impact as and when required.

Ancillary Revenues

The financial year under review yielded much satisfactory results on the ancillary front. The downward trend in revenues has been reversed, and growth restored.

The performance came about as a result of a series of corrective actions that were undertaken. The baggage policy was reviewed, coupled with a better control on excess baggage. The Upgradenow product was further automated to allow more people to bid for an upgrade closer to departure. Charging for advanced seat reservation was extended to standard seats, in addition to exit seats. Marketing of the ancillary services was also being actively done through all channels.

To further drive up the revenues in the next financial year, the Upgradenow program will be continuously enhanced, and new products will be introduced. A Twin/Duo seat option will be offered, and Inflight Wi-Fi will be made available on all A350 and A330 aircrafts, so as to give passengers the possibility to stay connected with their family, friends, and colleagues, whilst on board. Travel insurance will be extended to more markets.

Loyalty Marketing

- **Membership**

  The Kestrel frequent flyer program registered a membership growth of 4% during the financial year 2018/2019 with about 16,000 new members. Most of the registration is coming from the Website showing more people are using the internet.

- **Awards and Benefits**

  Kestrelflyer members were encouraged to use their miles for various awards. Kestrelflyer members have benefitted from an incremental 9% award tickets, 13% upgrades and 47% excess luggage vouchers were issued.

  There is an increase of 23% on the usage of Internet check in facilities by Kestrelflyer members and bonus miles attributed to them. The Company has recorded an improvement of 13% online purchases from Kestrelflyer members on Air Mauritius website. Thus, overall members have got more bonus miles for online purchase.

New Card design & Digital Membership card

A new set of Kestrelflyer cards has been designed and ready to be rolled out now. We have also introduced the Kestrelflyer Digital Membership card that can be downloaded through Air Mauritius Mobile Apps. In the weeks to come, we will encourage all members to download their respective e-version of membership cards for convenience.

Partnership

Airline partnerships with Air France and Emirates have continued to help drive more Revenues for Air Mauritius as it has been also noted that more Air France Flying Blue members and Emirates Skywards members travelling on Air Mauritius. More Air France Flying Blue members and Emirates Skywards members have redeemed for Award tickets on Air Mauritius flights generating more revenues for Air Mauritius.

Loyalty Marketing (Cont'd)

Non-Airline partnership with various partners have enabled our members to accumulate miles from non-flight activities or to benefit from discounts thus creating more values for Kestrelflyer members. The SBM Sky-Smiles cobranded card has enabled more members to earn miles while spending with their cards and benefitting from the loyalty programme.

E-Commerce

Despite a challenging marketing environment, Air Mauritius web sales managed to post a decent performance, registering an increase in online penetration compared to the previous financial year.

The internet booking engine was upgraded to its latest version, offering a more modern, intuitive, and user-friendly interface which makes it faster and easier to make a booking. Bookings from mobile devices continued to be on the rise, especially after the release of the iOS version of the mobile application, and confirmed the strategy to go mobile.

Special offers were systematically promoted through paid media, such as Google and Facebook, as well as owned media, such as web site, email, and social media.

For the next financial year, the new mobile-responsive web site, which is in its final stages of development, will be launched, and the fresher look-and-feel is expected to give a boost to online sales and penetration. New payment methods will be introduced in emerging markets, where credit cards are not so popular.

Branding, Marketing and Advertising

During the financial year 2018/19, the focus has continued on the promotion of the Air Mauritius brand namely the unique "Mauritian-ness" aspect and its close association with Mauritius as a destination. There have been several co-branding and sponsorship initiatives carried out during the year to reinforce the presence of the brand and to support sales initiatives. The brand has also been systematically deployed across international sports and social events, conferences and trade fairs in Mauritius and in other countries.

The Air Mauritius brand is also promoted across the network in the inflight magazine *Islander*. This publication is now available in a digital format on the Air Mauritius Mobile App and on the A350's, A330's and A330neo aircrafts' Inflight Entertainment platforms. Selling of advertising space in the inflight magazine *Islander* continues to be a revenue generating activity for the company. The implementation of the brand is also monitored on a daily basis across the internal communication platforms and channels to ensure brand consistency.

Tactical promotion campaigns have been created and launched throughout the year to support all markets, including Mauritius market in their sales initiatives. Most of the advertising efforts launched have been on the social media platforms with a view to ensure more return on investment and also to measure this return.

Technical and strategic marketing support has throughout the year been provided to all markets with a view to support their sales actions. Marketing messages in Mauritius and across the network have focused largely on the new A350/A330 product, the network, frequency, two centre holidays and the Mauritian hospitality. The library of photos has been refreshed this year with new photos of the various products and services.

Customer, Product and Digitalisation

The organisation has geared up to leverage on technology to meet customer requirements in a fast-evolving environment. The setting up of a dedicated department for the continuous enhancement of customer experience through product development, service improvement and digitalization, has allowed the company to place the customer at the centre of the organisation. The key objectives of this specialised team have been to know more about our customers to better meet their needs, the reinforcement of the Mauritian hospitality, brand differentiation, innovative customer products and services, and ensuring smooth processes throughout the journey.

The valuable feedback from the customers are scrupulously analysed and acted upon, wherever feasible. Air Mauritius achieved a 3% increase in the overall customer satisfaction index and also an upward surge of 39% in the number of customers who will recommend flying with the Company.

Customer Experience and Analytics

During the financial year 2018/19, the online customer survey process was significantly improved so as to capture feedback from various segments of our customers. Wherever feasible, customers were invited to test new products prior to their implementation.

Customer Experience and Analytics (Cont'd)

Technology is being used to further enhance Customer Analytics capabilities with a view to predict customer behaviour, increase loyalty, improve customer experience, and personalise service in an increasingly competitive environment. The Customer Relationship Management system (CRM), customer feedback mechanisms and other internal data systems are being harnessed to ensure customer-centric decision-making across the organisation. These systems allow for the measurement of performance from the Customer perspective through the ongoing monitoring of customer metrics and customer experience.

During the year, attention has been given to process improvements in the event of service disruptions, with a view to minimise customer inconveniences. Furthermore, service improvement is also focusing on customers with special requirements. A roadmap to offering personalised services has been drawn and is being implemented using a phased approach.

Corporate Product Research and Development

The Corporate Product Research and Development Department, in conjunction with relevant cross functional team members, have enhanced the Air Mauritius exclusive identity, by modulating emotional connections, through an unrivalled and unique Mauritian experience.

The re-fleeting and aircraft retrofit plans are moving ahead, and have brought a marked improvement in the core product, with a complete refresh of the aircraft cabin interior, in line with the new trim and finish, mood lighting, and new uniforms. The themes chosen were *Modern Simplicity* and *Timeless Classic*, inspired from the Mauritian hospitality.

The new aircraft configuration has integrated an improved product offering in both classes, mainly in terms of seats comfort, lavatories, inflight entertainment systems with HD screens, Wi-Fi and connectivity, digital media, with an alignment of the cabin comfort items and amenities matching with the new cabin design, new crew uniforms, and the legendary Mauritian hospitality.

Air Mauritius has created a special page content featuring the various areas of Mauritian Arts & Culture in the inflight entertainment offering, which will be gradually reinforced.

The lounges, ground products and service offerings, are also being reviewed on a phased approach, as well as all customer touch points, with the support of customer analytics, to synthetize and identify actionable insights, in conjunction with each area of activity.

The immediate results obtained from the customer analytics, clearly indicate the positive impact on the customer satisfaction index, and this trend needs to be sustained. The various Industry Awards obtained by Air Mauritius in 2018, including the World Travel Awards, and the sustained Skytrax Four Star Airline rating, recognizes the successful implementation of the new image, products and services.

Process Improvement and Innovation

Air Mauritius always strives to bring innovative solutions so as to make the customer journey as enjoyable as possible. The Company has thus successfully implemented a digital publications platform. Through the airline mobile applications and a lounge portal, customers are able to enjoy a large range of e-Magazines and e-Newspapers prior, during and even after they travel with Air Mauritius. This new service aims first and foremost to improve the customer experience but at the same time bring operational efficiencies and address growing environmental concerns through reduction of the carbon footprint.

As Air Mauritius gathers experience with the provision of digital publications to the personal devices of the customers, it shall enrich its offering with more digital content both on these mobile devices and its inflight entertainment systems. The customers will thus have a wider choice in terms of content and the delivery medium.

A state-of-the-art e-retailing platform has been implemented this year and will be released in a phased approach during the forthcoming financial year in various markets. It will allow Air Mauritius to support the IATA New Distribution Capability (NDC) initiative as the Company modernise the indirect distribution channel, leading to more personalized offerings and operational efficiencies. As the organisation strives to further bring improvement and innovation across the business, a number of initiatives has already started and will either be completed or progress in the next financial year.

Similarly, Air Mauritius has started to work towards aligning with IATA's FAST Travel initiative to have more self-service facilities at the airport for more convenience to the customers and efficiency to the airline

Cargo

Air Mauritius presently pursues to maximise opportunities for passenger development but also values the importance of cargo growth as it presents an important revenue stream. It continues to optimise belly hold capacities available on all the passenger flights. Apart from the online points, Air Mauritius was able to offer connections to almost 125 offline destinations around the world through our partnership with other airlines and trucking companies. This has benefitted the Customers in as much as the national carrier has been able to provide them with a much wider network.

Air Mauritius took major steps towards digitalisation and innovation in order to streamline and simplify the cargo supply chain. After the successful implementation of the Cargo Invoicing System (CIS) in Reunion, this new in-house system was also introduced in Madagascar and Mauritius as a solution customised to the needs of Air Mauritius for its Import and Export processes. Among other initiatives, a new sales steering analysis tool was introduced to support the business. Air Mauritius also continued to drive electronic airwaybill (e-AWB) adoption across its network giving Customers options to exchange cargo shipment details electronically to the system and contribute significantly to eliminate paper airwaybills.

In terms of performance, air cargo remains a very tough and competitive business. Changes in representations in our main markets and review of the sales strategy saw an upsurge in production. High demand for perishables, pharmaceutical products and manufacturing goods contributed mainly to the growth. The Air-Corridor between Asia and Africa has also led to an increase in freight volumes and offers higher prospects. To further expand its existing cargo sales network, Air Mauritius appointed General Sales Agents (GSAs) in new territories namely Japan, Turkey, Israel, Austria, Canada and Brazil.

On the other hand, Air Mauritius continues to suffer from the adverse effect of yield erosion mainly due to overcapacity prevailing in almost all the major markets. Shifting of manufacturing base to other countries together with changes in the containership industry have seen a reduction in the demand for air cargo capacity. Shippers now have the possibility to move their freight away from air cargo to maritime when schedules and time commitments permit. Increasing cargo capacity from competition has led to an imbalance; surplus of supply over demand with too much capacity chasing too little available air cargo in the market. There also exist concerns about more competition, increased supply of capacity, escalating costs, weakening load factors and downward pressure on yields.

In view of this volatile environment, Air Mauritius will remain flexible in deploying its resources, alert and proactive on all sales opportunities and vigilant in maintaining cost discipline. The Company will stay focus on quality as volume grows. Future growth will depend largely in consolidating Mauritius as the Hub. Air Mauritius, being the National Carrier, will continue to ensure an efficient network of cargo services in order to promote trade, support local industries and also contribute towards the economic development of the country.

Information and Communication Technology

The air travel industry has changed tremendously over the past few years as a result of technology innovation, digital transformation and rising customer expectations. Faced with these challenges, Air Mauritius has consistently embraced new technologies as an enabler to support and drive its business goals. In this respect, the company has continued along its digital journey to find more innovative ways to enhance the passenger experience, streamline business processes and empower its people through the use of cost-effective Information Systems that fully integrate its value chain.

- **Enriching Customer Experience through enabling technologies**

Today's travelers have a choice of technologies, sales channels and brands and their expectations for the use and performance of airline products and services are higher than ever. As these travelers become savvier and more demanding of their technology experiences, the company has pursued in its drive to continuously bring new digital solutions to optimise the end-to-end journey of its customers.

Information and Communication Technology (Cont'd)

As part of the company's ongoing efforts to make its passengers' travel experience seamless and to reduce its carbon footprint, a new digital card for its loyalty programme has been implemented across all membership tiers. The new Air Mauritius digital KestrelFlyer card has been deployed as a feature in the Business to Customer (B2C) company's mobile app and this is available on both the Android and Apple iOS platforms. This app has further been enhanced with an eReader Service, allowing passengers to download and read digital versions of international newspapers and magazines on their personal devices whenever they fly with Air Mauritius. These new services thereby enhance the digital interaction with customers and also contribute in reducing on board weight and associated fuel consumption.

During the year 2018/19, the Company has enhanced its online distribution, sales and marketing channels through the introduction of new technological tools and upgrade of existing digital platforms to enrich the customer

experience. To increase the conversion rate for online sales through the Company's website and mobile app, Air Mauritius has migrated to the latest booking engine from Amadeus. This reduces the booking steps and simplifies the online ticket purchase. This new system also comes with a responsive version which makes it well adapted for smartphones, thereby catering for the growing mobile audience. A new passenger survey system has also been developed in-house and rolled out to provide increased flexibility for customising online surveys and enable detailed customer feedback analysis.

Furthermore, to keep abreast with the increasing modes of payment and to be able to offer to its customers their payment of choice, Air Mauritius has upgraded its online payment gateway. Through this new platform, the company will be able to support more alternative modes of payment such as Alipay, Paypal and other country-specific form of payments. The new platform has also been a catalyst to add the Union Pay credit card scheme as a payment method for online ticket purchase. This will assist in promoting more online sales from China. The Company has also enriched its portfolio of payment options for the Mauritian market with the introduction of two additional forms of payment which are Mobipaid and Juice. Mobipaid is an online payment system using a payment link embedded in an email which is sent to customers purchasing tickets over the phone. This allows customers to pay in privacy and reduces the possibilities of fraud by eliminating the need to share credit card numbers over the phone. Juice which is a popular mobile payment method from the Mauritius Commercial Bank (MCB) is now available as a payment option for purchasing tickets at the Air Mauritius sales counters and via its call centre.

- **Enterprise Resource Management**

During the year 2018/19, the Company's Enterprise Resource Management (ERM) system has undergone several enhancements to further streamline business processes across the Company. The Oracle Human Resource Management System (HRMS) is continuously being enhanced to assist the Human Resource department in better managing the entire employee lifecycle and maintaining a productive workplace. In this respect, the online Human Resource leave management system has been deployed to additional outstation offices and the payroll system has been amended to accommodate new government regulations as well as new staff union and MOU rules. New processes have also been implemented to automate the payment of salaries of Airmate staff as well as the refund of employee expenses via internet banking so as to reduce administration costs. Furthermore, the Concessional Travel System which is used to process staff rebate travel requests has been enhanced to cater for additional types of travel, staff categories and specific outstation requirements. The Crew Allowance System which is an in-house developed system for the management of allowance sheets for pre and post flights to cabin and technical crews has also been enhanced to send allowance sheets automatically to hotels and crews.

A new integrated Access Control and Time and Attendance system has been deployed across the Company, leveraging on new biometrics technology with the flexibility of having proximity card reading capabilities to provide more accurate attendance recording, monitoring and overtime computation. In addition, the new Ground Operations staff rostering system is currently in production in the Cargo and Ramp departments of the company. This system will gradually be rolled out in other sections and will assist Ground Operations to optimise staff utilisation, reduce administration and processing time for roster management, contain overtime costs and improve staff efficiency. Furthermore, the Workforce Optimisation (WFO) system which is used by the company's Contact Centre for its daily operations, namely agent scheduling, voice recording and quality monitoring, has had a major upgrade to leverage on new technology and new functionalities.

Information and Communication Technology (Cont'd)

The use of the Oracle ERP financial system has been further enhanced to simplify several financial processes of the Company and cater for new business requirements. This includes system customisations, process automation and development of new reporting capabilities to better manage stock items for Cabin Services, enhance the consignment of goods process as well as the tracking of dispatched goods for the Ground Services Support department and automate the reconciliation of bank statements in the system

- **Data Analytics and Digital Intelligence**

As the volume, complexity and diversity of its enterprise data continue to grow, Air Mauritius has to consistently review and upgrade its data analytics architectures whilst introducing new technology platforms to better exploit the big amounts of data coming from its different applications.

With the advent of Cloud Computing, the existing Cognos Business Intelligence platform has been migrated to the new IBM Analytics cloud environment. This enables the company to use latest technologies in a cost-effective way to quickly develop and roll out advanced analytics models to meet evolving business requirements. Likewise, this new system is regularly updated with new functionalities such as interactive self-service dashboards and new rave reporting components and deployed to users for better reporting and decision-making capabilities. The new Enterprise Planning and Budgeting system has also enabled the implementation of new processes and workflows for the analysis of passenger forecasted information.

The Company is also leveraging on Microsoft Power BI technologies and reporting services to aggregate data from different sources and transform them into coherent, visual and interactive insights. This includes the development of reporting capabilities to better analyse customer feedback, complaints and compliments, dashboards for IT service request and delivery and other analytics to have better insights of the Company's business performance. Furthermore, a Customer Data Analytics platform is being developed to create a unified system whereby data is pulled from multiple passenger data related sources, cleaned and combined to build customer profiles that will assist the Company to direct its sales to targeted market segments. This platform will also be used to enrich the Company's Dynamics CRM system and add more transactional, demographic and behavioural data so as to better service its customers.

- **Enterprise Collaboration/Digital workplace**

To facilitate the quick sharing, processing and management of information among its workforce and enable its employees to work efficiently in teams, Air Mauritius is continuously enriching its digital tools and introducing new ones to improve staff productivity and give employees an intelligent intranet platform with targeted content, flexible workflows and powerful search capabilities.

During the year, the Company has brought several enhancements to its existing enterprise collaboration systems and has implemented new features to meet new business requirements. For Ground Operations, the Microsoft SharePoint portal has been enhanced with a project management system, a Read and Sign operation manuals' distribution application and an Operations log system to improve overall processes. In the engineering section of the Technical Services department, SharePoint is now being used for the management of Maintenance Data Inaccuracy (MDIs) to replace paper-based processes. Furthermore, a new simplified Read and Sign process has been implemented to assist Corporate Quality department for the distribution and tracking of corporate manuals. Other customised systems have also been implemented for Quality Notice (QN) documents from foreign operators in Maintenance Services and for Electronic Flight Bag (EFB) updates in Flight Operations.

- **Systems to improve operational efficiency**

The re-engineering and digitalisation of business processes through enabling technologies play a critical role in the Company's incessant drive to improve operational efficiency. Several systems have therefore been implemented or upgraded during the year to enhance productivity and business effectiveness.

A cargo invoicing system has been implemented in the Company's cargo office in Madagascar and in Mauritius for export activities. This web-based application caters for all the import and export back-office activities handled by the new cargo office encompassing the sending of advice of arrival, reminders for import, invoicing, collection of fees and charges and sales reporting to Air Mauritius. Similarly, the counter invoicing system that is used in the Company's sales offices located in Mauritius has been extended to the Air Mauritius Johannesburg office. Enhancements have also been made to allow the Company's Call Centre agents capture reservations outside office hours from walk-in customers, agents and outstations.

Information and Communication Technology (Cont'd)

Furthermore, a new system has been developed for the distribution of complimentary in-flight wifi promo codes to passengers, such as KestrelFlyer gold members and business class passengers, who are entitled to free WIFI on-board. This platform also enables the management and secured supply of paid WIFI access codes through several different channels. This has eliminated the need to print and physically distribute the codes, thereby eliminating associated costs, stock management and issues related to logistics.

As part of an initiative to digitalise the transport department, a new Transport System has been developed to facilitate and improve the processes that plan, create, update and communicate transport trips for Air Mauritius Staff.

- **Aircraft and Flight Operation Systems**

The rapid evolution of advanced data analytics and big-data integration technologies is considerably reshaping the digital aviation ecosystem. The arrival of the Airbus A350 and A330 Neo e-connected aircraft has allowed the Company to introduce a new aviation operations data platform. In collaboration with Airbus, Air Mauritius has recently implemented the cloud-based SKYWISE system which integrates data from multiple sources such as aircraft avionics, flight operations, aircraft maintenance or flight scheduling systems into a centralised technology platform. This will enable the Company to have new insights into the operation of its aircraft, optimise aircraft maintenance, engineering and flight operations decision-making as well as reduce operations costs.

The digitalisation of aircraft documentation is also being upscaled with the implementation of the new AirnavX system for current and new generation aircraft. Based on Airbus innovative Airn@v digital platform, the AirnavX application provides more functionalities to manage aircraft technical data, optimise information workflows for aircraft mechanics and engineers and reduce the time for aircraft troubleshooting. Also, new analytics and reporting capabilities have been introduced in the Maintenix aircraft maintenance system. This has enabled users to have more powerful, user-friendly and flexible business intelligence reporting and interactive dashboards for decision-making.

A new SITAOnair cloud-based Flight Planner platform has been implemented in replacement of the current GrafLite application. This flight planning system has provided Flight Operations department and Operations Control Centre with more features on airport information, surface weather and NOTAM services. Furthermore, the Aviation Quality Database (AQD) system which is an integrated set of tools to support the Company's Corporate Safety Office as its Safety Management System (SMS) has been upgraded. This will bring enhanced capabilities for the risk management module, in compliance with ICAO standards

- **Enterprise Information and Communication Technology (ICT) Infrastructure**

Throughout the year 2018/19, Air Mauritius has reinforced its ICT infrastructure to integrate the growing information systems and data requirements of its business and provide greater integration across systems.

In this respect, the Company has pursued the consolidation of its core servers, storage and backup systems into its centralised IT environment with improved manageability and recoverability. It has also upgraded its network and internet connectivity to bring more cost efficiencies and easier IT infrastructure management. This also encompassed the revamping of the ICT server and storage systems in some of the Company's main outstation offices, the implementation of new IP telephony systems and fibre optical network connectivity in the Company's Rodrigues town and airport workplaces, the relocation of Paris town office's IT and telecommunication facilities as well as the setting up of ICT services for the sales office at Trianon Shopping Mall in Mauritius.

To enhance the resilience, availability, performance and scalability of the Company's wide area network, the aging core network switches have been replaced to provide seamless connectivity to the main Ebene data centre located in Mauritius. Moreover, the SITA global area network that links the main outstation town and airport offices to the Company's key systems has been re-architected and upgraded to reduce overall international telecommunication and networking costs.

Furthermore, to ensure the continuous security of its key information assets, the company has to regularly review, upgrade and complement its existing ICT security infrastructure with new capabilities. In this respect, the company has implemented a new cloud-based 'Secure Email Gateway' system to protect the company from malicious, spamming and phishing content contained within emails by preventing them from reaching their intended recipient.

Flight Operations and Safety

Air Mauritius holds an Air Operator's Certificate (AOC) issued by the Department of Civil Aviation (DCA) of the Republic of Mauritius in order to qualify for Commercial Air Transport Operations.

The Safety of its passengers and of its operations is the prime objective of Air Mauritius. Consequently, the Flight Operations and Safety team sets the standards well above minimum compliance levels, and strives for continuous improvement.

Through regular audits, the Department of Civil Aviation carries out oversight of all aspects of operations to verify continued compliance has been achieved and safety standards remain high.

In May 2018, Air Mauritius went successfully through the IOSA (IATA Operational Safety Audit). IOSA is an internationally recognized leading operational safety standard program. The airline community also recognizes that IOSA evaluation system is designed to assess the operational management and control systems of an airline. The IOSA Program and Audit uphold improvement of global safety levels and support consistent implementation of Safety Management System (SMS).

Flight Operations Department is headed by the Executive Vice President - Flight Operations as the AOC nominated person for Flight Operations. A new Flight Operations structure has been elaborated with the objective of a leaner and more efficient organization. The new management team comprises of 2 Fleet Managers (Airbus and ATR), 2 Fleet Training Managers, a Technical Manager, the Head of Corporate Safety and Operations Managers.

The Technical Manager is responsible to provide the logistical back up for operations to all scheduled destinations and alternate airports where Air Mauritius operates. The Technical office ensures that the relevant permits and approvals have been obtained from all countries that the Airline overflies, and that necessary documentation, manuals and procedures are accurate.

Crew Training is an important element of Flight Operations and is under the responsibility of the Head of Training who is a nominated AOC post holder. Crew training is mandatory and conducted throughout the year to ensure that both cockpit and cabin crew demonstrate that the required standards are met. The training is validated by checks to ensure that the defined standard is met. Technical, Procedural and Interpersonal competencies are assessed during Simulator training. Furthermore, the training department makes use of EBT (Evidence Based Training) to analyze trends and statistics before elaborating the Simulator training briefings and programs.

The Operations Control Centre (OCC) is 'the nerve center' for Aircraft operations, where all flights are monitored on a round the clock daily basis. OCC is headed by the Vice President - Irregular Operations. Whenever there is a disruption on scheduled operations, OCC shall consult the relevant departments such as Commercial, Planning, Technical Services, Outstations and a plan is elaborated. The primary aim is to minimize disruptions for the passengers. The dispatch and crew tracking teams within OCC also manage the day to day functions of flight dispatch, flight planning, crew control and flight monitoring whereby automatic updates of the aircraft position are available.

The Technical manager is responsible for fuel optimisation initiatives for all areas of operations. A series of fuel initiatives including Dynamic flight planning, negotiating shorter routings, optimizing cruising flight levels, availability of more accurate load information and fuel tankering contribute to optimal uplift of fuel for each flight.

In 2018/19, new fuel initiatives have been introduced to further minimize fuel costs:

- Adjusting speed restriction below 10,000 feet;
- Adjusting the Centre of Gravity on A350;
- Adjusting the fuel used for the approach in Paris;
- Weight reduction on each flight; and
- Close monitoring of fuel uplift on all flights

Crews are regularly sensitized on fuel cost and saving initiatives.

Safety is the first priority of the Company and therefore, a close collaboration between the Flight Safety department and Flight Operations is a prerequisite. A permanent communication flow exists between the two sections whereby all relevant events related to the operations of aircraft are analyzed and discussed. Safety Performance Indicators (SPIs) are being used to monitor and assess the performance and thus monitoring and enhancing safety. Promoting an open reporting culture is at the heart of the Safety Management System. As and when required, feedback from technical crews are considered and information permeated to the pilot community.

Flight Operations and Safety (Cont'd)

In collaboration with other departments, Cabin Operations participated in the development and deployment of new products onboard. Service improvements were also implemented to adapt to evolving customer needs.

Cabin Operations continues to build a motivated team and harnesses resources to focus on customer centricity, facilitation for the crew, people development and improved process efficiency.

Technical Services

Technical Services Business Unit has the key mission of providing fully serviceable aircraft to operate every single flight without jeopardising safety at any point in time. Maintenance activities are performed to the highest industry standards complying with all Mauritian and European regulatory standards. This allows Air Mauritius to operate to any destination throughout its network without any restriction.

From a passenger's perspective, the Company has the prime objective to ensure on-time departure and a cabin where all equipment and passenger facilities are operational at all time.

To achieve the above, the Company has in place a well elaborated continuous training plan for its personnel. Trainings are conducted by approved training organisations including Airbus, ATR and Rolls Royce.

Air Mauritius holds approval as an Approved Maintenance Organisation from Mauritius Department of Civil Aviation (DCA), European Aviation Safety Agency (EASA) and South African Civil Aviation Authority. These international approvals allow the Company to provide its services to foreign operators. The Company is also approved as a Continuous Airworthiness Management Organisation and is fully compliant with the Mauritius Civil Airworthiness Requirements.

Maintenance Control Centre (MCC) works round the clock and is manned by highly qualified and experienced engineers who are available to provide technical assistance to the operations as and when required. MCC is equipped with State-of-the-Art tools giving them the possibility to be in permanent communication with the aircraft. These facilities allow the maintenance teams to act proactively on technical defects that may arise during a flight. Engineers at the arriving destination get advanced notice of the technical status of the aircraft well before it lands. This facility gives the possibility to anticipate technical interventions hence reducing significantly the risk of running into a flight delay or a cancellation.

Cabin appearance directly impacts on customer satisfaction. The aircraft cabin is used by thousands of customers throughout the year. The rate of wear and tear is very significant and keeping cabin appearance and serviceability to a level acceptable to the customer requires continuous intervention at every transit, base maintenance and major overhauls. Air Mauritius has put in place a cabin maintenance team comprising of well-trained technicians dedicated for the serviceability of the inflight entertainment systems, connectivity systems and amenities aimed for the comfort and convenience of passengers. This initiative has permitted Air Mauritius to acquire the well-known industry standard, 4 star Skytrax rating.

Air Mauritius prepared lengthily with a lot of resources for the acquisition of A330-900(neo). Licensed Engineers and Support Engineers were given the appropriate training to ascertain that the organisation have the required engineering and maintenance capability for a smooth introduction of this new aircraft type. The Entry into Service (EIS) project encompasses all technical aspects of introducing a new generation aircraft in the fleet. The project started from aircraft definition freeze stage and aims at ascertaining that the aircraft is produced to the agreed definition. The personnel acquired the right competencies and approval to certify the aircraft in operation. The right tools and equipment must be available in Mauritius and in outstations where this aircraft will operate. A dedicated team from Technical Services department have been working jointly with Airbus, Rolls Royce and other equipment suppliers to define the optimal stock required to support this aircraft.

The Company is always faced with the challenge of maintaining on-time performance. Several improvement initiatives are in place to keep the number of delays as low as possible. The Continuous Airworthiness Management Organisation monitors the performance of each individual aircraft and comes up with new maintenance strategies customised to each aircraft based on its utilisation and age. Reliability Analysis of aircraft systems are performed to identify weaknesses and implement corrective and preventive actions which are cost-effective.

Technical Services (Cont'd)

Air Mauritius remains the leading Approved Maintenance Organisation providing extensive Maintenance and Engineering Services to the Company as the main airline and to most foreign airlines operating to Mauritius. It is constantly evolving to cope with the introduction of 21st century generation aircraft which are being introduced by most airlines.

Human Resources - People

With the challenges faced by the Company, its Human Resources strategy and value proposition, are key enablers to harness the Company's human capital.

The successful execution of the Company's Strategic Plan will only happen through the unflinching engagement of Air Mauritius' employees. The HR initiatives are prioritized in order to meet these challenges.

Employee Engagement

In line with its HR strategy to enhance the Employer's Brand, Air Mauritius has embarked on a journey through targeted initiatives in order to providing the best possible workplace experience to its team members aimed at enhancing their engagement. Engaged employees share, live and uphold the values of the employer and they are always prepared to defend the Company while remaining committed.

The Company has thus commissioned the global research and management consultancy "Great Place to Work Institute" to run an employee survey. This will help to identify and focus on the dimensions that are important to the team members as well as to benchmark with best international practices.

Talent Management

The Company strongly believes that it is critical to identify and grow its internal talents. In that respect, the Company is launching a Leadership Talent Development programme.

This program will focus on transforming the capability of leaders at the heart of the Company and help to grow the future pipeline of senior leadership, as well as support business continuity efforts and succession. To assist the Company in this process, it is partnering with Aon Middle East, a global HR consulting firm.

Employee and Industrial Relations

The Company believes that providing and maintaining sound, trustworthy Employee and Industrial Relations are conducive to achieving business objectives.

With the declared strategy to foster employees' engagement, the Company has, after meetings, consultations, work sessions and negotiations, concluded Collective Agreements with all its eight recognized trade unions, namely:

- Airline Employees Association (AEA) representing the expatriate pilots.
- Mauritian Air Line Pilots Association (MALPA) representing the Mauritian pilots.
- Air Mauritius Staff Association (AMSA) representing employees in the staff grade.
- Private Transport Employees Union (PTEU) representing drivers in the Transport Department.
- Union of Employees of Air Mauritius Limited (UEAML) representing the manual employees.
- Air Mauritius Cabin Crew Association (AMCCA) representing the Cabin Crew.
- Licensed Aircraft Engineers Association (LAEA) representing interest of Licensed Aircraft Engineers.
- Air Mauritius Technical Services Staff Union (AMTSSU) representing support Engineers, Workshop Controllers and Certifying Workshop Technicians of the Technical Department.

Beyond on-going discussions between Management and the Unions, the Company has also put in place the relevant platforms for sharing and discussing the main business challenges.

Recognition

In recognition of the contribution and loyalty of long serving employees, the Company celebrated those who completed 25, 30, 35 and 40 years of service during the now established Long Service Award ceremony. 169 employees were thus honoured at the end of 2018.

Technical Crew: Mauritian Nationals (+55%)

The Company continues to invest in Mauritian talents through its on-going Mauritian Pilot Development Program

Human Resources - People (Cont'd)

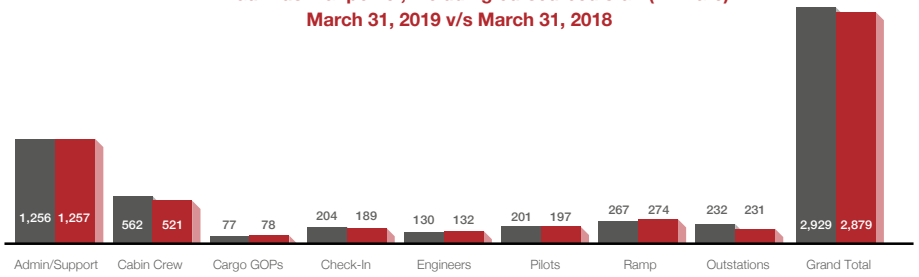
(MPDP), giving to young, suitably qualified Mauritian Nationals, the opportunity to pursue their career as an airline pilot. This programme, aims at identifying candidates with the potential to grow as future Captains in the Company.

Safety is paramount to the Company's business and the integration of newly qualified pilots is done through a selection and training programme designed to meet Air Mauritius and the international aviation stringent safety standards.

Last year nine Mauritian Nationals have been selected to join the Company on the ATR fleet, after having successfully followed the appropriate training.

During year 2019, the technical crew ratio will be 58% of Mauritians and 42% other nationalities.

Air Mauritius manpower, including outsourced staff (Airmate)
March 31, 2019 v/s March 31, 2018



As at March 31, 2019 — As at March 31, 2018

Air Mauritius Institute (AMI) and AMI Flying Academy

Following its launch during the year 2018, Air Mauritius Institute (AMI), contracted a partnership with Progress Flight Academy, a recognized and approved South African Pilot Training Provider with the objective of launching a Flight Academy.

During year 2019, the Flight Academy will offer an Integrated Airline Pilot License (IATPL) course to both Mauritians Nationals and those of the region. The graduates will obtain a license with unrestricted multi-engine Instrument Rating and will then be able to follow a Jet Orientation course which will meet international standards and industry regulations and will set the base for other pilot training courses.

Ground Services

Ground Services delivers outstanding, safe and efficient ground handling services to Air Mauritius and a significant number of foreign airlines which saw a growth of 20% in the number of airlines handled year-on-year.

Special emphasis and focus is laid on Safety, quality of service, development of the personnel and on efficiencies in both the business processes and the implementation of new initiatives in ground handling.

Air Mauritius handled more than17,700 flights, 2.8 M passengers and about 54,000 tonnes of cargo during the financial year. The Company is again the preferred Ground Services Provider in Mauritius with a market share of 70%.

The Company continues to put its employees in the centre of the business model by developing further their aptitude and skills in order to meet the regulatory requirements and the rising customer expectations through regular training.

With the firm commitment to Safety and the strict Compliance with all regulatory standards and procedures, Air Mauritius pride itself of being recognized in the Industry by the accreditation of IATA Operational Safety Audit (IOSA) and IATA Safety Audit for Ground Operations (ISAGO).

The Company continues to engage and closely collaborate with all its stakeholders and customers to further drive innovation and improvements in the Ground Handling services.

Inflight Services

The onboard offering of Air Mauritius covers catering, beverages, reading materials, cabin comfort items, toilet amenities, inflight duty-free sales, and inflight audio, video, and games entertainment. With the gradual entry into service of new and retrofit aircraft, the Company has successfully organised the onboard operational set-up and logistics throughout the financial year 2018/19. In parallel, the Company has ensured a phased implementation of the new onboard products – baby kit, child kit, economy class amenity kit, business class amenity kit, economy class blanket, business class duvet, linen ware and catering equipment - while phasing out the existing ones for customer convenience in the most cost-effective manner.

During the financial year, Air Mauritius has also been able to operationalise the gradual reduction of physical magazines and newspapers in synchronisation with the launching of digital publications for customers. The guiding approach is to rightly serve the customers while ensuring safety and cost-effectiveness, reducing onboard weight and improving productivity in a sustainable way. The meal offering is revisited based on customer analytics and feedback from cabin crew, and there are on-going efforts to further customise by route and customer profile.

In line with the 'Digitalisation' objective of Air Mauritius, major initiatives have been triggered to review and improve key processes pertaining to Inflight Services by leveraging on appropriate technology for increased productivity. For instance, Business Intelligence models have been developed to enrich decision-making for the catering offering and costs across the network. Work is in progress for system improvements for enhanced inventory management and demand forecasting for the variety of products and equipment which are supplied for onboard service worldwide.

The forthcoming financial year will be an important transition phase with the entry of new technology aircraft and exit of old A340-900. Consequently, the overall experience of customers will be further enhanced, with major changes seen through the Audio Video On Demand (AVOD) inflight entertainment offering.

Communication and Corporate Affairs

The proactive management of corporate image and reputation is a key component of Air Mauritius' approach to safeguarding shareholder value. This entails building and maintaining continual and open relationships with the Company's stakeholders including its employees, the media, the Government, regulatory bodies and other organisations, customers, business partners, financial institutions and members of the public in general.

As the national airline of Mauritius, Air Mauritius also fully embraces its mission to serve the interests of the Mauritian nation as a whole. This philosophy therefore transpires in the approach to corporate communication and to the management of stakeholder relations.

Increasingly, the management of corporate reputation requires a close monitoring of social media conversations and of communities that gather around the brand in social media. This provides management with valuable insight on reputational issues. It also keeps the Company abreast of the latest local and international industry news.

Social media has also become a key platform to share and exchange views with the customers and stakeholders. Air Mauritius has been particularly active on that front. A variety of reports on events and Company information has been produced and thus disseminated. Regular videos posted have garnered a huge audience and engaged hundreds of thousands of followers. This has strengthened the bonds with the Company's public and created a better conduit for the transmission of information connecting the audience with what they view as a familiar and credible source.

For goal congruence across the organisation, the Company's internal communications are deployed across a spectrum of platforms/channels that provide the most efficient outreach to employees in Mauritius and across the network. This ensures the best understanding of Company values and objectives promoting employee engagement while ensuring that all employees are kept informed of the latest news about the airline, thereby promoting a sense of belonging and an internal community culture across the organisation. The internal communications function also supports the fostering of a performance-driven culture by continually sharing information on key performance indicators.

Communication and Corporate Affairs (Cont'd)

The Air Mauritius brand is reinforced with the design and dissemination of a strong and consistent corporate identity. This is expressed in the Company's aircraft, offices, product design, in the language used and, in all messages, circulated across both internal and external channels. A strong brand image also helps build and maintain bonds with the airline's various publics. Branding and advertising play an important role in supporting sales in Mauritius and in international markets as they express the Company's unique selling proposition, thereby giving the Company an edge over its competitors.

This year, Air Mauritius hosted or supported a number of events to enhance its visibility and to promote its image. These events also provide Air Mauritius team members with opportunities for networking with key stakeholders and for the promotion of the Company's business. Major events during the financial year included the Aviation Day held in Mauritius with the objective to bring together world-class aviation leaders and experts to identify challenges, opportunities and synergies to support the industry with a focus on Small island Development States and African airlines. The arrival of the first A330-900neo was another major event setting a new landmark for Air Mauritius as the first A330neo operator based in the southern hemisphere and the first airline in the world to operate a combination of both the A350 XWB and A330neo.

Air Mauritius acknowledges that, if not properly managed, crisis situations could have a far-reaching impact on its reputation and give rise to legal liabilities. A communications component of the Air Mauritius crisis-management system has also been set up in active response to a broad range of crisis situations.

Procurement & Facilities

Air Mauritius has a reliable procurement system governed by the Policy and Procedures Manual approved by the Board. The Company ensures that through its Procurement Department that it gets value for money in the purchase of goods and services. This is conducted while maintaining process excellence and supplier relationships in a timely and cost-effective manner.

The Procurement function although centralized is, however, partially devolved to support and collaborate with the two major internal customers namely Technical Services and Inflight Services Departments. During the financial year 2018/19, several major dossiers have been submitted to the Tender Committee and /or the Finance Committee for deliberations/approval.

The Company aims at ensuring a safe and an adequate working environment for its employees through Planned, Preventive and Reactive Maintenance activities. During the course of the financial year, some of the major projects undertaken include the Refurbishment of Ground Operations toilets, rest areas and offices as well as the first phase regarding Upgrade of Electrical Installations at the Aircraft Hangars.

The Company has also secured a plot of land of 4 arpents and 74 perches in the vicinity of SSR International Airport, from the Ministry of Housing & Lands for the construction of its Head Office of an approximate area of 15,000 square meters.

Performance and Development of the Business

Financial Performance

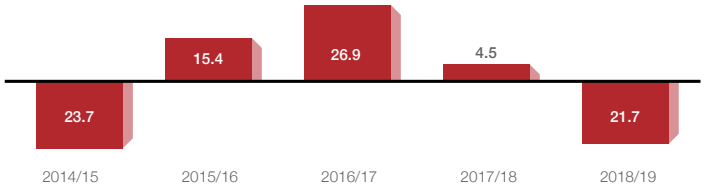
The Group reported a loss of Eur 29M for the financial year 2018/19 compared to a profit of Eur 4.9M achieved in the previous year. Group Operating loss was Eur 33.1M for the financial year 2018/19 compared to a profit of Eur 18.9M for 2017/18.

Business Segments

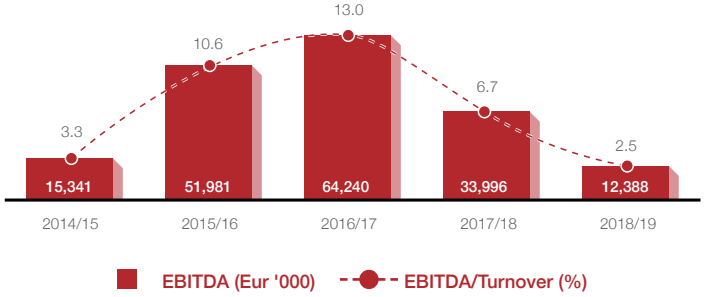
Airline business

The airline business segment result for the financial year 2018/19 was a loss of Eur 21.7M compared to a profit of Eur 4.5M in 2017/18. The operating loss for the financial year under review was Eur 33.3M compared to a profit of Eur 18.5M in 2017/18.

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



EBITDA for the Company



Segmental Information

1. By Product

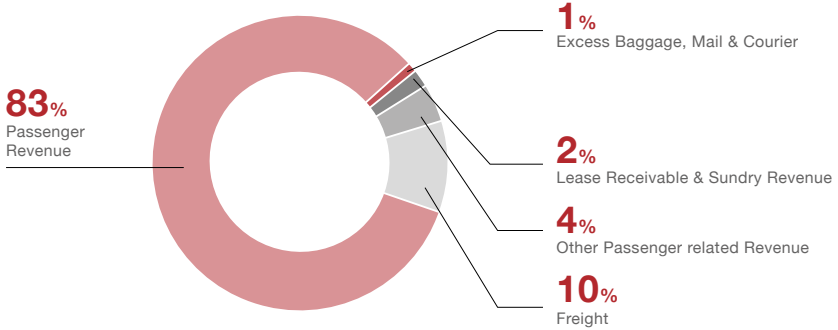
(a) Aircraft Operations

Revenue Composition	2018/19 Eur M	2017/18 Eur M	% Change
Passenger Revenue	408.9	418.4	(2.3)
Freight	49.8	46.9	6.2
Other Passenger related Revenue	18.4	26.6	(30.8)
Lease Receivable & Sundry Revenue	9.9	6.4	54.7
Excess Baggage, Mail & Courier	2.9	3.0	(3.3)
Total	**489.9**	**501.3**	**(2.3)**

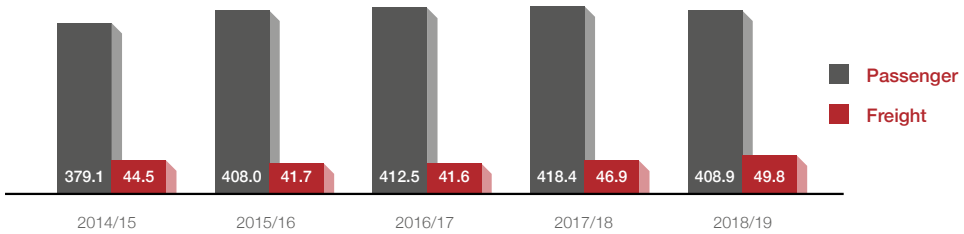
Total Aircraft Operations Revenue amounted to Eur 489.9M this year which is 2.3% lower than the previous financial year. Passenger revenue represented 83% of the total aircraft operations revenue of the Company. It registered a decrease of 2.3% from Eur 418.4M in 2017/18 to Eur 408.9M this year. Freight Revenue amounted to Eur 49.8M, an increase of 6.2% over the preceding financial year as a result of an increase of 12.3% in cargo tonnage despite a decline in cargo yield. Other Passenger related revenue dropped by 30.8% from Eur 26.6M in 2017/18 to Eur 18.4M this year.

Lease Receivable & Sundry Revenue recorded a substantial increase of Eur 3.5M or 54.7% to Eur 9.9M compared to the previous financial year. On the other hand, revenue derived from the carriage of Excess Baggage, Mail & Courier was down by 3.3% from Eur 3.0M in 2017/18 to Eur 2.9M this year.

Revenue Composition



Travelled Revenue (Eur M)



(b) Ground Operations

Air Mauritius provides Traffic and Technical handling services to foreign airlines operating to Mauritius. Income received from these services represented 1.8% of the total revenue for 2018/19.

Segmental Information (Cont'd)

2. Geographical

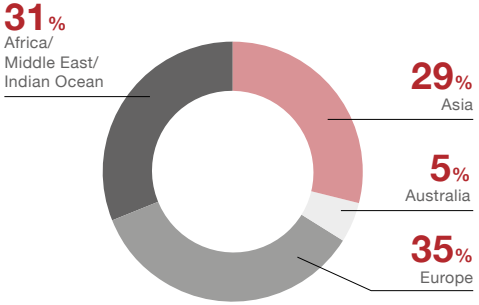
(i) Geographical by Route

Travelled Revenue breakdown by route*

Operating Region	Eur M	%
Europe	164.9	35
Africa/Middle East/Indian Ocean	144.0	31
Asia	133.7	29
Australia	23.0	5
Total	**465.6**	**100**

** Excluding Lease Receivable & Sundry Revenue*

Travelled Revenue by Route



Europe - 35%

Europe consolidated its position of top most region in terms of share of revenue with an increase of 1 percentage point to 35%. Both Revenue Tonne Kilometres and Available Tonne Kilometres went up by 9.5% and 8.7% respectively.

-Africa / Middle East / Indian Ocean - 31%

These segments comprise of South Africa, Kenya, Tanzania, Dubai, Madagascar, Reunion and Rodrigues. The share of revenue of these regions registered an increase of 2 points to reach 31%. Revenue Tonne Kilometres surged by 11.3% and Available Tonne Kilometres went up by 8.7%.

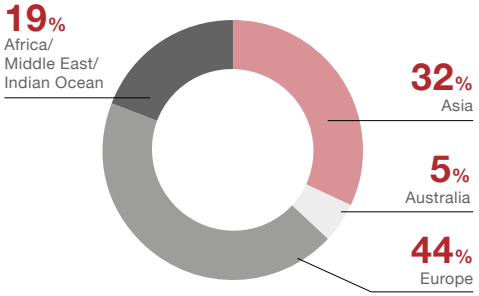
Asia - 29%

The Asian region is composed of the routes operating to India, mainland China, Hong Kong, Singapore and Malaysia. The share of revenue of this region declined by 2 percentage points to 29%. Both Revenue Tonne Kilometres and Available Tonne Kilometres decreased by 7.1% and 12.2% respectively.

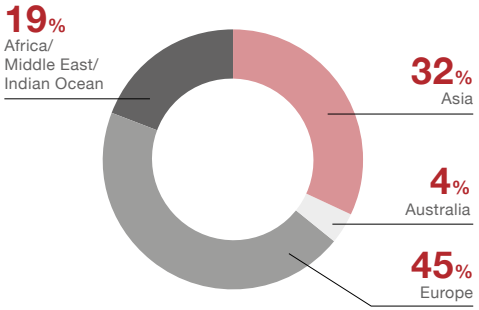
Australia - 5%

Australia registered a drop of 1 percentage point in its share of revenue to 5%. Both Revenue Tonne Kilometres and Available Tonne Kilometres recorded decreases of 2.7% and 4.6% respectively.

Available Tonne Kilometres (ATK)



Revenue Tonne Kilometres (RTK)



Segmental Information (Cont'd)

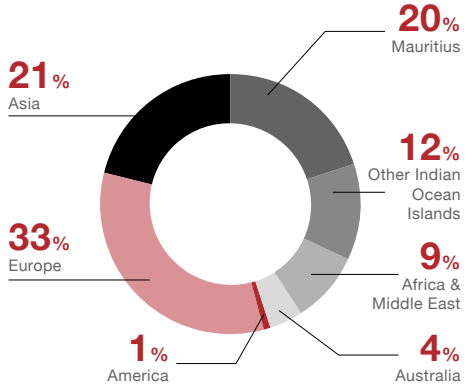
(ii) Geographical by Destination

Travelled Revenue breakdown by destination *

Destination	Eur M	%
Europe	155.9	33
Asia	95.5	21
Mauritius	94.2	20
Other Indian Ocean Islands	55.0	12
Africa & Middle East	41.3	9
Australia	18.6	4
America	5.1	1
Total	**465.6**	**100**

** Excluding Lease Receivable & Sundry Revenue*

Travelled Revenue by destination



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

Europe consists of online markets (with direct connections) such as France, United Kingdom, Netherlands and Switzerland and offline markets (with indirect connections) such as Germany, Italy, Spain, Sweden and Belgium. Its share of revenue increased by 1 percentage point to 33%.

Asia comprises mainly of countries such as India, China, Malaysia, Singapore and Hong Kong where the airline operates services. The share of revenue of this region decreased by 1 percentage point from 22% in 2017/18 to 21% this year.

The share of revenue of Mauritius remained unchanged at 20%.

Other Indian Ocean Islands include countries such as Madagascar, Reunion and Seychelles. Its share of revenue was comparable to the previous financial year at 12%.

Africa and Middle East is composed mainly of countries such as South Africa, Kenya, Tanzania and United Arab Emirates. The share of revenue of this region went up by 1 percentage point from 8% in 2017/18 to 9% this year.

Australia recorded a drop of 1 percentage point in its share of revenue from 5% to 4% this year.

America is composed mainly of the northern countries of USA and Canada.This region retained its share of revenue of 1%.

Segmental Information (Cont'd)

Geographical by Routes (Passenger only)

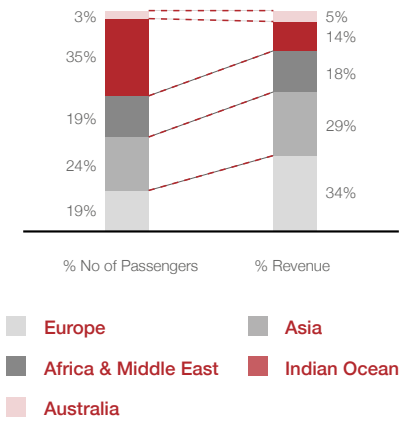
Operating Region	Number	% Change over Last Year	Eur M	% Change over Last Year
Europe	325,023	4.4	140.8	(0.4)
Asia	413,191	(6.0)	116.5	(10.4)
Africa & Middle East	321,001	12.6	74.0	3.8
Indian Ocean	608,069	1.4	56.1	8.9
Australia	56,947	(3.9)	21.5	(11.5)
Total	**1,724,231**	**1.7**	**408.9**	**(2.3)**

Network

The operating environment for the passenger business remained highly competitive in 2018/19 with the arrival of new players as well as the consolidation of services by existing airlines. Services to Wuhan, a new destination in China introduced in August 2018 was terminated in October 2018. Two other points in China, namely, Guangzhou and Chengdu were supended in April 2018 and November 2018 respectively.

Seats Offered on the network increased by 1.6% to reach 2,298,304, a new high for the Company. Passenger carriage increased by 1.7% to set a new record at 1,724,231 for the Company. On the other hand, Passenger revenue decreased by 2.3% to Eur 408.9M on account of a deterioration of 4% in yield. Passenger Load Factor declined marginally by 0.5 point from 78.9% in 2017/18 to 78.4% this year.

Contribution by Operating Regions



Europe

Air Mauritius operated two weekly flights to Amsterdam during the IATA Summer 2018 in partnership with Air France/KLM under a joint venture agreement. The once weekly seasonal flight to Geneva was operated during the period October 12, 2018 to January 11, 2019. Seats Offered on the European routes registered an increase of 8.9% from 376,374 in 2017/18 to 410,050 this year. Passenger carriage increased by 4.4% from 311,345 to 325,023 compared to last year. Passenger revenue decreased by 0.4% to Eur 140.8M due to a fall of 4.7% in yield, partially offset by an increase in the number of passengers. Passenger Load Factor stood at 79.3%, a fall of 3.4 percentage points compared to the previous financial year.

Segmental Information (Cont'd)

Asia

Asia comprises of routes operating to India, China, Hong Kong, Singapore and Malaysia. Services to three points in China, namely, Guangzhou, Wuhan and Chengdu were suspended during the financial year under review. Consequently, the number of seats offered in this region plummeted by 10.2% to reach 493,386 as well as the number of passengers which dropped by 6% to 413,191. Accordingly, passenger revenue shrunk by 10.4% from Eur 130M in 2017/18 to Eur 116.5M this year attributable to the combined effect of a fall in yield of 4.7% and to the decrease in the number of passenger carriage. Passenger Load Factor was up by 1.9 percentage points to 81.3% this year.

Africa & Middle East

Air Mauritius operated two weekly wide bodied flights to Cape Town during 2018/19 and three weekly flights on Durban. The number of passengers carried grew by 12.6% to 321,001 surpassing capacity growth of 8.3% which stood at 428,756 for the financial year under review. Passenger Revenue increased by 3.8% to Eur 74M despite a deterioration of 7.8% in yield. Passenger Load Factor improved by 2.1 percentage points from 72.3% in 2017/18 to 74.4% this year.

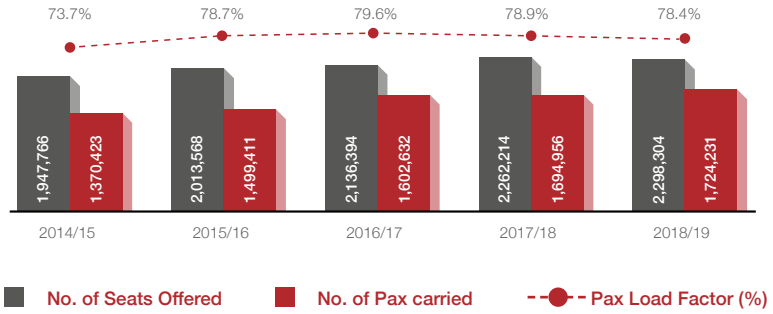
Indian Ocean

Seats Offered on the Indian Ocean routes recorded an increase of 3.3% over the previous financial year to reach 891,372 this year. Passenger Revenue increased by 8.9% to Eur 56.1M on account of the combined effect of an increase of 1.4% in passenger carriage and to an improvement of 7.5% in yield. Passenger Load Factor was marginally down by 0.4 percentage point to 67% compared to last year.

Australia

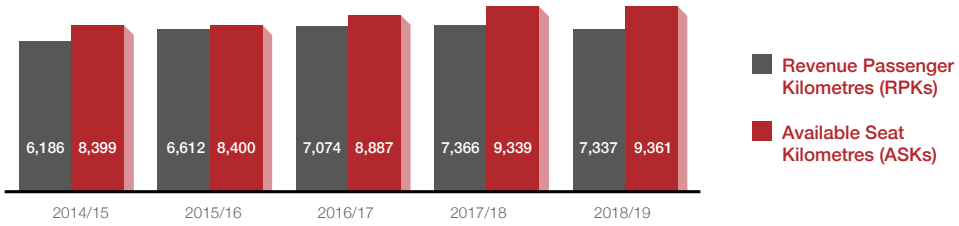
Seat Capacity on Perth route stood at 74,740, a decrease of 4.3% over the previous year. Passenger revenue dwindled by 11.5% to Eur 21.5M due to the combined effect of a drop in the number of passengers carried by 3.9% and to the decline of 8.3% in passenger yield. Passenger Load Factor improved marginally by 0.3 percentage point from 75.9% in 2017/18 to 76.2% this year.

Seats Offered/Pax Carried/Pax Load Factor

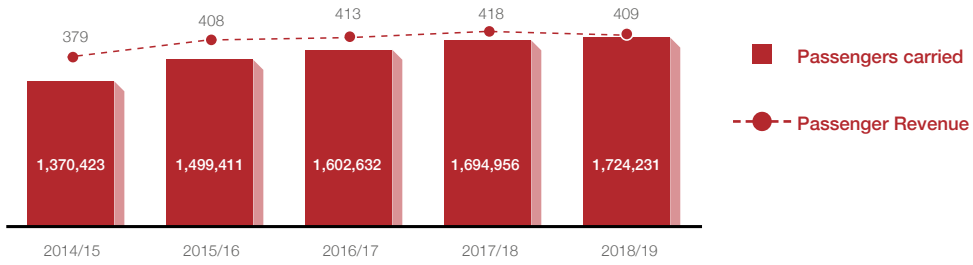


Segmental Information (Cont'd)

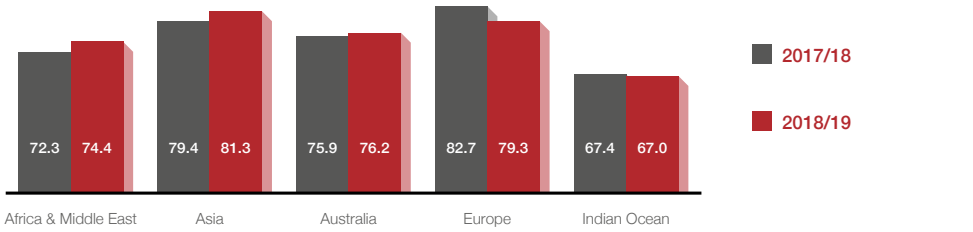
Passenger Capacity and Output (Million)



Passengers Carried (Number) & Revenue (Eur M)



Load Factor (%) by region



Segmental Information (Cont'd)

Cargo Analysis

Geographical by Routes

Operating Region	Tonnes	% Change over Last Year	Eur M	% Change over Last Year
Europe	13,818	16.5	21.0	16.7
Asia	11,348	10.3	15.8	(1.9)
Africa/Middle East/Indian Ocean	17,730	11.0	11.8	-
Australia	1,146	3.9	1.2	20.0
Total	**44,042**	**12.3**	**49.8**	**6.2**

Network

The volume of goods carried in the network was 12.3% higher than the previous financial year amounting to 44,042 tonnes. Cargo revenue increased by 6.2% to Eur 49.8M despite a drop of 5.5% in yield which continued to be under pressure due to increasing competition on the market.

Europe

Cargo Revenue registered a substantial increase of 16.7% to Eur 21M mainly attributable to an increase of 16.5% in cargo tonnage. Cargo yield increased marginally by 0.2% compared to last year.

Asia

Revenue earned on the Asian routes was down by 1.9% to Eur 15.8M due to a deterioration of 11% in yield despite an increase of 10.3% in cargo tonnage.

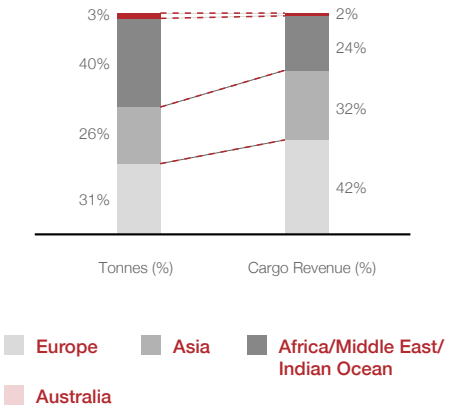
Africa / Middle East / Indian Ocean

Revenue derived from these segments were comparable to the previous financial year at Eur 11.8M. Cargo carriage soared by 11% to reach 17,730 tonnes. On the other hand, Cargo yield shrunk by 9.5%.

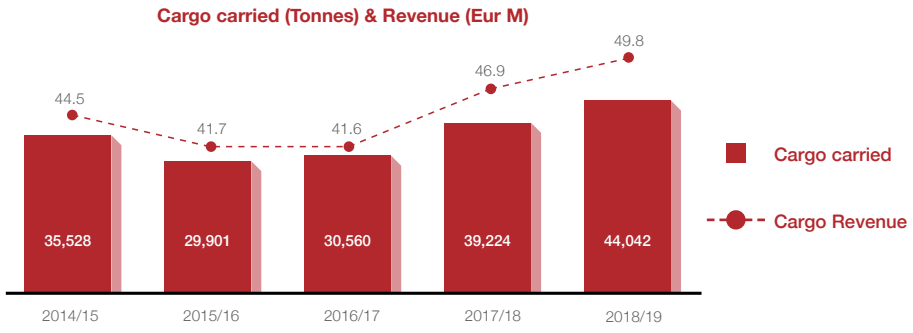
Australia

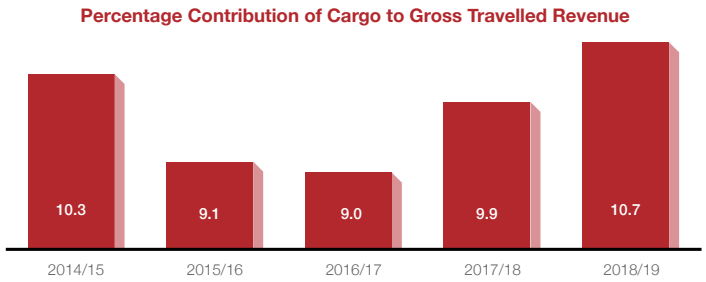
Income earned from Australia region rose by 20% to Eur 1.2M due to the combined effect of an increase of 3.9% in cargo tonnage and to an improvement in yield to the tune of 7%.

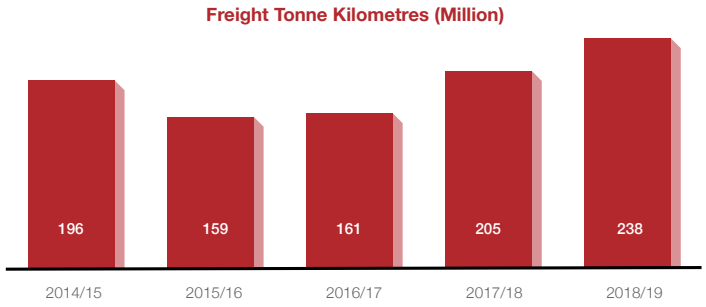
Contribution by Operating Regions



Segmental Information (Cont'd)







MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Group revenue for the year decreased from Eur 514.3M in 2017/18 to Eur 499.8M this year.

Passenger revenue was lower by 2.3% from Eur 418.4M in 2017/18 to Eur 408.9M this year. Passenger yield dropped by 4% to Eur 235 compared to the previous financial year. Passenger Load declined by 0.5 point to 78.4%. Capacity in terms of ASKs' increased marginally by 0.2% compared to 2017/18.

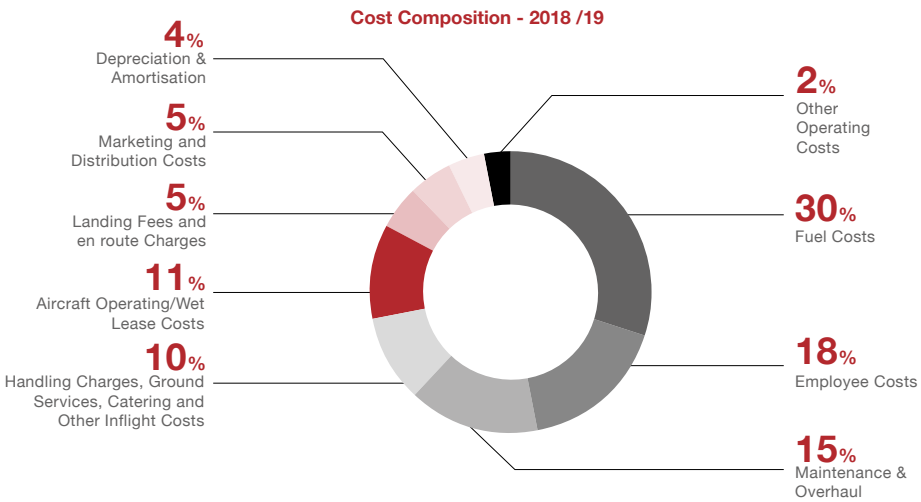
Cargo revenue increased by 6.2% from Eur 46.9M to Eur 49.8M compared to last year.

Operating Expenses

Total operating expenses increased by Eur 35.8M from Eur 467.1M to Eur 502.9M.

Operating Expenditure	2018/19	2017/18	Increase / (Decrease)
	Eur M	Eur M	%
Fuel Costs	152.1	129.5	17.5
Employee Costs	91.3	79.0	15.6
Maintenance & Overhaul *	76.9	71.8	7.1
Handling Charges, Ground Services, Catering and Other Inflight Costs	48.8	47.1	3.6
Aircraft Operating/Wet Lease Costs	53.4	46.0	16.1
Landing Fees and en route Charges	26.5	30.8	(14.0)
Marketing and Distribution Costs	25.3	27.6	(8.3)
Depreciation & Amortisation	18.7	17.4	7.5
Other Operating Costs	9.9	17.9	(44.7)
Total Group Operating Expenditure	**502.9**	**467.1**	**7.7**

** Include Depreciation & Amortisation on Engine/Airframe overhauls*



Earnings per Share

Loss attributable to shareholders for the year was Eur 29.1M. This is equivalent to a loss of Eur 0.3 per share or Rupees 11.95 per share as at March 31, 2019.

Working Capital

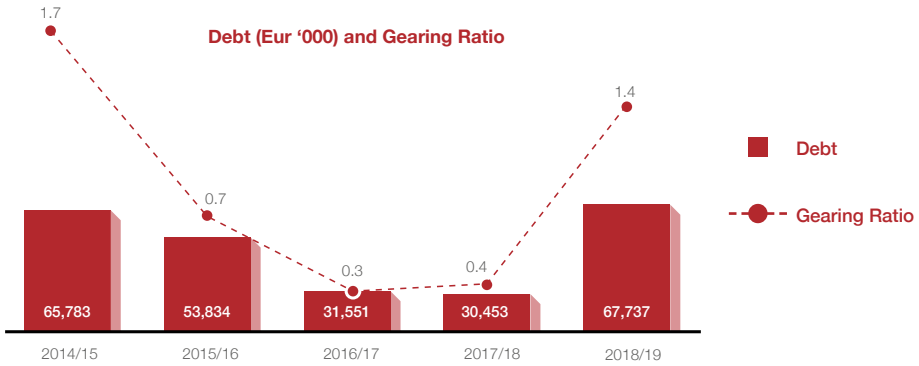
At March 31, 2019, net current liabilities were Eur 55.9M as compared to Eur 69M at March 31, 2018. The current liabilities include an amount of Eur 110M for the financial year 2018/19 compared to Eur 114M for 2017/18 in respect of sales in advance of carriage for tickets issued but not yet utilised.

Cash Flow

The cash & cash equivalents (after bank overdrafts) of the Group at March 31, 2019 showed an amount of Eur 6.5M (Mur 254.2 million) compared to Eur 32M (Mur 1.3 billion) at March 31, 2018.

Gearing ratio

The gearing ratio at March 31, 2019 was 1.4:1 compared to 0.4:1 of the previous financial year.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating and Financial Statistics

for the five years ended 31 March - Company

	2019	2018	2017	2016	2015
Traffic and Capacity					
Revenue passenger km (RPK) m	**7,337**	7,366	7,074	6,612	6,186
Available seat km (ASK) m	**9,361**	9,339	8,887	8,400	8,399
Passenger load factor (%)	**78.4**	78.9	79.6	78.7	73.7
Cargo tonne km (CTK) m	**238**	205	161	159	196
Revenue tonne kilometres (RTK) m	**903**	873	802	760	759
Available tonne kilometres (ATK) m	**1,381**	1,376	1,316	1,258	1,256
Overall load factor (%)	**65.4**	63.5	60.9	60.4	60.4
Passengers carried ('000)	**1,724**	1,695	1,603	1,499	1,370
Tonnes of cargo carried	**44,042**	39,224	30,560	29,901	35,528
Revenue flights	**12,537**	12,483	11,429	10,677	10,093
Financial					
Net (loss)/profit margin (%)	**(4.3)**	0.9	5.4	3.2	(5.1)
EBITDA eur m	**12.4**	34.0	64.2	52.0	15.4
Gearing Ratio	**1.2:1**	0.3:1	0.3:1	0.7:1	1.7:1
Total traffic revenue per RTK eur	**0.52**	0.54	0.58	0.60	0.57
Total traffic revenue per ATK eur	**0.34**	0.34	0.35	0.36	0.34
Total expenditure on operations per RTK eur	**0.56**	0.53	0.56	0.58	0.60
Total expenditure on operations per ATK eur	**0.36**	0.34	0.34	0.35	0.36
Passenger revenue per RPK eur	**0.06**	0.06	0.06	0.06	0.06
Passenger revenue per ASK eur	**0.04**	0.04	0.05	0.05	0.05
Revenue per ASK (RASK) Eur Cent	**5.70**	5.68	5.97	6.22	6.02
Cost per ASK (CASK) Eur Cent	**6.31**	5.76	5.67	5.71	6.15
Cargo revenue per CTK eur	**0.21**	0.23	0.26	0.26	0.23
Average fuel price (US cents/US gallon)	**224**	190	165	172	285
Operations					
Aircraft in service at year end	**12**	15	13	12	12
Punctuality - within 15 minutes (%)	**79.4**	81.2	86.1	87.2	88.5
Dispatch Reliability overall (%)	**97.4**	98.2	98.5	98.5	98.7

CERTIFICATE FROM THE COMPANY SECRETARY

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

Mr Vijay Seetul
Company Secretary

June 19, 2019

DIRECTORS' DISCLOSURE STATEMENT

The directors who are members of the Board at the time of approving the Annual Report and Business Review are listed on page 20 Having made enquiries of fellow Directors and of the Company's independent external auditors, each of these Directors confirms that:

a) to the best of each Director's knowledge and belief there is no information relevant to the preparation of their report to which the Company's auditors are unaware; and

b) each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the board and signed on its behalf by:

Mr Louis Rivalland
Director and Chairperson of Audit Committee

Mr Derek Lam Po Tang
Director and Chairperson of Finance Committee

June 19, 2019

STATEMENT OF COMPLIANCE

Name of PIE: Air Mauritius Limited (the "Company")

Reporting Period: April 01, 2018 to March 31, 2019

Air Mauritius Limited is a public interest entity and is as such, required to adopt the principles in accordance with the National Code of Corporate Governance 2016 (the "Code").

Throughout the year ended March 31, 2019, to the best of the knowledge of the Board, Air Mauritius Limited has complied with the requirements of the Code except for:

- The Chairperson of the Board chaired the Risk Management Steering Committee until his resignation on April 29, 2019. A non-executive director, Mr Philippe Espitalier-Noël is now the Chairperson of this Committee effective April 30, 2019.
- The Chairperson of the Audit Committee is not an independent director but in mitigation, has the professional knowledge, expertise and experience in finance to head this committee and discharge the responsibility effectively. The Audit Committee comprises of five members with three Directors being independent.
- With regards to the requirement to have two executive directors on the board, only the Chief Executive Officer (CEO) as part of the Leadership Team currently sits as a member on the Board as an Executive Director. However the whole Leadership Team is called upon as required to participate, and to respond to any Board queries during its sittings.

Mr Muhammad Yoosuf Salemohamed
Chairperson of the Corporate Governance Committee

Mrs Ammanah Ragavoodoo
Director and Chairperson of Staff Committee

June 19, 2019

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 and Financial Reporting Act 2004 to prepare financial statements for the Group and the Company that provide a true and fair view of the financial position as at the end of the financial year and of the results of their operations for the year then ended. The Directors are responsible for the integrity of these annual financial statements and for the objectivity of any other information presented therein.

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

Internal Control

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

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

Risk Management

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

Governance

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

Mr Louis Rivalland
Director and Chairperson of Audit Committee

Mr Derek Lam Po Tang
Director and Chairperson of Finance Committee

June 19, 2019

INDEPENDENT AUDITORS' REPORT

to the Members of Air Mauritius Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Air Mauritius Limited ("the Group and the Company"), which comprise the consolidated and separate statements of financial position as at March 31, 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies, as set out on pages 94 to 174.

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Air Mauritius Limited as at March 31, 2019, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 and Financial Reporting Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. These key audit matters are applicable to both the consolidated and separate financial statements.

Report on the Audit of the Consolidated and Separate Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Impairment of leased and owned aircraft and accessories

Refer to significant accounting judgements, estimates and assumptions 4.3 (vii), significant accounting policy 4.4(c) and note 6 to the consolidated and separate financial statements

The key audit matter	How the matter was addressed in our audit
Aircraft and the relevant accessories are the most significant component of total assets for the Group and Company, representing nearly 28% of the Group's and Company's total assets as at March 31, 2019. The assessment of impairment involves significant use of estimates and judgements including: - forecasting specific aircraft information such as revenue per aircraft, load factor, average air ticket price, cargo yield and fuel cost; - the remaining useful lives of these assets and indicators of obsolescence; - the discount rate used; and - estimated selling price at the end of their useful lives. Due to the significance of this balance in the consolidated and separate financial statements, and the significant judgements applied by management in the impairment assessment, the valuation of aircraft and accessories was considered a key audit matter.	Our audit procedures included the following: We obtained Management's impairment assessment of aircraft and accessories and assessed whether the impairment assessment has been performed in accordance with IAS 36, *Impairment of Assets*. We challenged and evaluated the assumptions and critical judgements used by Management in their impairment assessment with reference to historical trends and our own expectations based on the Group's and Company's long term and strategic plans and on our knowledge of the business and the airline sector as a whole. We considered the accuracy of historical forecasts prepared by Management in the past three years and have compared the assumptions used in previous forecasts against actual realised amounts, thereby testing Management's ability to reliably estimate such assumptions. We have determined the mathematical accuracy of the cash flow model used and agreed relevant data to the latest budget approved by the Board. We challenged the rationale of Management on their determination of residual and market values of these aircraft and compared it to aircraft valuation data from Management's expert. We assessed reasonableness of the useful lives by benchmarking against externally derived data for comparable aircraft. We applied a range of sensitivities to the significant inputs included in the cash flow model and assessed the level of headroom as a consequence of reasonable changes to these main assumptions.

INDEPENDENT AUDITORS' REPORT
to the Members of Air Mauritius Limited

Report on the Audit of the Consolidated and Separate Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Revenue recognition

Refer to significant accounting judgements, estimates and assumptions 4.3 (v), significant accounting policy 4.4 (r) and (s), and notes 23 and 24 to the consolidated and separate financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue comprises numerous categories which include passenger and cargo sales, and redemption of miles on customer loyalty programme (KestrelFlyer). Passenger and cargo sales, net of discounts, are included in trade and other payables as 'Sales in advance of carriage' until recognised as revenue when the transportation service is provided. Sales that are not expected to be used for transportation (unused tickets) are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the tickets and historical trends. The Group and Company operate a customer loyalty programme, the KestrelFlyer Programme, that entitles customers to accumulate mileage credits that entitle them to a choice of various awards, primarily free travel and upgrading of tickets. The fair value attributed to the awarded mileage credits is deferred as a liability (deferred revenue for customer loyalty included in trade and other payables) and recognised as revenue on redemption of the miles by the participants to whom the miles are issued (redemption revenue). The IT systems supporting the revenue process are complex. In addition, the timing of revenue recognition for unused tickets and deferred revenue under the KestrelFlyer Programme requires judgement due to the timeframe over which tickets can be utilized and arriving at the value of a mile.	Our audit procedures included the following: We tested the design, implementation and operating effectiveness of key IT systems and the related interfaces that impact the recognition of revenue from passenger and cargo sales including the change in control procedures and related application controls. We tested a sample of the terms and conditions attached to revenue in evaluating Management's judgements used to determine the timing of recognition of revenue from unused tickets. We performed analytical procedures on passenger and cargo sales and unearned transportation revenue by developing an expectation for each type of revenue using independent inputs and information generated from the Group's and Company's IT systems and compared such expectations with recorded revenue. We tested a sample of revenue documents from the source data to ascertain whether they were accurately recorded. We assessed the process by which deferred revenue for customer loyalty is calculated and tested whether the data extracted from the system that will be used for the deferred revenue calculation is accurate. We validated the source data by selecting a sample of miles earned, burned and expired and agreed the sample to supporting documents to ensure that they were captured appropriately. We tested the key assumptions used in the customer loyalty programme model and assessed whether the redemption rate is reasonable by taking into account historical data on earned and redeemed miles for the past three years.

Report on the Audit of the Consolidated and Separate Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Revenue recognition (Cont'd)

The key audit matter	How the matter was addressed in our audit
In addition to the fact that adoption of IFRS 15 increases the risk of inappropriate revenue recognition, revenue recognition was considered a key audit matter because of the complexity of the IT systems and the significant level of judgement required by management in determining the timing of recognition of revenue from unused tickets and the value of deferred revenue.	We calculated redeemed miles as a percentage of earned miles for the last three years and ensured that the redemption rate as per the past trend is consistent with the actual rate being used as at March 31, 2019 to calculate the deferred revenue. We re-performed calculations of the deferred revenue for customer loyalty programme and ensured that the accounting has been done in accordance with IFRS 15, Revenue from contracts with customers. We inspected the key terms and conditions of contracts with major partners of the miles programme to assess if there were any terms and conditions that could have affected the accounting treatment of the related miles. We evaluated the impact of IFRS 15 on the initial adoption date. We assessed the appropriateness of the disclosures made in the consolidated and separate financial statements and the changes in accounting policies. We reviewed the changes in processes and systems as a result of adopting IFRS 15.

Other Information

The directors are responsible for the other information. The other information comprises the Key Results, Message from the Chief Executive Officer, Glossary, Annual Report and Business Review (which include the Corporate Governance report), Management Discussion and Analysis, Certificate from the Company Secretary, Directors' Disclosure Statement, Statement of Compliance, Directors` Responsibility Statement and Appendices to the Annual Report which we obtained prior to the date of this auditors' report. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on other information obtained prior to the date of this auditors` report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated and Separate Financial Statements

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

Report on the Audit of the Consolidated and Separate Financial Statements (Cont'd)

Responsibilities of Directors for the Consolidated and Separate Financial Statements (Cont'd)

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

to the Members of Air Mauritius Limited

Report on the Audit of the Consolidated and Separate Financial Statements (Cont'd)

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors` report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members, as a body, those matters that we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

We have no relationship with or interests in the Group and 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 it appears from our examination of those records.

Financial Reporting Act 2004

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

ERNST & YOUNG
Ebène, Mauritius

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

KPMG
Ebène, Mauritius

JOHN CHUNG, BSc FCA
Licensed by FRC

June 21, 2019

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	Notes	THE GROUP 2019 €'000	THE GROUP 2018 €'000	THE COMPANY 2019 €'000	THE COMPANY 2018 €'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**151,534**	160,212	**149,325**	155,935
Investment property	7	**10,821**	9,744	**-**	-
Intangible assets	8	**636**	1,081	**622**	1,066
Investment in subsidiaries	9	**-**	-	**27,051**	28,314
Available-for-sale financial assets	11	**-**	563	**-**	563
Long term deposits	12(a)	**18,100**	52,168	**18,100**	52,168
Long term investments	12(b)	**2,170**	5,843	**-**	-
Long term receivables	13	**125**	117	**125**	117
Deferred tax asset	14	**187**	128	**-**	-
		183,573	229,856	**195,223**	238,163
Current assets					
Inventories	15	**20,737**	18,134	**20,737**	18,029
Trade and other receivables	16	**125,700**	81,513	**130,905**	80,978
Derivative financial assets	20	**6,173**	2,316	**6,173**	2,316
Financial assets at fair value through other comprehensive income	11	**585**	-	**585**	-
Short-term deposits	12(b)	**4,219**	1,494	**-**	-
Cash and cash equivalents	17	**15,126**	32,985	**13,988**	28,156
		172,540	136,442	**172,388**	129,479
Assets classified as held for sale	36	**4,413**	-	**1,263**	-
		176,953	136,442	**173,651**	129,479
Total assets		**360,526**	366,298	**368,874**	367,642
EQUITY AND LIABILITIES					
Equity					
Share capital	18	**41,724**	41,724	**41,724**	41,724
Share premium		**18,869**	18,869	**18,869**	18,869
Other (deficits) / reserves		**(6,754)**	(11,772)	**2,964**	175
(Accumulated losses)/retained earnings		**(7,056)**	33,664	**(4,967)**	27,153
Reserves of a disposal group held for sale	36	**249**	-	**-**	-
Equity attributable to equity holders of the parent		**47,032**	82,485	**58,590**	87,921
Non-controlling interests		**2,364**	3,140	**-**	-
Total equity		**49,396**	85,625	**58,590**	87,921
Non-current liabilities					
Interest-bearing loans and borrowings	19	**12,029**	21,459	**12,029**	21,459
Employee benefit liabilities	21	**60,369**	49,717	**59,419**	48,723
Provisions	22	**5,885**	4,043	**5,885**	4,043
		78,283	75,219	**77,333**	74,225
Current liabilities					
Provisions	22	**2,365**	20,120	**2,365**	20,120
Trade and other payables	23(a)	**54,551**	174,043	**56,382**	174,106
Contract liabilities	23(b)	**114,441**	-	**114,441**	-
Interest-bearing loans and borrowings	19	**55,708**	8,994	**55,708**	8,973
Derivative financial liabilities	20	**4,055**	2,297	**4,055**	2,297
Dividends payable to non-controlling interests	35	**488**	-	**-**	-
Liabilities directly associated with the assets held for sale	36 (c)	**1,239**	-	**-**	-
		232,847	205,454	**232,951**	205,496
Total liabilities		**311,130**	280,673	**310,284**	279,721
Total equity and liabilities		**360,526**	366,298	**368,874**	367,642

These consolidated and separate financial statements were approved and authorised by the Board of directors for issue on June 19, 2019 and signed on its behalf by:

Mr Louis Rivalland
Director and Chairperson of Audit Committee

Mr Derek Lam Po Tang
Director and Chairperson of Finance Committee

June 19, 2019

The notes on pages 100 to 174 form an integral part of these consolidated and separate financial statements.
Independent auditors' report on pages 87 to 92.

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	Notes	THE GROUP 2019 €'000	THE GROUP 2018 €'000	THE COMPANY 2019 €'000	THE COMPANY 2018 €'000
Continuing operations					
Revenue from aircraft operations	24	**492,433**	511,252	**492,319**	507,700
Revenue from joint ventures		**6,185**	1,889	**6,185**	1,889
Rental income	24	**1,189**	1,198	**-**	-
Total revenue		**499,807**	514,339	**498,504**	509,589
Operating expenses	24	**(502,869)**	(467,062)	**(502,323)**	(464,732)
Gross (loss) / profit		**(3,062)**	47,277	**(3,819)**	44,857
Administrative expenses		**(34,507)**	(33,108)	**(33,698)**	(30,905)
Impairment loss on financial assets		**(451)**	-	**(417)**	-
Impairment of investment in an associate	10	**-**	(102)	**-**	(102)
Other operating income	24(a)	**4,640**	4,781	**4,612**	4,634
Fair value gain on investment property	7	**302**	40	**-**	-
Operating (loss)/profit		**(33,078)**	18,888	**(33,322)**	18,484
Finance income	26	**5,258**	750	**12,872**	646
Finance costs	27	**(1,219)**	(14,628)	**(1,219)**	(14,628)
(Loss)/profit before tax from continuing operations		**(29,039)**	5,010	**(21,669)**	4,502
Income tax expense	28	**(115)**	(125)	**-**	-
(Loss)/profit for the year from continuing operations		**(29,154)**	4,885	**(21,669)**	4,502
Discontinued operations					
Profit after tax from discontinued operations	36(a)	**127**	-	**-**	-
(Loss)/profit for the year		**(29,027)**	4,885	**(21,669)**	4,502
Other comprehensive income for the year					
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:					
Fair value movement in avaible-for-sale investments*	11	**-**	(5)	**-**	(5)
Movement in cash flow hedges *	20(d)	**2,767**	709	**2,767**	709
Exchange differences on consolidation *		**1,530**	(2,293)	**-**	-
Other comprehensive income which may not be reclassified to profit or loss in subsequent periods:					
Fair value movement in financial assets at fair value through OCI (previously available-for-sale investments) *	11	**22**	-	**22**	-
Other comprehensive income which will not be reclassified to profit or loss in subsequent periods:					
Actuarial losses on defined benefit plans		**(10,551)**	(8,252)	**(10,451)**	(8,486)
Income tax relating to the components of other comprehensive income	14	**17**	(34)	**-**	-
Other comprehensive income for the year, net of tax		**(6,215)**	(9,875)	**(7,662)**	(7,782)
Total comprehensive income for the year, net of tax from continuing operations		**(35,369)**	(4,990)	**(29,331)**	(3,280)
Discontinued operations					
Other comprehensive income for the year, net of tax from discontinuing operations	36(a)	**3**	-	**-**	-
Total comprehensive income for the year, net of tax		**(35,239)**	(4,990)	**(29,331)**	(3,280)
(Loss)/profit for the year attributable to:					
- Owners of the Company		**(29,133)**	4,732		
- Non-controlling interests		**106**	153		
		(29,027)	4,885		
Total comprehensive income attributable to:					
- Owners of the Company		**(35,453)**	(4,912)		
- Non-controlling interests		**214**	(78)		
		(35,239)	(4,990)		
Earnings per share (Eur)					
Basic	29	**(0.28)**	0.05		
Diluted	29	**(0.28)**	0.05		
Earnings per share (Eur) for continuing operations					
Basic	29	**(0.28)**	0.05		
Diluted	29	**(0.28)**	0.05		

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

The notes on pages 100 to 174 form an integral part of these consolidated and separate financial statements.
Independent auditors' report on pages 87 to 92.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

AS AT MARCH 31, 2019

	Share capital	Share premium	Other (deficits) / reserves: Fair value reserve	Translation reserve on consolidation	Hedge equity reserve	Total other (deficit)/ reserves	Retained earnings	Reserves Held for sale	Total shareholders' interest	Non-controlling interests	Total equity
		*	**	***	****						
THE GROUP	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At April 01, 2017	41,724	18,869	170	(9,894)	(690)	(10,414)	37,218	-	87,397	3,155	90,552
Profit for the year	-	-	-	-	-	-	4,732	-	4,732	153	4,885
Other comprehensive income	-	-	(5)	(2,062)	709	(1,358)	(8,286)	-	(9,644)	(231)	(9,875)
Total comprehensive income	-	-	(5)	(2,062)	709	(1,358)	(3,554)	-	(4,912)	(78)	(4,990)
Transactions with owners of the Company											
Distributions											
Dividends (Note 35)	-	-	-	-	-	-	-	-	-	(63)	63
At March 31, 2018	41,724	18,869	165	(11,956)	19	(11,772)	33,664	-	82,485	3,140	85,625
At April 01, 2018	**41,724**	**18,869**	**165**	**(11,956)**	**19**	**(11,772)**	**33,664**	**-**	**82,485**	**3,140**	**85,625**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(29,202)**	**69**	**(29,133)**	**106**	**(29,027)**
Other comprehensive income	**-**	**-**	**22**	**1,422**	**2,767**	**4,211**	**(10,534)**	**3**	**(6,320)**	**108**	**(6,212)**
Total comprehensive income for the year, net of tax from continuing operations	**-**	**-**	**22**	**1,422**	**2,767**	**4,211**	**(39,736)**	**72**	**(35,453)**	**214**	**(35,239)**
Discontinued operations	**-**	**-**	**-**	**807**	**-**	**807**	**(984)**	**177**	**-**	**-**	**-**
Transactions with owners of the Company											
Distributions											
Dividends (Note 35)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(990)**	**(990)**
At March 31, 2019	**41,724**	**18,869**	**187**	**(9,727)**	**2,786**	**(6,754)**	**(7,056)**	**249**	**47,032**	**2,364**	**49,396**

Other (deficit) / reserves in the Group's consolidated statement of financial position include:
** When shares are issued at a price above its par value, the excess between the issue price and the par value is recorded in share premium.*
*** Fair value reserve records unrealised gains or losses arising from changes in fair value of financial assets at fair value through OCI (previously available-for-sale investments).*
**** Translation reserve on consolidation is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.*
***** Hedge equity reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.*

The notes on pages 100 to 174 form an integral part of these consolidated and separate financial statements.
Independent auditors' report on pages 87 to 92.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share capital	Share premium	Other reserves: Fair value reserve	Hedge equity reserve	Total other reserves	Retained earnings	Total equity
		*	**	***			
THE COMPANY	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At April 01, 2017	41,724	18,869	161	(690)	(529)	31,137	91,201
Profit for the year	-	-	-	-	-	4,502	4,502
Other comprehensive income	-	-	(5)	709	704	(8,486)	(7,782)
Total comprehensive income	-	-	(5)	709	704	(3,984)	(3,280)
At March 31, 2018	**41,724**	**18,869**	**156**	**19**	**175**	**27,153**	**87,921**
At April 01, 2018	**41,724**	**18,869**	**156**	**19**	**175**	**27,153**	**87,921**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(21,669)**	**(21,669)**
Other comprehensive income	**-**	**-**	**22**	**2,767**	**2,789**	**(10,451)**	**(7,662)**
Total comprehensive income	**-**	**-**	**22**	**2,767**	**2,789**	**(32,120)**	**(29,331)**
At March 31, 2019	**41,724**	**18,869**	**178**	**2,786**	**2,964**	**(4,967)**	**58,590**

Other reserves in the Company's statement of financial position include:

** When shares are issued at a price above its par value, the excess between the issue price and the par value is recorded in share premium.*
*** Fair value reserve records unrealised gains or losses arising from changes in fair value of financial assets at fair value through OCI (previously 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 100 to 174 form an integral part of these consolidated and separate financial statements.
Independent auditors' report on pages 87 to 92.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

AS AT MARCH 31, 2019

	Notes	THE GROUP 2019 €'000	THE GROUP 2018 €'000	THE COMPANY 2019 €'000	THE COMPANY 2018 €'000
Cash flows from operating activities:					
(Loss) / profit for the year from continuing operations		**(29,154)**	4,885	**(21,669)**	4,502
Profit after tax from discontinued operations		**127**	-	**-**	-
(Loss)/ profit for the year		**(29,027)**	4,885	**(21,669)**	4,502
Adjustments for:					
Depreciation on property, plant and equipment	6	**33,972**	30,111	**33,021**	29,112
Fair value gain on investment property	7	**(302)**	(40)	**-**	-
Amortisation of intangible assets	8	**537**	506	**537**	501
Loss on the sale of property, plant and equipment		**458**	721	**462**	362
Impairment of investment in an associate	10	**-**	102	**-**	102
Effect of discounting on security deposits		**(177)**	1,076	**(177)**	1,076
Employee benefit liabilities	21	**101**	(2,268)	**245**	(2,380)
Maintenance cost	22	**(15,913)**	3,600	**(15,913)**	3,600
Unrealised foreign exchange loss / (gain)		**364**	(4,181)	**364**	(4,181)
Interest income	26	**(595)**	(729)	**(360)**	(550)
Dividend income	26	**(18)**	(21)	**(7,867)**	(96)
Interest expense	27	**1,219**	6,127	**1,219**	6,127
Unrealised loss on fair value hedge	20 (a)	**668**	-	**668**	-
Income tax expense	28 (b)	**115**	125	**-**	-
		(8,598)	40,014	**(9,470)**	38,175
Changes in working capital:					
Increase in inventories		**(2,706)**	(4,129)	**(2,708)**	(4,122)
Decrease/(increase) in trade and other receivables		**13,428**	(9,380)	**8,182**	(8,251)
Decrease in trade and other payables		**(3,600)**	(7,116)	**(3,553)**	(8,603)
		(1,476)	19,389	**(7,549)**	17,199
Interest received	26	**595**	729	**360**	550
Tax paid		**(224)**	(67)	**-**	-
Net cash flows (used in) / generated from operating activities		**(1,105)**	20,051	**(7,189)**	17,749
Cash flows from investing activities					
Purchase of property, plant and equipment	6	**(27,508)**	(34,518)	**(26,908)**	(32,837)
Purchase of intangible assets	8	**(93)**	(1,369)	**(93)**	(1,369)
Addition in long term receivables	13	**24**	-	**24**	-
Repayments in long term receivables	13	**(27)**	(21)	**(27)**	(21)
Proceeds on disposal of property, plant and equipment		**39**	5,612	**35**	5,605
Proceeds from short term deposits	12 (b)	**1,565**	4,464	**-**	-
Investment in short term deposits	12 (b)	**(514)**	(4,493)	**-**	-
Deposits paid		**(24,730)**	(31,864)	**(24,730)**	(25,785)
Dividends received	26	**18**	21	**7,867**	96
Net cash flows used in investing activities		**(51,226)**	(62,168)	**(43,832)**	(54,311)
Net cash flows used in operating and investing activities		**(52,331)**	(42,117)	**(51,021)**	(36,562)

The notes on pages 100 to 174 form an integral part of these consolidated and separate financial statements.
Independent auditors' report on pages 87 to 92.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

AS AT MARCH 31, 2019

	Notes	THE GROUP 2019 €'000	THE GROUP 2018 €'000	THE COMPANY 2019 €'000	THE COMPANY 2018 €'000
Net cash flows used in operating and investing activities (cont'd)		**(52,331)**	(42,117)	**(51,021)**	(36,562)
Cash flows from financing activities					
Dividend paid		**(990)**	(2,675)	**-**	(2,675)
Payment of finance lease liabilities	19 (c)	**(7,650)**	(7,236)	**(7,650)**	(7,236)
Proceeds from borrowings	19	**36,536**	-	**36,536**	-
Interest paid and foreign currency hedge payout	27	**(1,219)**	(6,127)	**(1,219)**	(6,127)
Net cash flows generated from/(used in) financing activities		**26,677**	(16,038)	**27,667**	(16,038)
Net decrease in cash and cash equivalents		**(25,654)**	(58,155)	**(23,354)**	(52,600)
Movement in cash and cash equivalents					
At April 01,		**32,011**	81,885	**27,203**	71,766
Exchange gain / (loss)		**112**	8,281	**(365)**	8,037
Net decrease in cash and cash equivalents		**(25,654)**	(58,155)	**(23,354)**	(52,600)
At March 31,	17	**6,469**	32,011	**3,484**	27,203
Cash and cash equivalents consists of:					
Cash at bank and in hand		**17,019**	32,985	**13,988**	28,156
Bank overdraft		**(10,550)**	(974)	**(10,504)**	(953)
At March 31,	17	**6,469**	32,011	**3,484**	27,203

The notes on pages 100 to 174 form an integral part of these consolidated and separate financial statements.
Independent auditors' report on pages 87 to 92.

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 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 consolidated and separate financial statements of Air Mauritius Limited and its subsidiaries (collectively, the Group) for the year ended March 31, 2019 were authorised for issue by the Board of Directors on June 19, 2019 and the consolidated and separate statements of financial position were signed on the Board's behalf by Messrs LAM PO TANG Derek and RIVALLAND Louis. The consolidated and separate financial statements will be submitted to the shareholders for approval at the annual meeting.

2. PRINCIPAL ACTIVITIES

The principal activities of Air Mauritius Limited and its subsidiaries 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 (Up to March 29, 2019);
- the owning and operating of an investment property for rentals;
- the operation of a call centre and provision of Human Resources; and
- the provision of aerial tours for sight-seeing.

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

3. BASIS OF PREPARATION

The consolidated and separate financial statements of the Group and the Company are presented in Euro which is the Company's functional currency and all values were rounded to the nearest thousand (Euro'000) except when otherwise stated.

The consolidated and separate financial statements have been prepared under the historical cost convention except for investment properties, derivative financial instruments and financial assets at fair value through OCI have been measured at fair value.

Statement of compliance

The consolidated and separate financial statements of the Group and the Company have been prepared on the going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in compliance with the requirements of the Mauritius Companies Act and the Financial Reporting Act 2004.

Basis of consolidation

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

ii. Exposure, or rights, to variable returns from its involvement with the investee; and

iii. The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

3. BASIS OF PREPARATION (CONT'D)

Basis of consolidation (Cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

4. ACCOUNTING POLICIES

The Group and Company have consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements, except as noted in 4.1 below.

4.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The following relevant new and revised standards have been applied in these consolidated and separate financial statements as of April 01, 2018:

AMENDMENTS	Effective Date
- IFRS 15 Revenue from Contracts with Customers	April 01, 2018
- IFRS 9 Financial Instruments	April 01, 2018
- IAS 40 Transfers of Investment property	April 01, 2018
- IFRIC 22 Foreign Currency Transactions and Advance Considerations	April 01, 2018

The effects of these standards have been described below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five steps in the model are as follows:

- Identify the contract with customers;
- Identify the performance obligations in the contract;
- Determine the transaction price of the contract;
- Allocate the transaction price to each performance obligations in the contracts; and
- Recognise revenue as each performance obligation is satisfied

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

(a) Impact of adoption of IFRS 15

The Group and Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of April 01, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and Company elected to apply the standard to all contracts as at April 01, 2018.

The impact of the application of IFRS 15 at the date of initial application has been assessed as immaterial for the Group and Company and therefore no adjustment were made to the opening balance of retained earnings. The comparative information was not restated and continues to be reported under IAS 18 and related Interpretations.

Disaggregation of revenue, performance obligations and significant judgements applied under IFRS 15:

Under IFRS 15, revenue is recognised when a customer obtain control of the services. Determining the timing of the transfer of control – at a point of time or over time – requires judgement.

4. ACCOUNTING POLICIES (CONT'D)

4.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONT'D)

IFRS 15 Revenue from Contracts with Customers (Cont'd)

(a) Impact of adoption of IFRS 15 (Cont'd)

Disaggregation of revenue, performance obligations and significant judgements applied under IFRS 15 (Cont'd):

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's different sources of revenues are set out below.

Type of service	Source of revenue	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Transportation / carriage services	Passenger and cargo revenues	The Group's and Company's revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the transportation service has been provided, that is, when the passengers/cargo have flown. Passenger tickets and cargo air way bills are generally paid for in advance of transportation and are recognised, net of discounts (the transaction price), as current liabilities in the 'Sales in advance of carriage" until the passenger/cargo has flown. As the services are to be provided to the customers at a specific point in time, the performance obligation is satisfied when the passenger/cargo has flown. The transaction price on the tickets and air way bills for passengers and cargo, respectively, are pre-determined when the tickets and air way bills are issued; and these are not constrained.	Passenger and cargo revenues were recognised in the same manner as described under IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the Group's and Company's accounting policies and revenue recognition.
Transportation/ carriage services	Redemption revenue of miles on Customer Loyalty Programme (Kestrelflyer)	Redemption revenue received for the issuance of points is deferred as a liability (sales in advance on carriage) until the miles are redeemed or the passenger is flown in the case of flights redemptions. Redemption revenue is based on their relative stand-alone selling price (measured using the estimated ticket value method based on historical statistical data), adjusted for expected expiry and the extent to which the demand for an award cannot be met. Redemption revenue is recognised at the point when the miles are expired or redeemed by the customer.	Redemption revenue from the Customer Loyalty Programme was recognised in the same manner as described under IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the Group's and Company's accounting policies and revenue recognition.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

4. ACCOUNTING POLICIES (CONT'D)

4.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONT'D)

IFRS 15 Revenue from Contracts with Customers (Cont'd)

(a) Impact of adoption of IFRS 15 (Cont'd)

Disaggregation of revenue, performance obligations and significant judgements applied under IFRS 15 (Cont'd):

Type of service	Source of revenue	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Ground handling operations services, hotel and holiday and commissions	Other revenue	Other revenue including handling; hotel and holiday and commissions is recognised as the related performance obligation is satisfied (normally on a 30 days payment terms) using an appropriate methodology which reflects the activity that has been undertaken to satisfy the related obligation. Other revenue is recognised when the services have been rendered (i.e. the performance obligation has been performed). Hence, other revenue is recognised at a point in time.	Other revenue was recognised in the same manner as described under IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the Group's and Company's accounting policies and revenue recognition.
Transportation/ carriage services	Purged revenue	Unused tickets and air way bills included in "sales in advance of carriage" are recognised as revenue (purged) after twelve months from the lapsed travel date. Given that unused tickets and air way bills expire after twelve months of planned uplift date, those amounts included in "sales in advance of carriage" are recognised as revenue (purged) after twelve months. Therefore, purged revenue is recognised at a point in time.	Previously, under IAS 18, unused tickets and air way bills included in "sales in advance of carriage", were being recognised in revenue only on the 12th month as from the travel date and adjusted for any refund after a further 6 months. Therefore, the revenue from unused tickets and air way bills were only fully purged on the 18th month as from the lapsed travel date. Following adoption of IFRS 15, the Group and Company have changed their purging of unused tickets to perform an actual purging of unused tickets and air way bills on the 12th month as from the lapsed travel date. However, the impact as of April 01, 2018 is not material. Hence, the opening retained earnings has not been adjusted and the impact has been recognised in the current financial year.

(b) Other impact following the adoption of IFRS 15:

Revenue from Joint Venture with Air France:

The Group and Company have entered into joint venture agreements with other airlines whereby income and costs on all flights are shared between the airlines appropriately as per agreed terms. As per IAS 18, the income derived from the joint venture agreements were being recognised upon when passenger/cargo is flown.

Impact upon adoption of IFRS 15:

* The income derived from the joint venture agreement is out of scope of IFRS 15. Therefore, a reclassification from revenue to a separate line item (revenue from joint ventures) has been made to the accounts, as from April 01, 2018.

* Rental income from rental of investment property is out of scope of IFRS 15. Therefore, a reclassification from revenue to a separate line item (rental income) has been made to the accounts, as from April 01, 2018.

There was no other significant change to the method or timing of revenue recognition compared to the previous year.

4. ACCOUNTING POLICIES (CONT'D)

4.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONT'D)

IFRS 9 Financial Instruments

The Group and Company adopted IFRS 9 Financial Instruments on its effective date of April 01, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at April 01, 2018, the date of initial application.

Impact of adoption of IFRS 9

(a) Classification and measurement

The Group and Company have assessed the classification of financial instruments as at the date of initial application and have applied such classification prospectively. Based on the assessment:

* Trade and other receivables, cash and cash equivalents, short-term deposits, long-term deposits and long-term receivables previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These continue to be classified and measured as financial assets at amortised cost beginning April 01, 2018.

* Equity investments in non-listed companies classified as Available-for-sale financial assets as at March 31, 2018 are classified and measured as Equity instruments designated at fair value through OCI beginning April 01, 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

* The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at fair value through profit or loss (FVPL) attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Group and Company have derivatives that are measured and designated at fair value through profit or loss and others designated as 'fair value – hedging instrument'. Refer to Note 4.4 (j) for the measurement of derivatives as designated as 'fair value – hedging instrument'.

(b) Impairment

IFRS 9 requires the Group and Company to record ECLs on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis.

Given the limited exposure of the Group and Company to credit risk, this amendment has not had a material impact on the consolidated and separate financial statements. The Group and Company hold trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to ECLs.

Disclosures for impairment are provided in Note 16 and Note 5(i) respectively.

(c) Hedge accounting

Refer to Note 4.4 (j) for the measurement of derivatives as designated as 'fair value – hedging instrument'.

4. ACCOUNTING POLICIES (CONT'D)

4.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONT'D)

IFRS 9 Financial Instruments (Cont'd)

Impact of adoption of IFRS 9 (Cont'd)

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on April 01, 2018, however, the Group and Company have chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's and Company's financial assets and financial liabilities as at April 01, 2018.

- ***Financial assets***

The Group:

April 01, 2018	IAS 39 classification	IAS 39 measurement (EUR'000)	IFRS 9 classification	IFRS 9 measurement (EUR'000)
Available-for-sale investments	Available-for-sale	563	Fair value through OCI	563
Long term deposits	Loan and receivables	52,168	Amortised cost	52,168
Long term investment	Loan and receivables	5,843	Amortised cost	5,843
Long term receivables	Loan and receivables	117	Amortised cost	117
Trade and other receivables	Loan and receivables	41,289	Amortised cost	41,289
Cash and cash equivalents	Loan and receivables	32,985	Amortised cost	32,985
Short term deposits	Loan and receivables	1,494	Amortised cost	1,494
Derivative financial assets	Derivative	2,316	Fair value – hedging instrument	2,316

The Company:

April 01, 2018	IAS 39 classification	IAS 39 measurement (EUR'000)	IFRS 9 classification	IFRS 9 measurement (EUR'000)
Available-for-sale investments	Available-for-sale	563	Fair value through OCI	563
Long term deposits	Loan and receivables	52,168	Amortised cost	52,168
Long term receivables	Loan and receivables	117	Amortised cost	117
Trade and other receivables	Loan and receivables	41,216	Amortised cost	41,216
Cash and cash equivalents	Loan and receivables	28,121	Amortised cost	28,121
Derivative financial assets	Derivative	2,316	Fair value – hedging instrument	2,316

- ***Financial liabilities***

The Group:

April 01, 2018	IAS 39 classification	IAS 39 measurement (EUR'000)	IFRS 9 classification	IFRS 9 measurement (EUR'000)
Bank overdraft	Other financial liabilities	974	Amortised cost	974
Trade and other payables	Other financial liabilities	56,075	Amortised cost	56,075
Derivative financial liabilities	Derivative	2,297	Fair value – hedging instrument	2,297
Interest bearing loans and borrowings	Amortised cost	29,479	Amortised cost	29,479

4. ACCOUNTING POLICIES (CONT'D)

4.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONT'D)

IFRS 9 Financial Instruments (Cont'd)

Impact of adoption of IFRS 9 (Cont'd)

- ***Financial liabilities (Cont'd)***

The Company:

April 01, 2018	IAS 39 classification	IAS 39 measurement (EUR'000)	IFRS 9 classification	IFRS 9 measurement (EUR'000)
Bank overdraft	Other financial liabilities	953	Amortised cost	953
Trade and other payables	Other financial liabilities	56,138	Amortised cost	56,138
Derivative financial liabilities	Derivative	2,297	Fair value – hedging instrument	2,297
Interest bearing loans and borrowings	Amortised cost	29,479	Amortised cost	29,479

In line with the characteristics of the Group's and Company's financial instruments as well as their approach to management, the Group and Company neither revoked nor made any new designations on the date of initial application, except for available-for-sale investments which has been re-classified as financial assets at fair value through OCI. IFRS 9 has not resulted in changes in the carrying amount of the Group's and Company's financial instruments due to changes in measurement categories. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be measured at amortised cost.

In addition, the application of the ECL model under IFRS 9 has not significantly changed the carrying amounts of the Group's and Company's amortised cost financial assets.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

IAS 40 Transfers of Investment property

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property. The amendments state that a change in use occurs when the property meets or ceases to meet the definition of Investment Property and there is evidence of the change in use. The Group has adopted the amendments on its effective date of April 01, 2018. There has not been any change in the use of the investment property and as such there is no significant impact on the consolidated and separate financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Group has adopted the interpretations on its effective date of April 01, 2018. The Group's and Company's foreign currency and advance transactions are translated on the transaction date. Hence, the adoption of the interpretation did not have significant impact on the consolidated and separate financial statements.

4. ACCOUNTING POLICIES (CONT'D)

4.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	April 01, 2019
IAS 19 Plan Amendment, Curtailment or Settlement	April 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	April 01, 2019
IAS 1 and IAS 8 Definition of Material	April 01, 2020

The effects of these standards have been described below:

The assessment below is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and Company in the next financial year when the standards will be adopted.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for the year beginning on or after April 01, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group and Company plan to adopt IFRS 16 using the modified retrospective approach, with no restatement of comparatives. The Group and Company have several operating leases for assets including aircraft, property and other equipment.

The main changes arising on the adoption of IFRS 16 will be as follows:

1. Interest-bearing borrowings and non-current assets will increase on implementation of the standard as obligations to make future payments under leases currently classified as operating leases will be recognised on the statement of financial position, along with the related 'right-of-use' (ROU) asset. The Group and Company have opted to use the practical expedients in respect of leases of less than 12 months duration and leases for low value items and excluded them from the scope of IFRS 16. Rental payments associated with these leases will be recognised in the statements of profit or loss and other comprehensive income on a straight-line basis over the life of the lease.

4. ACCOUNTING POLICIES (CONT'D)

4.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

IFRS 16 Leases (Cont'd)

Transition to IFRS 16 (Cont'd)

2. There will be a reduction in expenditure on operations and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense.

3. The adoption of IFRS 16 will require the Group and Company to make a few judgements, estimates and assumptions. These include:

- The approach to be adopted on transition. The Group and Company will use the modified retrospective transition approach. Lease liabilities will be determined based on the appropriate incremental borrowing rates and rates of exchange at the date of transition (April 01, 2019). ROU assets are based on the related lease liability.

- The estimated lease terms. The term of each lease will be based on the original lease term unless management is 'reasonably certain' to exercise options to extend the lease.

- The discount rate used to determine the lease liability. The rates used on transition to discount future lease payments are the Group's and Company's incremental borrowing rates. These rates have been calculated by asset type, reflecting the underlying lease terms and based on observable inputs. The risk-free rate component has been based on LIBOR rates available in the same currency.

- Restoration obligations. The Group and Company have identified certain obligations associated with the maintenance condition of its aircraft on redelivery to the lessor. These have been recognised as part of the ROU asset on transition. Judgement has been used to identify the appropriate obligations and estimation has been used (based observable data) to measure them. Other maintenance obligations associated with these assets, comprising obligations that arise as the aircraft is utilised, such as engine overhauls and periodic airframe checks, will continue to be recognised as a maintenance expense over the lease term.

Impact on adoption of IFRS 16

On adoption of the standard, the Group and Company expect an adjustment to retained earnings as at April 01, 2019 of approximately EUR 3.4m. The indicative effect of IFRS 16 will result in an aggregated increase in non-current assets of approximately EUR275m, with the biggest asset category affected being aircraft. The Group and Company expect an increase to interest-bearing borrowings of approximately EUR270m.

IAS 19 Plan Amendment, Curtailment or Settlement

The amendments clarify that:

- On amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and

- The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after the year beginning January 01, 2019, with earlier application permitted. Management is still assessing the impact of adopting the amendment.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- Judgements made;

- Assumptions and other estimates used; and

- The potential impact of uncertainties that are not reflected.

IFRIC 23 applies for the year beginning on or after April 01, 2019. Earlier adoption is permitted. The Group and Company do not expect significant change following the adoption of the IFRIC. So far, they have concluded that there will be no material impact.

IAS 1 and IAS 8 Definition of Material

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

4. ACCOUNTING POLICIES (CONT'D)

4.2 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

IAS 1 and IAS 8 Definition of Material (Cont'd)

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The IASB has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from January 01, 2020 but may be applied earlier. However, the Group and Company do not expect significant change – the refinements are not intended to alter the concept of materiality.

4.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing these consolidated and separate financial statements the directors have used their best judgement and made estimates and assumptions about the future which are based on the current economic situation which is however highly volatile. In particular, these assumptions have had a significant impact on the following account balances in the consolidated and separate financial statements:

- Property, plant and equipment: estimation of recoverable value, depreciation method, economic useful life and residual value of assets.

- Employee benefit liability: estimation of discount rates, expected return on plan assets, future salary increases and future pension increases.

- Fair value of derivative financial assets and liabilities: the volatility of the following underlying:

  - *foreign exchanges;*

  - *oil prices; and*

  - *future interest rates.*

- Investment property: estimation of fair value of property.

- Revenue recognition and contract liabilities for customer loyalty programme.

- Provisions for returned conditions: estimation of costs.

- Impairment of aircraft and accessories.

- Whether an arrangement contains a lease – refer to Note 4.4 (n).

These are discussed below:

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 recoverable values, 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 and Company, 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 Company 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.

Estimated recoverable value for impairment assessment purposes for certain items of property, plant and equipment related to aircraft and accessories involves significant management estimate and judgement including:

- forecasting specific aircraft information such as revenue per aircraft, load factor, average air ticket price, cargo yield and fuel cost;

- the remaining useful lives of these assets and indicators of obsolescence;

- the discount rate used; and

- estimated selling price and costs to sell at the end of their useful life.

4. ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

ii. Employee benefit liability

The determination of employee benefit costs and related provisions, as described in Note 4.4(o) and as detailed in Note 21 to the consolidated and separate 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, and future pension increases.

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

iii. Fair value of derivative financial assets and liabilities

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

iv. Fair valuation of investment property

In preparing these consolidated and separate financial statements, the directors have obtained from an independent professional valuer the estimated fair value of the Group's and Company's investment property which are disclosed in the notes to the consolidated and separate 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.

v. Revenue and contract liabilities for customer loyalty programme

Revenue comprise numerous categories which include passenger revenue, cargo sale and redemption of miles on customer Loyalty Programme (Refer to Notes 4.4 (r) and 4.4 (s)). The IT systems supporting the revenue process are complex and involve a number of key judgement over the timing of revenue recognition. The timing of revenue recognition for unused tickets also require judgement due to the time frame over which tickets can be utilised. Refer to Note 4.1 and Note 4.4 (s) whereby the impact following adoption of IFRS 15 has been disclosed.

The Group and Company operate a Frequent Flyer programme, Kestrelflyer, which provides a variety of awards to members based on mileage credits on Air Mauritius Limited and other airlines that participate in the programme. Members can also accrue and redeem miles with non-airline partners.

The Group and Company account for award credits as a separately identifiable component of the sales transaction in which they are earned. The consideration in respect of the initial sale is allocated to award credits based on their relative stand-alone selling price (measured using the estimated ticket value method based on historical statistical data), adjusted for expected expiry and the extent to which the demand for an award cannot be met and is accounted for as a liability (deferred revenue) in the Group's and Company's statements of financial position. The estimation technique applied considers a range of different redemption options by reference to their cash selling prices, such as airfares on different routes and in different classes of travel as well as flight upgrades and partner rewards.

The stand-alone selling price (measured using the estimated ticket value) has been calculated based on the lowest applicable fare price throughout the 12 months. Judgement is exercised by management due to the diversity of inputs that go into determining the fair value of the award credits and due to the possibility that the trend may change over time.

Revenue is recognised on unredeemed miles when they expire.

The carrying amount of the contract liabilities for the Kestrelflyer Programme was estimated at **Eur 4.3M** (2018: Eur 4.0M). Management has reassessed the redemption rate to **50%** as at March 31, 2019 (2018: 50%). Further details have been provided in Note 23.

vi. Provisions for returned conditions

The Group and Company are contractually committed to return the aircraft in adherence to conditions agreed under the terms of the operating lease arrangements. These provisions are determined based on the expected costs of meeting the conditions and incorporate a number of assumptions requiring significant judgements including:

- Past and expected future utilisation and maintenance patterns of aircraft and engines; and
- Expected costs of the maintenance at the time it is expected to occur.

4. ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

vii. Impairment of aircraft and accessories

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on average price per ticket, number of flights, tonnage and yield. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Therefore, the assessment of impairment involves significant use of estimates and judgements including:

- forecasting specific aircraft information such as revenue per aircraft, load factor, average air ticket price, cargo yield and fuel cost;
- the remaining useful lives of these assets and indicators of obsolescence;
- the discount rate used; and
- estimated selling price at the end of their useful lives.

Judgements

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

i. Going concern

At March 31, 2019, the Group and the Company had net current liabilities of **EUR 57.5m** (2018: EUR 69.0m) and **EUR 60.6m** (2018: EUR 76.0m) respectively. The Group and the Company incurred a loss of **EUR 29.0m** (2018: profit of EUR 4.9m) and a loss of **EUR 21.7m** (2018: profit of EUR 4.5m) respectively for the year ended March 31, 2019. Included in the net current liabilities are non-financial liabilities which would not result in cash outflows of the Group and the Company and these include forward sales and frequent flyer provisions which amount to **EUR 110.2m** (2018: EUR 113.9m) and **EUR 4.3m** (2018: EUR 4.0m) respectively.

The Group's and Company's directors have made an assessment of the Group's and the Company's ability to continue as a going concern and is satisfied that the Group and Company have the resources to continue in business for the foreseeable future. In an attempt to improve the profitability and operating cash flows of the Group and Company, the following measures were undertaken by management:

Post year end, the shareholders resolved on June 10, 2019 to:

- dispose of the shares held in its subsidiary, Pointe Coton Resort Hotel Company Limited for a cash consideration of MUR 110m (equivalent to EUR 2.7m);
- issue fresh redeemable preference shares for cash consideration of MUR 500m (equivalent to EUR 12.3m);
- acquire 20% of Mauritius Duty Free Paradise Co Ltd for a non-cash consideration of MUR 405m through the issue of ordinary shares; this new investment is expected to generate a stream of dividend income annually.

From an operational perspective:

- The Company has engaged in renegotiations of the terms of business with its major suppliers in an attempt to reduce its cost of supplies and operations. This has already yielded significant costs savings subsequent to the reporting date; and
- The Company had made pre delivery cash payments for an amount of USD 83m (EUR 71m) on two of its awaited new Airbus A350s which are scheduled to be delivered in October and November 2019 respectively. Given that the Company is contemplating to finance these aircraft fully through a lease arrangement, the pre delivery cash payments of USD 83m (EUR 71m) will be fully refunded in cash to the Company at the time of delivery of the aircraft.

As a result of the above, the Group's and Company's forecasts and projections, taking account of reasonably possible changes (operating statistics such as passenger load factor, ticket prices, number of flights, cargo yield and others) in trading performance, demonstrate that the Group and the Company should be able to operate within the level of their current financing and undrawn facilities available at the reporting date up to the next twelve months from the date of approval of these financial statements.

Therefore, the consolidated and separate financial statements continue to be prepared on the going concern basis.

4. ACCOUNTING POLICIES (CONT'D)

4.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

Judgements (Cont'd)

ii. Determination of hedging relationship

The determination of the accounting treatment of the Group's and Company's hedging relationships is critical since the recording of gains or losses on re-measurement of hedging instruments to fair value at the reporting date gives rise to adjustments directly in profit or loss or other comprehensive income where such relationship is treated as fair value hedge or cash flow hedge respectively. Hedge accounting under IFRS is a complex area and the Group and Company have entered into a number of hedge contracts, necessitating a sophisticated system to record and track each contract and calculate the related valuations at each financial reporting date. The valuation of hedging instruments and consideration of hedge effectiveness involve a significant degree of both complexity and management judgement. As described in Note 4.4 (j), there are criteria that need to be considered in determining the nature of hedging relationship. Hedging has only been undertaken by the Group and 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. Additional information is provided in Note 20.

iii. Functional currency

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Functional and presentation currency

The functional currency of each entity within the Group and Company 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 these consolidated and separate financial statements, the results and financial position of each entity are expressed in Euro ("EUR"), which is the functional currency of the Company, and the presentation currency used for the Group's and the Company's financial statements. For those entities in the Group whose functional currencies differ from the presentation currency, the following exchange rates were applicable:

	2019		2018	
	Closing	**Average**	Closing	Average
EUR / ZAR*	**16.39**	**15.92**	14.56	15.20
EUR / MUR**	**39.10**	**39.83**	41.30	39.85

*ZAR: South African Rand
**MUR: Mauritian Rupee

(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. Exchange differences arising on the following items are recognised in other comprehensive income:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss); and
- qualifying cash flow hedges to the extent that the hedges are effective.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency translation (Cont'd)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 and Company entered into forward contracts, for which the Group and Company apply hedge accounting if appropriate, see Note 4.4(j).

For the purpose of presenting consolidated financial statements, the assets and liabilities of foreign operations are expressed in Euro using exchange rates prevailing on the reporting date. The income and expenses for the year are translated into Euro at the average exchange rate for the year. The exchange differences arising from the translation of the foreign operations are recognised in other comprehensive income and taken to the Group's translation reserve. The cumulative translation differences recognised in other comprehensive income are reclassified to profit or loss in the year in which the foreign operation is disposed of. If the Group disposes of part of its interest in a subsidiary, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Property, plant and equipment

An item of property, plant and equipment is initially recognised at the cost at the time it is incurred. All property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Such costs include the cost of replacing part of an asset when that cost is incurred, if recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group and Company recognise such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed on an aircraft or its engines which is required in order for the aircraft to be operational, 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 and the Company 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 depreciation method, useful lives and residual values of all property, plant and equipment are reviewed and prospectively adjusted if appropriate at each financial year end.

The principal annual rates of depreciation for the years ended March 31, 2019:

	Rate (%)
Aircraft on finance lease (frame and engine)	5
Aircraft and accessories:	
• Aircraft	3 - 7
• Galley equipment	9 – 15
• In-flight entertainment equipment	9 – 15
• Cabin interior and seating	9 – 11
• Aircraft rotables spares	5 – 50
Buildings and hangars on leasehold land	2 – 10
Plant and equipment	15 – 33.33
Furniture and fittings	10
Computer and office equipment	10 – 33
Motor vehicles	20
Airframe and engine overhaul	See note below

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Leasehold land is not capitalised and the lease payments are charged to profit or loss on a straight line basis.

Items of property, plant and equipment acquired under finance lease contracts are depreciated over the shorter of the lease term and useful life of the asset.

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 in the year the asset is derecognised.

During the financial year, management decreased the residual values of two of its A319 aircraft based on current economic conditions of the aircraft. Following the change in residual values, the depreciation charge was reassessed in line with the revised residual values. The effect of these changes on actual and expected depreciation expense, included in operating expenses were as follows:

	2019	2020	2021	2022	2023
Increase in depreciation expense (EUR'000)	307	1,483	1,483	2,141	722

Aircraft and engine overhaul

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

(d) Investment property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Information on the fair value determination is provided in Note 7. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise.

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

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

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

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

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date on which control commences until the date on which control ceases.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments in subsidiaries and associate (Cont'd)

Subsidiaries (Cont'd)

When the Group disposes a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss.

Associate

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

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

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

The share of the results of operations of the associate is shown in profit or loss. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated in the extent of the interest in the associate. The financial statements of the associate are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

(f) Financial assets

In the current year, the Group and Company have adopted IFRS 9 Financial Instruments. The impact following the adoption of IFRS 9 by the Group and Company are shown in Note 4.1. Comparative figures for the year ended March 31, 2018 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Policy effective from April 01, 2018 (IFRS 9)

Classification

In accordance with IFRS 9, the Group and Company classify their financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or

(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and Company have applied the practical expedient, the Group and Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and Company have applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 4.1, IFRS 15 Revenue from contracts with customers.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

Policy effective from April 01, 2018 (IFRS 9) (Cont'd)

Initial recognition and measurement (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) (there were no financial assets under this category at the reporting date);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss; and
- Derivative assets at fair value – hedging instrument

Financial assets at amortised cost (debt instruments)

The Group and Company measure financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and Company's financial assets at amortised cost include long term investments, long term receivables, long term deposits, trade and other receivables (excluding prepayments), short term deposits and cash and cash equivalents.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group and Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group and Company elected to classify irrevocably their equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

Policy effective from April 01, 2018 (IFRS 9) (Cont'd)

Subsequent measurement (Cont'd)

Financial assets at fair value through profit or loss (Cont'd)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Dividends on equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

This category also includes derivative instruments designated at 'fair value – hedging instrument'.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

For derivative measured at fair value – hedging instrument, refer to Note 4.4 (j).

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group and Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group and Company have transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, they have retained the risks and rewards of ownership.

When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and Company have 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 and Company could be required to repay.

Policy effective before April 01, 2018 (IAS 39)

Initial recognition and measurement

The Group and Company classified their financial assets as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale investments. When financial assets were recognised initially, they were measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group and Company determined the classification of their financial assets on initial recognition and, where allowed and appropriate, re-evaluated this designation at each financial year-end.

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

The Group's and Company's financial assets included cash and cash equivalents, short-term deposits, trade and other receivables (excluding prepayments), long term deposits, long term investments, long term receivables, available-for-sale investments, and derivative financial assets.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

Policy effective before April 01, 2018 (IAS 39) (Cont'd)

Subsequent measurement

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

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

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

ii. Held-to-maturity financial assets

These assets were initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at amortised cost using the effective interest method.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that were not quoted in an active market. After initial measurement, such assets were carried at amortised cost using effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents and short term deposits

Cash and cash equivalents in the consolidated and separate statements of financial position comprised of cash at bank and in hand and short term deposits with an original maturity of three months or less.

Short term deposits with original maturity of more than three months were not part of cash and cash equivalents and were shown separately on the face of the consolidated and separate statements of financial position.

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

iv. Available-for-sale investments

Available-for-sale investments included equity securities which are neither classified as loans and receivables, held-to-maturity investment nor held for trading or designated at fair value through profit or loss.

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

The Group and Company evaluated their available-for-sale investments whether the ability and intention to sell them in the near term were still appropriate. When the Group and Company were unable to trade these financial assets due to inactive markets and management intent significant changes to do so in the foreseeable future, the Group and Company may elected to reclassify these financial assets in rare circumstances.

Derecognition

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

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

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets (Cont'd)

Policy effective before April 01, 2018 (IAS 39) (Cont'd)

Derecognition (Cont'd)

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

(g) Impairment of financial assets

Policy effective from April 01, 2018 (IFRS 9)

The Group and Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group and Company apply a simplified approach in calculating ECLs.

Therefore, the Group and Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and Company have established a provision matrix that is based on their historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and Company may also consider a financial asset to be in default when internal or external information indicates that the Group and Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Policy effective before April 01, 2018 (IAS 39)

The Group and Company assessed at each reporting date whether there was any objective evidence that a financial asset or a group of financial assets not classified at fair value through profit or loss was impaired. A financial asset or a group of financial assets was deemed to be impaired if, and only if, there was objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event had an impact on the estimated future cash flows of the financial asset or the group of the financial assets that could be reliably estimated.

Objective evidence that financial assets were impaired included:

(a) default or delinquency by a debtor;

(b) restructuring of an amount due to the Group and Company on terms that the Group and Company would not consider otherwise;

(c) indications that a debtor or issuer will enter bankruptcy;

(d) adverse changes in the payment status of borrowers or issuers;

(e) the disappearance of an active market for a security because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Policy effective before April 01, 2018 (IAS 39) (Cont'd)

Financial assets carried at amortised cost

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

If there was objective evidence that an impairment loss had been incurred, the amount of the loss was 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 had not yet been incurred). The present value of the estimated future cash flows was discounted at the financial assets' original effective interest rate. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate.

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

Available-for-sale investments

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. 'Significant' was evaluated against the original cost of the investment and a fall of over 20% of cost was considered to be significant. 'Prolonged' was evaluated against the period in which the fair value had been below its original cost and a more than twelve months period was considered as prolonged. Where there was 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, was removed from the available-for- sale reserve and recognised in profit or loss. Impairment losses on equity investments were not reversed through profit or loss. Increases in their fair value after impairment were recognised directly in other comprehensive income.

(h) Financial liabilities

Policy effective from April 01, 2018 (IFRS 9)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Group's and Company's financial liabilities include trade and other payables, interest-bearing loans and borrowings, derivative financial liabilities, dividend payable and bank overdraft.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include 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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. 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 the statements of profit or loss and other comprehensive income.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial liabilities (Cont'd)

Policy effective from April 01, 2018 (IFRS 9) (Cont'd)

Subsequent measurement (Cont'd)

Financial liabilities at fair value through profit or loss (Cont'd)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group and Company have designated derivative financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings, trade and other payables, dividend payable and bank overdraft are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Policy effective before 1 April 2018 (IAS 39)

Initial recognition and measurement

The Group and Company classify their financial liabilities as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and Company determine 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 and Company's financial liabilities include trade and other payables, interest-bearing loans and borrowings, derivative financial liabilities and dividend payable. Derivative financial liabilities are classified as financial liabilities at fair value through profit or loss. All other financial liabilities are classified as other financial liabilities.

Subsequent measurement

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

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. 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 effective interest rate (EIR). The EIR amortisation is included in finance cost in the statement of profit or loss.

Financial liabilities at fair value through profit or loss (FVTPL)

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. Gains or losses on liabilities held for trading are recognised in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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.

(i) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is shown in the consolidated and separate statements of financial position when and only when, the Group and Company have a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Derivative financial instruments and hedge accounting

The Group and Company have elected to use the exemption under IFRS 9 to continue with the hedge accounting under IAS 39. The policy applied in the comparative information for March 31, 2018 is therefore similar to that applied for March 31, 2019. Consequently, there has been no change in the hedge accounting and measurement of cash flow hedges.

The Group and Company hold derivative financial instruments to hedge its foreign currency and fuel price risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group and Company designated certain derivatives as 'hedging instruments' to hedge variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and fuel prices and certain derivatives as hedges on fuel price risk on a net investment in a foreign operation.

A hedging relationship exists where:

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

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging relationship is classified as cash flow hedge or fair value hedge. A fair value hedge is hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss whereas a cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss. The hedging relationships meet the conditions of cash flow hedges during the year and are therefore accounted as cash flow hedges.

Cash flow hedge

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

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

Amounts recognised as other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

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

(k) Provisions

i. General

Provisions are recognised when the Group and Company have 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 and Company expect 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.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Provisions (Cont'd)

ii. Major overhauls

Major overhauls involve maintaining the aircraft in a serviceable condition in line with the aircraft maintenance manual. The Company makes provisions for the future maintenance events based on the maintenance programme. Provisions are recognised on a monthly basis in relation to these events which are then released to profit or loss upon completion of the overhaul.

iii. Provision for return conditions

The measurement of the provision for aircraft return conditions includes assumptions relating to the expected cost of meeting the maintenance and non-maintenance return conditions, having regard to the current fleet plan and long-term maintenance schedules. Please refer to Note 22 for more details.

(l) Intangible assets

Intangible assets which comprise computer software and goodwill on acquisition are initially recorded at cost. Intangible assets are subsequently measured at cost less accumulated amortisation and impairment losses. Computer software is amortised using the straight-line method over its estimated useful life of three years. Goodwill acquired in a business combination is not amortised and is assessed for impairment every year. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

(m) 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 obsolete inventories are identified on a regular basis and written down to their realisable values as and when it is deemed necessary. Consumables are written down with regards to their age, condition and utility.

(n) Leases

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or

(d) there is a substantial change to the asset.

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

Group and Company as lessees

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 an amount equal to the lower of their fair value at the date of acquisition and present value of minimum lease payments. The corresponding liability to the lessor is included in the consolidated and separate statements 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.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Leases (Cont'd)

Group as 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.

Sale and leaseback

Any gain arising on sale and leaseback transaction resulting in a finance lease and where the sale price is at fair value, same is classified as a deferred credit and amortised over the period for which the asset is expected to be used. If a loss arise on a sale and leaseback transaction and where the sale price is at fair value, the loss is recognised in profit or loss. No loss is recognised unless the asset is impaired, in which case it is added to the carrying amount of the leased asset and depreciated over the shorter of the lease term and useful life of the asset.

(o) Employee benefit liability

i. Defined benefit plans

The Company contributes to a pension scheme, which is a 'Defined Benefit' plan. Under this plan the qualifying employees are entitled to retirement benefits up to a maximum of 66.6% of final salary on attainment of a retirement age of 65. 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. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group and Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur.

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 in profit or loss as they fall due.

iii. Other post-retirement benefits

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

iv. End of contract gratuity for pilots

The terms of employment for pilots employed on a fixed, long-term contract basis include a condition for the payment of gratuity which is calculated based on a percentage of the total basic salary paid to the pilots on each anniversary date of their contract over its duration.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee benefit liability (Cont'd)

iv. End of contract gratuity for pilots (Cont'd)

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(p) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

i. Current income tax

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using the tax rates enacted at the reporting date. Current tax is recognised in correlation to underlying transactions either in profit and loss or, other comprehensive income or directly in equity. Current tax assets and liabilities are offset, if there is a legally enforceable right to set off and the entity either intends to settle on a net basis or realise the asset and liability simultaneously.

ii. Deferred tax

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

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

Under this method the Group is required to make provision for deferred 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, employee benefit liability and provision for credit losses.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred 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 consolidated and separate statements of financial position.

iv. Corporate Social Responsibility

In line with the definition within the Income Tax Act 1995, Corporate Social Responsibility (CSR) is regarded as a tax and is therefore subsumed with the income tax shown within the consolidated and separate statements of comprehensive income and the income tax liability on the consolidated and separate statements of financial position.

The CSR charge for the current period is measured at the amount expected to be paid to the Mauritian tax authorities. The CSR rate and laws used to compute the amount are those charged or substantively enacted by the reporting date.

(q) Impairment of non-financial assets

The Group and Company review the carrying amounts of its assets other than investment property, inventories and deferred tax 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.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Impairment of non-financial assets (Cont'd)

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.

(r) Customer loyalty programme

The Group and Company operate a customer loyalty programme, the Kestrelflyer Programme that entitles customers to accumulate mileage credits that entitle them to a choice of various awards, primarily free travel and upgrading of tickets. 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 flown in the case of flights redemptions. Redemption revenue is based on their relative stand-alone selling price (measured using the estimated ticket value method based on historical statistical data), adjusted for expected expiry and the extent to which the demand for an award cannot be met. Redemption revenue is recongnised at the point where the miles are expired or redeemed by the customer.

(s) Revenue recognition

Policy effective as from April 01 2018 (IFRS 15)

i. Passenger and cargo sales

The Group's and Company's revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the transportation service has been provided, that is, when the passengers/cargo have flown. Passenger tickets and cargo air way bills are generally paid for in advance of transportation and are recognised, net of discounts (the transaction price), as current liabilities in the "Sales in advance of carriage" until the passenger/cargo has flown. 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 after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends.

The Group and Company consider whether they are an agent or a principal in relation to transportation services by considering whether they have a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party.

ii. Other revenue

Other revenue including ground handling services, hotel and holiday and commissions is recognised as the related performance obligation is satisfied (at a point in time) using an appropriate methodology which reflects the activity that has been undertaken to satisfy the related obligation.

iii. Redemption of miles on Customer Loyalty Programme (Kestrelflyer)

Redemption revenue received for the issuance of points is deferred as a liability (sales in advance on carriage) until the miles are redeemed or the passenger is uplifted in the case of flights redemptions. Redemption revenue is based on their relative stand-alone selling price (measured using the estimated ticket value method based on historical statistical data), adjusted for expected expiry and the extent to which the demand for an award cannot be met. Redemption revenue is recognised at the point when the miles are expired or redeemed by the customer and over time using the estimated ticket value method.

iv. Purged revenue

Unused tickets included in "sales in advance of carriage" are recognised as revenue (purged) after twelve months from the lapsed travel date.

Policy effective before 1 April 2018 (IAS 18)

i. Passenger and cargo sales

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

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

Revenue was recognised upon consumption and acceptance of services, net of Value Added Tax and discounts.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Revenue recognition (Cont'd)

iii. Redemption of miles on Customer Loyalty Programme (Kestrelflyer)

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

iv. Purged revenue

Unsued tickets included in "Sales in advance of carriage" were recognised as revenue (purged) after eighteen months from the lapsed travel date.

(t) Operating segment

For management purposes, the Group was organised into business units based on their services and the operating segments were 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 was evaluated based on operating profit or loss and was measured consistently with operating profit or loss in the consolidated financial statements.

(u) Revenue from joint ventures

The Group and Company have entered into joint venture agreements with other airlines whereby income and costs on all flights are shared between the airlines as per agreed terms. The income derived from the joint venture agreements are recorded upon uplift of passengers and cargo on aircraft.

(v) Finance income and finance cost

The Group's and Company's finance income and finance costs include:

- other interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the gains or losses on hedging instruments.

Interest income or expense is recognised as it accrues using the effective interest method. Dividend income is recognised as finance income when the Company's right to receive payment has been established.

(w) Rental income from investment property

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

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

The Group and Company classify non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification 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 completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

(y) Fair value measurement

The Group and Company measure financial instruments, such as, derivatives, and non-financial assets such as investment property, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 34.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group and Company.

4. ACCOUNTING POLICIES (CONT'D)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Fair value measurement (Cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group and Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated and separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated and separate financial statements on a recurring basis, the Group and Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(z) Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of ordinary shares are recognised as a deduction from equity. When shares are issued at a price above its par value, the excess between the issue price and par value is recorded in share premium.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

As an airline with worldwide operations, the Group and Company are exposed to financial risks relating to fluctuations in exchange rate, jet fuel price and interest rate movements, as well as credit and liquidity risks.

The fundamental objective of financial risk management at Group level is to protect and, where possible, improve on future budgeted and forecast cash flows, and the financial performance and financial position of the Group and Company by:

- Protecting the Group and Company from adverse market movements that manifest as financial downside for the business and endanger stakeholders (shareholder, employees and the community), and threaten the sustainability and competitive position and reputational risk of the Group in the market; and
- Reducing the volatility and resultant uncertainty of operating revenues and cash flows that result from financial market volatility.

The Board of directors sets the Risk Management policies and objectives of the Group and Company, and lays down the parameters within which the various aspects of treasury risk management are operated. The Board through its Risk Management Steering Committee (RMSC) has approved a Risk Management Manual which outlines the Group's and Company's policies and procedures for managing corporate and asset financing and financial risks.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Group and Company have various financial assets such as cash and cash equivalents, short-term deposits, trade and other receivables (excluding prepayments), long term deposits, long term investments, long term receivables, available-for-sale investments, and derivative financial assets which arise directly from its operations.

The main risks arising from the Group's and Company'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 and Company enter into derivative transactions, primarily forward currency contracts and forward commodity contracts. The purpose is to manage the currency risks and jet fuel price risk arising from the Group's and Company's operations and its sources of finance.

i. Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and Company's cash at bank, short-term deposits, trade and other receivables (excluding prepayments), long term deposits, long term investments, long term receivables, and derivative financial assets. Receivable balances are monitored on an ongoing basis with the result that the Group's and Company's exposure to bad debts is not significant. Cash and cash equivalents, excluding petty cash, and derivative financial assets are placed in banks and/or financial institutions with good credit rating.

Exposure to credit risk

At the reporting date, the Group's and Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the consolidated and separate statements of financial position.

		Maximum credit exposure		Maximum credit exposure
	2019	2019	2018	2018
The Group	**EUR'000**	**EUR'000**	EUR'000	EUR'000
Trade and other receivables	**42,494**	**42,494**	41,289	41,289
Cash at bank	**15,091**	**15,091**	32,703	32,703
Short-term deposits	**4,219**	**4,219**	1,494	1,494
Long term deposits	**18,100**	**18,100**	52,168	52,168
Long term investments	**2,170**	**2,170**	5,843	5,843
Long term receivables	**125**	**125**	117	117
Receivable from aircraft manufacturer	**57,429**	**57,429**	-	-
Derivative financial assets	**6,173**	**6,173**	2,316	2,316
	145,801	**145,801**	135,930	135,930

		Maximum credit exposure		Maximum credit exposure
	2019	2019	2018	2018
The Company	**EUR'000**	**EUR'000**	EUR'000	EUR'000
Trade and other receivables	**47,914**	**47,914**	41,216	41,216
Cash at bank	**13,953**	**13,953**	28,121	28,121
Long term deposits	**18,100**	**18,100**	52,168	52,168
Long term receivables	**125**	**125**	117	117
Receivable from aircraft manufacturer	**57,429**	**57,429**	-	-
Derivative financial assets	**6,173**	**6,173**	2,316	2,316
	143,694	**143,694**	123,938	123,938

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

i. Credit risk (Cont'd)

Trade and other receivables

The Group's sales are made principally through International Air Transport Association (IATA), Cargo Accounts Settlement System (CASS) and Billing Settlement Plan (BSP) settlement systems. As such, the credit risk arising from defaults from travel agents, other airlines, forwarding agents and tour operators are considerably reduced. The Group and Company also trade directly with recognised creditworthy third parties. It is the Group's and Company'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 and Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 16. There are no significant concentrations of credit risk within the Group and Company.

- ***Expected credit losses for trade and other receivables***

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in the above maximum exposure table. The Company does not hold collateral as security nor letters of credit and other forms of credit insurance.

Set out in Note 16 is the information about the credit risk exposure and credit quality on the Group's and Company's trade receivables using a provision matrix.

Cash and cash equivalents and short-term deposits

The Group and the Company held cash at bank amounting to **EUR 15,091K** and **EUR 13,953K** at March 31, 2019 (2018: EUR 32,703K and EUR 28,121K) and short-term deposits amounting to **EUR 4,219K** (2018: EUR 1,494K) for the Group. Cash and cash equivalents and short-term deposits are held with bank and financial institution counterparties, which are rated at least investment grade based on Moody's (Baa3), Fitch (BBB-) and Standard & Poor (BBB-). Accordingly, ECL on these financial assets were assessed as being immaterial.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated at least investment grade based on Moody's (Baa3), Fitch (BBB-) and Standard & Poor (BBB-).

Long-term investments and short-term investments

The ECL on short term investments and long term investments is **EUR 3K** as at March 31, 2019 and was **EUR 3K** as at April 01, 2018. The ECL has been calculated based on a 12 month point in time probability of default (PD) of 0.11% and a loss given default of 45%. The Basel regulatory rate for unsecured bonds is 45% and this has been used as the loss given default (LGD) in the ECL calculation for the short term investments and long term investments.

The ECL on opening balance of short term investment and long term investment is immaterial and as such, adjustment to opening retained earnings was not made. Further, the ECL impact for the current year of EUR 3K has been recognised in the consolidated statements of profit or loss and other comprehensive income.

ii. Liquidity risk

Liquidity risk is the risk that the Group and Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's and Company's approach to managing liquidity is to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Company's reputation.

The Group and Company monitor their risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial obligations and approved projected cash flows from operations. Management also carries out a regular review of the facilities it has in place with its banking partners to ensure it has access to sufficient financing in case of liquidity needs at all times.

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

ii. Liquidity risk (Cont'd)

The Group

At March 31, 2019	Carrying amount	Contractual cash flows				
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Interest bearing loans and borrowings	67,737	10,504	6,139	39,481	12,321	68,445
Derivative financial liabilities	4,055	-	129	3,926	-	4,055
Trade and other payables	54,551	-	53,990	561	-	54,551
Dividend payable	488	-	488	-	-	488
Total	126,831	10,504	60,746	43,968	12,321	127,539

At March 31, 2018	Carrying amount	Contractual cash flows				
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Interest bearing loans and borrowings	30,432	953	2,512	7,557	21,751	32,773
Derivative financial liabilities	2,297	-	686	1,611	-	2,297
Trade and other payables	56,075	-	54,616	1,459	-	56,075
Total	88,804	953	57,814	10,627	21,751	91,145

The Company

At March 31, 2019	Carrying amount	Contractual cash flows				
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Non-derivative financial liabilities						
Interest bearing loans and borrowings	67,737	10,504	6,139	39,481	12,321	68,445
Derivative financial liabilities	4,055	-	129	3,926	-	4,055
Trade and other payables	56,382	1,621	54,761	-	-	56,382
Total	128,174	12,125	61,029	43,407	12,321	128,882

At March 31, 2018	Carrying amount	Contractual cash flows				
		On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Non-derivative financial liabilities						
Interest bearing loans and borrowings	30,432	953	2,512	7,557	21,751	32,773
Derivative financial liabilities	2,297	-	686	1,611	-	2,297
Trade and other payables	56,138	1,848	54,290	-	-	56,138
Total	88,867	2,801	57,488	9,168	21,751	91,208

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or the value of their holdings of financial instruments. The objective of market risk is to manage and control market risk exposures within acceptable parameters while optimising return.

The Group and Company make use of derivative financial instruments to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Steering Committee (RMSC). Normally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Interest rate risk

The Group's and Company's earnings are exposed to changes in interest rates as they finance their aircraft principally in Euro and US dollars. Changes in interest rates of the Euro zone and US will therefore impact on the cash flows, profits and equity of the Group and Company, when the financing is based on floating rate terms. The Group and Company mitigate this risk by having a loan portfolio which carries both fixed and floating rates. As at March 31, 2019, none of the Group's and Company's borrowings were at a fixed rate of interest (2018: Nil).

- ***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 Company's profit or loss and equity (through the impact on floating rate borrowings).

The Group and the Company	Increase/ decrease in basis points	Effect on profit or loss/equity
		€'000
2019		
Financial instruments denominated in Eur	**+15**	**(28)**
Financial instruments denominated in Mur	**+10**	**(6)**
Financial instruments denominated in Eur	**-10**	**19**
Financial instruments denominated in Mur	**-5**	**4**
2018		
Financial instruments denominated in Eur	+15	(35)
Financial instruments denominated in Mur	+10	(8)
Financial instruments denominated in Eur	-10	24
Financial instruments denominated in Mur	-5	5

Commodity price risk

One of the Group's and Company'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 and Company's profitability are 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 Company's profit or loss and equity. As at March 31, 2019, the fair value of the Group's and Company's derivative financial assets and liabilities relating to commodity hedges was **EUR 3,137K** and **EUR (4,055K)** (2018: derivative financial assets EUR 2,316K and derivative financial liabilities of EUR (2,297K).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

iii. Market risk (Cont'd)

Commodity price risk (Cont'd)

The Group and the Company	Increase/decrease in USD	Effect on profit or loss	Effect on equity
		€'000	€'000
2019			
Increase in fuel price	**+10**	**(16,230)**	**(3,786)**
Decrease in fuel price	**-10**	**16,230**	**7,239**
2018			
Increase in fuel price	+10	(16,531)	(17,693)
Decrease in fuel price	-10	16,531	18,602

Foreign currency risk

Revenue is generated principally in Euro because the principal market of the Group is Europe, while USD mainly influences the determination of costs as fuel expenses are borne in USD. Therefore, the prospective cost in non-euro operations will be hedged in this manner to a level of between 30% and 70%.

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 34% of the Group's sales are denominated in the functional currency of the operating unit making the sale, whilst almost 43% of costs are denominated in USD. The forward currency contracts must be in the same currency as the hedged item.

The Group manages its foreign currency risk by hedging transactions that are expected to occur in mainly USD by using foreign currency swaps and forwards. 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 in relation to Euro by **2%** (2018: 5%), with all other variables held constant, of the Group's profit or loss (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 change in 2% (2018: 5%) refers to the management's estimate of reasonable possible changes in exchange rates for next financial year.

The Group and the Company	Increase/ decrease in US dollar rate*	Effect on profit or loss	Effect on equity
		€'000	€'000
2019	**+2%**	**(4,793)**	**(6,939)**
	-2%	**4,989**	**7,336**
2018	+5%	(3,568)	(9,261)
	-5%	3,944	7,874

iv. Hedging

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 Group's and 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 and Company to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged, except to the extent that the hedge is ineffective.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

iv. Hedging (Cont'd)

Foreign currency risks in relation to expected disbursements 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 commodity contracts are rarely taken for a period of more than one year.

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

When a derivative is entered into for the purpose of being a hedge, the Group and Company negotiate the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The movement in derivative financial instruments (cash flow hedges) are as follows:

	2019		2018	
	Currency derivatives	**Commodity derivatives**	Currency derivatives	Commodity derivatives
	€000	**€000**	€000	€000
At April 01,	**(2,297)**	**2,316**	280	(969)
Movement during the year				
Hedge (receipts) / payouts	**(2,495)**	**(1,082)**	4,119	(2,152)
Fair value movement	**7,826**	**(1,482)**	(6,696)	5,437
At March 31,	**3,034**	**(248)**	(2,297)	2,316

v. Capital risk management

The primary objective of the Group's and Company'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. In order to achieve overall capital management objectives, the Group and Company, amongst other things, aim to ensure that they meet financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period. The Group and Company were not subject to any externally imposed capital requirements during the years ended March 31, 2019 and March 31, 2018.

The Group and Company manage their capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended March 31, 2019 and March 31, 2018.

The Group and Company monitor capital using a gearing ratio, which is interest bearing loans and borrowings divided by equity. The Group's and Company's policy are to keep the gearing ratio at a reasonable level which is 1:1. Interest bearing loans and borrowings exclude derivatives.

	The Group		The Company	
	2019	2018	**2019**	2018
	€000	€000	**€000**	€000
Interest bearing loans and borrowings	**67,784**	30,453	**67,737**	30,432
Equity	**56,922**	85,625	**66,116**	87,921
Debt to equity ratio	**119%**	36%	**102%**	35%

The Group and Company did not pledge any financial assets as collateral for liabilities or contingent liabilities as at March 31, 2019 (2018: Nil).

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

vi. Fair value of financial instruments

The fair value details of financial assets and liabilities are disclosed in Note 34. The tables below set out comparison by category and class of carrying amounts and fair values of all of the Group's and Company's financial instruments.

The Group	Category 2019	Category 2018	Carrying amount		Fair value	
			2019	2018	**2019**	2018
			€'000	€'000	**€'000**	€'000
Financial assets						
Cash and cash equivalents	A.C	L.R	**15,126**	32,985	**15,126**	32,985
Trade and other receivables	A.C	L.R	**42,494**	41,289	**42,494**	41,289
Receivable from aircraft manufacturer	A.C	L.R	**57,429**	-	**57,429**	-
Long term receivables	A.C	L.R	**125**	117	**125**	117
Financial assets at FVOCI	F.V.O.C.I	A.F.S	**585**	563	**585**	563
Short-term deposits	A.C	L.R	**4,219**	1,494	**4,219**	1,494
Long-term deposits	A.C	L.R	**18,100**	52,168	**18,100**	52,168
Long term investments	A.C	H.T.M	**2,170**	5,843	**2,100**	5,914
Derivative financial assets	F.V.P.L	F.V.P.L	**6,173**	2,316	**6,173**	2,316
Financial liabilities						
Bank overdraft	A.C	O.L	**(10,504)**	(974)	**(10,504)**	(974)
Trade and other payables	A.C	O.L	**(54,551)**	(56,075)	**(54,551)**	(56,075)
Dividend payable	A.C	-	**(488)**	-	**(488)**	-
Derivative financial liabilities	F.V.P.L	F.V.P.L	**(4,055)**	(2,297)	**(4,055)**	(2,297)
Interest-bearing loans and borrowings:						
- Obligations under finance lease	A.C	O.L	**(20,697)**	(29,479)	**(20,697)**	(29,479)

The Company	Category 2019	Category 2018	Carrying amount		Fair value	
			2019	2018	**2019**	2018
			€'000	€'000	**€'000**	€'000
Financial assets						
Cash and cash equivalents	A.C	L.R	**13,988**	28,156	**13,988**	28,156
Trade and other receivables	A.C	L.R	**47,914**	41,216	**47,914**	41,216
Receivable from aircraft manufacturer	A.C	L.R	**57,429**	-	**57,429**	-
Long term receivables	A.C	L.R	**125**	117	**125**	117
Financial assets at FVOCI	F.V.O.C.I	A.F.S	**585**	563	**585**	563
Long-term deposits	A.C	L.R	**18,100**	52,168	**18,100**	52,168
Derivative financial assets	F.V.P.L	F.V.P.L	**6,173**	2,316	**6,173**	2,316
Financial liabilities						
Bank overdraft	A.C	O.L	**(10,504)**	(953)	**(10,504)**	(953)
Trade and other payables	A.C	O.L	**(56,382)**	(56,138)	**(56,382)**	(56,138)
Derivative financial liabilities	F.V.P.L	F.V.P.L	**(4,055)**	(2,297)	**(4,055)**	(2,297)
Interest-bearing loans and borrowings:						
- Obligations under finance lease	A.C	O.L	**(20,697)**	(29,479)	**(20,697)**	(29,479)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

vi. Fair value of financial instruments (Cont'd)

Market values have been used to determine the fair value of listed available-for-sale financial assets. The fair values of derivatives and loans and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rate. The fair values of other financial assets have been calculated using market interest rates. Given the short term nature of the short-term financial instruments, management believes that the carrying amounts are a reasonable approximation of their fair values. Long term loans and borrowings have been contracted with financial institutions and carry variable interest rates which are at par with market rates. Therefore, the amortised cost approximates the fair value. As such, their carrying value approximates their fair value.

However, the fair value of the long term investments amounting to **EUR 2,100K** (2018: EUR 5,914K) differs from its carrying value which amounts to **EUR 2,170K** (2018: EUR 5,843) as their maturity periods range from 2 to 4 years. The fair value of the long term investments is currently classified under Level 2. The fair value has been determined by discounting the future cash flows using the latest yield on treasury bonds issued by the Bank of Mauritius. The estimated fair value would increase / (decrease) if the yield on treasury bonds falls or rises accordingly.

2019 categories:

A.C – Amortised cost

F.V.P.L - Fair value through profit or loss

F.V.O.C.I – Fair value through other comprehensive income

2018 categories:

L.R – Loans and receivables

A.F.S – Available-for-sale

H.T.M – Held-to-maturity

F.V.P.L - Fair value through profit or loss

O.L – Other financial liabilities

The Group and Company have cash flow hedges which are classified under level 2.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

6. PROPERTY, PLANT AND EQUIPMENT

The Group	Aircraft on lease	Aircraft & accessories	Aircraft spares	Airframe & engine overhaul	Buildings & hangars on leasehold land	Plant & equipment	Furniture & fittings	Computer & office equipment	Motor vehicles		Total
									Owned	Leased	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost											
At April 01, 2017	49,736	403,657	26,361	45,370	39,381	21,756	7,299	10,854	2,034	247	606,695
Additions	9,070	1,139	6,671	18,773	1,514	2,943	210	995	94	-	41,409
Disposals	-	(76,558)	(197)	(26,453)	(1)	(1,191)	(42)	(375)	(109)	(223)	(105,149)
Exchange differences	-	(86)	(8)	-	(500)	(178)	(59)	(17)	(10)	-	(858)
At March 31, 2018	58,806	328,152	32,827	37,690	40,394	23,330	7,408	11,457	2,009	24	542,097
At April 01, 2018	**58,806**	**328,152**	**32,827**	**37,690**	**40,394**	**23,330**	**7,408**	**11,457**	**2,009**	**24**	**542,097**
Additions	-	**12,679**	**1,748**	**8,955**	**1,302**	**1,359**	**112**	**1,187**	**166**	-	**27,508**
Disposals	-	**(10,529)**	**(345)**	**(8,305)**	**(6)**	**(410)**	**(16)**	**(1,030)**	**(158)**	-	**(20,799)**
Transfer to assets held for sale	-	-	-	-	**(4,072)**	**(2,577)**	**(636)**	**(66)**	**(102)**	-	**(7,453)**
Exchange differences	-	**33**	**7**	**8**	**361**	**134**	**41**	**10**	**5**	-	**599**
At March 31, 2019	**58,806**	**330,335**	**34,237**	**38,348**	**37,979**	**21,836**	**6,909**	**11,558**	**1,920**	**24**	**541,952**
Accumulated Depreciation											
At April 01, 2017	14,771	313,780	21,202	31,298	27,552	19,929	6,954	10,122	1,772	247	447,627
Depreciation for the year	4,160	13,399	1,562	8,416	734	783	243	674	140	-	30,111
Disposals	-	(69,303)	(137)	(24,028)	(1)	(1,149)	(37)	(369)	(109)	(223)	(95,356)
Exchange differences	-	(28)	(2)	-	(284)	(103)	(56)	(17)	(7)	-	(497)
At March 31, 2018	18,931	257,848	22,625	15,686	28,001	19,460	7,104	10,410	1,796	24	381,885
At April 01, 2018	**18,931**	**257,848**	**22,625**	**15,686**	**28,001**	**19,460**	**7,104**	**10,410**	**1,796**	**24**	**381,885**
Depreciation for the year	**6,344**	**12,363**	**1,997**	**9,907**	**940**	**1,258**	**150**	**862**	**151**	-	**33,972**
Disposals	-	**(10,261)**	**(252)**	**(8,304)**	**(5)**	**(394)**	**(16)**	**(912)**	**(158)**	-	**(20,302)**
Transfer to assets held for sale	-	-	-	-	**(2,950)**	**(1,934)**	**(517)**	**(66)**	**(62)**	-	**(5,529)**
Exchange differences	-	**38**	**3**	**3**	**210**	**294**	**(164)**	**4**	**4**		**392**
At March 31, 2019	**25,275**	**259,988**	**24,373**	**17,292**	**26,196**	**18,684**	**6,557**	**10,298**	**1,731**	**24**	**390,418**
Carrying amounts											
At March 31, 2019	**33,531**	**70,347**	**9,864**	**21,056**	**11,783**	**3,152**	**352**	**1,260**	**189**	-	**151,534**
At March 31, 2018	39,875	70,304	10,202	22,004	12,393	3,870	304	1,047	213	-	160,212

(a) Aircraft and accessories amounting to **Eur 18.9M** have been pledged as security against borrowings of the Group (2018: Eur 25.6M).
(b) Refer to Note 30 for capital expenditure commitments.
(c) There are no temporarily idle property, plant and equipment.
(d) Refer to accounting policy 4.4 for change in estimate with respect to re-assessment of residual values.
(e) The gross carrying amount of fully depreciated property, plant and equipment that is still in use amount to **Eur 3.2m** (2018: Eur 3.2m).

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Company	Aircraft on lease	Aircraft & accessories	Aircraft spares	Airframe & engine overhaul	Buildings & hangars on leasehold land	Plant & equipment	Furniture & fittings	Computer & office equipment	Motor vehicles		Total
									Owned	Leased	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Cost											
At April 01, 2017	49,736	403,657	26,361	45,370	32,757	19,542	6,514	10,576	1,912	247	596,672
Additions	9,070	-	6,566	18,773	1,475	2,610	175	991	68	-	39,728
Disposals	-	(76,558)	(197)	(26,453)	(1)	(1,176)	(37)	(325)	(73)	(223)	(105,043)
At March 31, 2018	58,806	327,099	32,730	37,690	34,231	20,976	6,652	11,242	1,907	24	531,357
At April 01, 2018	**58,806**	**327,099**	**32,730**	**37,690**	**34,231**	**20,976**	**6,652**	**11,242**	**1,907**	**24**	**531,357**
Additions	**-**	**12,653**	**1,723**	**8,531**	**1,267**	**1,284**	**102**	**1,182**	**166**	**-**	**26,908**
Disposals	**-**	**(10,529)**	**(345)**	**(8,305)**	**(6)**	**(410)**	**(16)**	**(1,030)**	**(142)**	**-**	**(20,783)**
At March 31, 2019	**58,806**	**329,223**	**34,108**	**37,916**	**35,492**	**21,850**	**6,738**	**11,394**	**1,931**	**24**	**537,482**
Accumulated Depreciation											
At April 01, 2017	14,771	313,780	21,202	31,298	23,968	18,541	6,241	9,852	1,665	247	441,565
Depreciation for the year	4,160	12,827	1,518	8,416	633	619	147	667	125	-	29,112
Disposals	-	(69,303)	(137)	(24,028)	(1)	(1,134)	(37)	(319)	(73)	(223)	(95,255)
At March 31, 2018	18,931	257,304	22,583	15,686	24,600	18,026	6,351	10,200	1,717	24	375,422
At April 01, 2018	18,931	257,304	22,583	15,686	24,600	18,026	6,351	10,200	1,717	24	375,422
Depreciation for the year	**6,344**	**11,987**	**1,965**	**9,748**	**833**	**1,041**	**112**	**857**	**134**	**-**	**33,021**
Disposals	**-**	**(10,261)**	**(252)**	**(8,304)**	**(5)**	**(394)**	**(16)**	**(912)**	**(142)**	**-**	**(20,286)**
At March 31, 2019	**25,275**	**259,030**	**24,296**	**17,130**	**25,428**	**18,673**	**6,447**	**10,145**	**1,709**	**24**	**388,157**
Carrying amounts											
At March 31, 2019	**33,531**	**70,193**	**9,812**	**20,786**	**10,064**	**3,177**	**291**	**1,249**	**222**	**-**	**149,325**
At March 31, 2018	39,875	69,795	10,147	22,004	9,631	2,950	301	1,042	190	-	155,935

(a) Aircraft and accessories amounting to **Eur 18.9M** have been pledged as security against borrowings of the Group (2018: Eur 25.6M).
(b) Refer to Note 30 for capital expenditure commitments.
(c) There are no temporarily idle property, plant and equipment.
(d) Refer to accounting policy 4.4 for change in estimate with respect to re-assessment of residual values.
(e) The gross carrying amount of fully depreciated property, plant and equipment that is still in use amount to **Eur 3.2m** (2018: Eur 3.2m).

7. INVESTMENT PROPERTY

The Group	2019 €'000	2018 €'000
At April 01,	**9,744**	10,820
Exchange differences	**775**	(1,116)
Fair value gain	**302**	40
At March 31,	**10,821**	9,744

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 valuations performed by NP Jeetun Chartered Valuation Surveyors, an accredited independent Chartered Valuer, as at March 31, 2019. The valuer is an industry specialist in valuing this type of investment property. The fair value of the property has been determined using the comparative method and investment method of valuation and has been classified under Level 3 in the fair value hierarchy. There has been no transfers into or out of Level 3 of the fair value hierarchy, during the financial year.

There is no restriction on the realisability of investment property or the remittance of income and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

	2019 €'000	2018 €'000
(a) Rental income from the investment property (Note 25 (a))	**1,189**	1,198
(b) Operating expenses arising on the investment property:		
- that generated rental income during the year	**712**	750
- that did not generate rental income during the year	**487**	510

(c) Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	Significant unobservable Inputs	Range
Ground floor properties	Comparative method	Price per sqm of comparable properties - Land - Building	 €1.36 - 3.33 €0.27 - 0.76
	DCF method	Estimated rental value per sqm per month Rent growth p.a. Long-term vacancy rate Discount rate	€0.01 Nil 10% 7%
Second floor properties	Comparative method	Price per sqm of comparable properties - Land - Building	 €1.36 - 3.33 €0.27 - 0.76
	DCF method	Estimated rental value per sqm per month Rent growth p.a. Long-term vacancy rate Discount rate	€0.01 Nil 10% 7%
Office properties	Comparative method	Price per sqm of comparable properties - Land - Building	 €1.36 - 3.33 €0.27 - 0.76
	DCF method	Estimated rental value per sqm per month Rent growth p.a. Long-term vacancy rate Discount rate	€0.01 Nil 10% 7%

7. INVESTMENT PROPERTY (Cont'd)

(c) Description of valuation techniques used and key inputs to valuation on investment properties (Cont'd):

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases/ (decreases) in estimated rental value per annum in isolation would result in a significantly higher/ (lower) fair value of the properties by **Eur 1.1M**. Significant increases/ (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly (lower)/ higher fair value by **Eur 1.1M** and **Eur 1.3M** respectively.

8. INTANGIBLE ASSETS

	THE GROUP		THE COMPANY	
	2019	2018	**2019**	2018
Carrying amount	**€'000**	€'000	**€'000**	€'000
Computer software (see below)	**622**	1,067	**622**	1,066
Goodwill on acquisition of subsidiary	**14**	14	**-**	-
	636	1,081	**622**	1,066
Computer software				
Cost				
At April 01,	**6,036**	4,673	**5,936**	4,567
Additions	**93**	1,369	**93**	1,369
Exchange differences	**5**	(6)	**-**	-
At March 31,	**6,134**	6,036	**6,029**	5,936
Amortisation				
At April 01,	**4,969**	4,470	**4,870**	4,369
Amortisation for the year	**537**	506	**537**	501
Exchange differences	**6**	(7)	**-**	-
At March 31,	**5,512**	4,969	**5,407**	4,870
Carrying amount				
At March 31,	**622**	1,067	**622**	1,066

8. INTANGIBLE ASSETS (Cont'd)

Management has reviewed the carrying amount of goodwill and other intangible assets and does not consider any impairment.
There are no restrictions on the title of the intangible assets and no amount pledged as security for liabilities.
There are no contractual commitments for the acquisition of intangible assets.

9. INVESTMENT IN SUBSIDIARIES

	2019	2018
The Company	**€'000**	€'000
Cost		
At April 01,	**28,314**	28,314
Assets classified as held for sale (refer to Note 36)	**(1,263)**	-
At April 01, and March 31,	**27,051**	28,314

(i) Details of the subsidiaries included in the Group financial statements are as follows:

Name of companies and activities	Country of incorporation and operation	Class of shares held	Nominal value of investment		Percentage holding	
			2019	2018	**2019**	2018
			€'000	€'000	**%**	%
Management company						
Air Mauritius (S.A.) (Proprietary) Limited	South Africa	Ordinary	**0.1**	0.1	**100%**	100%
Air Mauritius Holidays (Pty) Limited (Dormant)	Australia	Ordinary	**14.0**	14.0	**100%**	100%
Mauritian Holidays Limited (Dormant)	England	Ordinary	**0.1**	0.1	**100%**	100%
Investment property						
Mauritius Estate Development Corporation Limited (MEDCOR)	Mauritius	Ordinary	**25,707**	25,707	**93.70%**	93.70%
Hotel and restaurant						
Pointe Coton Resort Hotel Company Limited	Mauritius	Ordinary	**1,263**	1,263	**54.19%**	54.19%
Call centre						
Airmate Ltd	Mauritius	Ordinary	**171**	171	**100%**	100%
Helicopter operations						
Mauritius Helicopter Limited	Mauritius	Ordinary	**1,159**	1,159	**100%**	100%

The figures of Air Mauritius Holidays (Pty) Limited and Mauritian Holidays Limited are not considered to be material both individually and in aggregate to the Group figures. Therefore, these immaterial subsidiaries have not been consolidated.

9. INVESTMENT IN SUBSIDIARIES (Con't)

Non-controlling interest

Non-controlling interest (''NCI") has been recognised at the proportionate share of the net assets of Pointe Coton Resort Hotel Co. Ltd and Mauritius Estate Development Corporation Limited. The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

	March 31, 2019		March 31, 2018	
	Mauritius Estate Development Corporation Limited	**Pointe Coton Resort Hotel Co. Ltd**	Mauritius Estate Development Corporation Limited	Pointe Coton Resort Hotel Co. Ltd
	€'000	**€'000**	€'000	€'000
NCI percentage	**6.30%**	**45.81%**	6.30%	45.81%
Non-current assets	**16,965**	**1,924**	19,537	2,017
Current assets	**6,400**	**2,488**	4,320	2,226
Non-current liabilities	**-**	**(372)**	-	(185)
Current liabilities	**(5,598)**	**(1,460)**	(412)	(565)
Net assets	**17,767**	**2,580**	23,445	3,493
Dividend to NCI	**(488)**	**(502)**	-	63
Net assets attributable to NCI	**1,119**	**1,245**	1,477	1,663
Revenue	**1,189**	**2,379**	1,198	2,347
Profit	**731**	**128**	304	291
OCI	**-**	**3**	1,902	242
Total comprehensive income	**731**	**131**	2,206	533
Profit allocated to NCI	**46**	**60**	19	134
OCI allocated to NCI	**84**	**24**	120	111
Cash flows from operating activities	**4,726**	**282**	330	883
Cash flows used in investing activities	**(6,039)**	**(118)**	(5,924)	(415)
Cash flows used in financing activities	**-**	**(143)**	-	-
Net (decrease) / increase in cash and cash equivalents	**(1,313)**	**21**	(5,594)	468

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

10. INVESTMENT IN AN ASSOCIATE

	2019	2018
The Group and the Company	**€'000**	€'000
Carrying value of investment in associate		
Cost	**102**	102
Impairment of investment in associates	**(102)**	(102)
Carrying value	**-**	-

The Company

The Company had accounted for the investment in associate at cost less impairment. The associate, The Mauritius Shopping Paradise Co. Ltd, is dormant and the investment held has been fully impaired in the prior year ended March 31, 2018.

The details on the associate, which is incorporated in Mauritius, are as follows:

Name of company	Activity	Country of operation	Class of shares held	Cost of investment		Percentage holding	
				2019 €'000	2018 €'000	2019 %	2018 %
The Mauritius Shopping Paradise Co. Ltd	Dormant	Mauritius	Ordinary	**102**	**102**	**41.65%**	**41.65%**

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	€'000	€'000
The Group and the Company		
At April 01,	**563**	568
Fair value movement	**22**	(5)
At March 31,	**585**	563
Disclosed as:		
Non-current assets	**-**	563
Current assets	**585**	-
	585	563

Quoted unit trust

The Group and the Company hold units in some unit trusts which was accounted as available-for-sale in the prior year. With the adoption of IFRS 9, the available-for-sale investment has been classified as fair value through other comprehensive income. 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 **Eur 585k** have been disposed after year end.

12. (a) LONG TERM DEPOSITS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Security deposits on operating/finance leases	11,665	8,611	11,665	8,611
Effect of discounting on security deposits	(899)	(1,076)	(899)	(1,076)
Advance payments to aircraft manufacturers	7,334	44,633	7,334	44,633
	18,100	52,168	18,100	52,168

In terms of the contractual arrangement governing the lease / purchase of aircraft, deposits are paid to the lessors / aircraft manufacturer. The deposits bear no interest and are reimbursable at the end of the lease period for operating leases. The effect of discount on security deposits relates to the fall in value.

Advance payments relate to pre-delivery payments made to aircraft manufacturers for the acquisition of new aircraft.

12. (b) LONG-TERM INVESTMENTS AND SHORT-TERM DEPOSITS

	THE GROUP	
	2019	2018
	€'000	€'000
At April 01,	7,337	1,462
Purchases made during the year	514	7,346
Amortised discount on bonds	8	6
Amortised premium on bonds	(45)	(27)
Interest income accrued during the year	69	32
Interest received on maturity	(32)	(29)
Settlement	(1,565)	(1,453)
Expected credit loss	(3)	-
Exchange difference	106	-
As at March 31,	6,389	7,337

The Company's subsidiary purchased treasury bonds of **Eur 0.3 M** during the year with the SBM Bank (Mauritius) Ltd. The treasury bonds term are for a period of 2 years, 3 years and 4 years and are non-renewable. The bond bears fixed interest ranging from 2.9% to 5.2%.

	2019	2018
	€'000	€'000
Within 1 year	4,219	1,494
After 1 year, but not more than 10 years	2,170	5,843
	6,389	7,337

The movement in the allowance for impairment in respect of long term investments during the year was as follows. Comparative amounts for March 31, 2018 represent allowance account for impairment losses under IAS 39:

	THE GROUP	
	2019	2018
	€'000	€'000
Balance at April 01, under IAS 39	-	-
Adjustment on initial application of IFRS 9	-	-
Balance at April 01, under IFRS 9	-	-
Charge for the year	3	-
Balance at March 31,	3	-

13. LONG TERM RECEIVABLES

	2019	2018
The Group and the Company	€'000	€'000
At April 01,	117	139
Additional investment made during the year	24	24
Repayments made during the year	(27)	(25)
Exchange difference	11	(21)
As at March 31,	125	117

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

14. DEFERRED TAX ASSET

	THE GROUP	
	2019	2018
	€'000	€'000
At April 01,	128	147
Exchange differences	63	42
Charge to profit or loss (Note 28)	(21)	(27)
Charge to other comprehensive income (Note 28)	17	(34)
At March 31,	187	128

Deferred tax assets are attributable to the following items:	2019	2018
	€'000	€'000
Provisions for bad debts	20	20
Employee benefit liabilities	156	114
Accelerated depreciation	11	(6)
	187	128

The deferred tax asset relates to accelerated depreciation and provisions in Airmate Limited and Mauritius Estate Development Corporation Limited and has been computed at the current tax rate of **17%** (2018: 17%). The current tax rate includes income tax rate of 15% and charge for corporate social responsibility of 2%. The Group has recognised the deferred tax asset to the extent that future taxable profit will allow the deferred tax asset to be recovered.

Tax exemption of the Company

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

15. INVENTORIES

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
At cost	€'000	€'000	€'000	€'000
Aircraft spares	24,591	21,645	24,591	21,645
Cabin services	1,750	1,109	1,750	1,109
Ground support services	2,026	1,814	2,026	1,814
Others	700	836	700	731
Provision for obsolete inventory	(8,330)	(7,270)	(8,330)	(7,270)
	20,737	18,134	20,737	18,029

During the year, **Eur 11.1M** (2018: Eur 11.8M) was recognised as an expense for inventories. Inventory write down during the year amounted to **Eur 1.1M** (2018: Nil). No inventories were pledged as security for liabilities during the financial year.

16. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Trade receivables (net of allowances)	42,494	41,289	47,204	40,517
Receivable from subsidiaries	-	-	710	699
Other non-financial receivables	25,777	40,224	25,562	39,762
Refund receivable from aircraft supplier	57,429	-	57,429	-
	125,700	81,513	130,905	80,978

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

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

At March 31, 2019, trade receivables at nominal value of **Eur 4.6M** (2018: Eur 4.2M) for the Group and **Eur 4.4M** (2018: Eur 4.0M) for the Company were impaired and fully provided for. In assessing provision for impairment, the Group and the Company consider the historical factors for debtors exceeding 90 days who do not repay their debt.

Expected credit losses on trade receivables as at March 31, 2019:

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 5. The Company does not hold collateral as security nor letters of credit and other forms of credit insurance.

Set out below is the information about the credit risk exposure on the Group and Company's trade receivables using a provision matrix:

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at March 31, 2019:

16. TRADE AND OTHER RECEIVABLES (CONT'D)

Under IFRS 9 (as from April 01, 2018):

The Group:

March 31, 2019	Trade receivables Days past due - Eur		
	< 30 days	30-90 days	> 90 days
Expected credit loss rate	0.02%	0.48%	4.69%
Estimated total gross carrying amount at default (€'000)	39,336	4,025	129
Expected credit loss (€'000)	6	19	6

The Company:

March 31, 2019	Trade receivables Days past due - Eur		
	< 30 days	30-90 days	> 90 days
Expected credit loss rate	0.08%	0.72%	4.12%
Estimated total gross carrying amount at default (€'000)	38,167	3,417	45
Expected credit loss (€'000)	32	25	2

The ECL for the Company amounting to **Eur 59k** has not been recognised in the Company's financial statements since it is deemed as immaterial.

Trade receivables do not have a significant financing component and therefore, all impairment losses recongnised are based on 12-month ECL.

Under IAS 39 (before April 01, 2018):

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for March 31, 2018 represent allowance account for impairment losses under IAS 39:

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

	2019		2018	
	THE GROUP	THE COMPANY	THE GROUP Individually impaired	THE COMPANY Individually impaired
	€'000	€'000	€'000	€'000
Balance at April 01, under IAS 39	4,194	3,999	3,854	3,678
Adjustment on initial application of IFRS 9	-	-	-	-
Balance at April 01, under IFRS 9	4,194	3,999	3,854	3,678
Charge for the year (note 25(a))	558	527	366	338
Utilised	(110)	(110)	(26)	(17)
Balance at March 31,	4,642	4,416	4,194	3,999

16. TRADE AND OTHER RECEIVABLES (CONT'D)

Under IAS 39 (before April 01, 2018) (Cont'd):

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

	Total	Neither past due nor impaired	Past due but not impaired		
			<30 days	31 - 90 days	>90 days
The Group		€'000	€'000	€'000	€'000
2018	41,289	40,802	-	-	487
The Company					
2018	40,517	39,751	-	-	765

At reporting date, other receivables were neither past due nor impaired.

17. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Cash at bank	15,091	32,703	13,953	28,121
Cash in hand	35	282	35	35
Cash at bank from discontinued operations	1,893	-	-	-
Bank overdraft (note 19)	(10,504)	(974)	(10,504)	(953)
Bank overdraft from discontinued operations	(46)	-	-	-
	6,469	32,011	3,484	27,203

Cash resources of the Company include deposits totalling Eur **0.8M** (2018: Eur 4.3M) which earn interest at rates ranging between **0.01%** and **3.0%** per annum (2018: 0.01% and 1.82% per annum).

18. SHARE CAPITAL

The Group and the Company	2019	2018	2019	2018
	Number	Number	€'000	€'000
Authorised				
Ordinary shares of Rs 10 each	200,000,000	200,000,000	81,566	81,566
Issued and fully paid				
Ordinary shares of Rs 10 each	102,305,000	102,305,000	41,724	41,724

The ordinary shares are denominated in Mauritian rupees (Rs).

Any share in the Company may be issued either at par or at a premium or 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.

19. INTEREST-BEARING LOANS AND BORROWINGS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Non-current				
Obligations under finance leases [Note (b)]	12,029	21,459	12,029	21,459
	12,029	21,459	12,029	21,459
Current				
Bank overdraft (Notes 17 & 33 (a))	10,504	974	10,504	953
Bank loans (Note (e))	36,536	-	36,536	-
Obligations under finance leases (Note (b))	8,668	8,020	8,668	8,020
	55,708	8,994	55,708	8,973
Total interest-bearing loans and borrowings	67,737	30,453	67,737	30,432

(a) Details of the interest-bearing loans and borrowings are given in Note 33 (a).

(b) Obligations under finance leases

The Group and the Company

	Minimum lease payments		Interest		Present value of minimum lease payments	
	2019	2018	2019	2018	2019	2018
	€'000	€'000	€'000	€'000	€'000	€'000
Amounts payable under finance leases						
- within one year	9,086	8,624	418	604	8,668	8,020
- after one year and before two years	7,157	10,082	228	380	6,929	9,702
- after two years and before five years	5,164	12,036	64	279	5,100	11,757
	21,407	30,742	710	1,263	20,697	29,479
Less: Amount due for settlement within 1 year					(8,668)	(8,020)
Amount due for settlement after 1 year					12,029	21,459

In the prior years, the Company had acquired certain aircraft under finance leases. The average remaining lease terms of these contracts are 1 to 3 years (2018: 1 to 4 years). Borrowings rates vary according to LIBOR and EURIBOR on which the lease agreements have been negotiated.

(c) Reconciliation of opening and closing balance for liabilities arising from financing activities:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
At April 01, (excluding bank overdraft)	29,479	30,541	29,479	30,541
Assets purchased under finance lease	-	6,891	-	6,891
Repayment of finance lease	(7,650)	(7,236)	(7,650)	(7,236)
Repayment of finance lease non-cash item	(1,869)	-	(1,869)	-
Unrealised foreign exchange gain / (loss)	737	(717)	737	(717)
At March 31, (excluding bank overdraft)	20,697	29,479	20,697	29,479

19. INTEREST-BEARING LOANS AND BORROWINGS (Cont'd)

(d) Guarantees and securities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The Company's borrowings are secured by fixed charges over all aircraft on lease, aircraft and accessories.

(e) Bank loans relate to unsecured loans contracted with HSBC, Standard Chartered Bank and Barclays Bank Mauritius during the financial year at interest rates as disclosed in Note 33(a) and are repayable between 1-3 months .

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Derivatives designated as hedging instruments reflect the change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in USD.

Derivatives designated as hedging instruments also include the change in fair value of commodity forward contracts open at year end. The Group and Company are exposed to changes in the price of jet fuel on its forecast fuel purchases. The forward contracts do not result in physical delivery of jet fuel, but are designated as cash flow hedges to offset the effect of price changes in jet fuel. The Group and Company hedge approximately 50% of their expected fuel cost in the next reporting period. The remaining volume of jet fuel purchases is exposed to price volatility.

(a) Hedging activities and derivatives

The Group and the Company	2019			2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	€'000	€'000	€'000	€'000	€'000	€'000
Cash flow hedge						
Forward foreign exchange agreements	3,036	-	3,036	-	(2,297)	(2,297)
Commodity derivatives	3,137	(3,387)	(250)	2,316	-	2,316
	6,173	(3,387)	2,786	2,316	(2,297)	19
Fair value hedge						
Commodity derivatives	-	(668)	(668)	-	-	-
As at March 31,	6,173	(4,055)	2,118	2,316	(2,297)	19

The Group and the Company use foreign exchange forward contracts and commodity derivatives to manage some of its foreign currency risk exposures. The foreign exchange forward contracts are designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from 1 to 24 months.

(b) Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast transactions in mainly US dollar. These forecast transactions are highly probable, and they comprise about 30% of the Group's total expected dealings in US dollars.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the profit or loss.

The cash flow hedges of the expected future transactions were assessed to be effective and a net unrealised gain of **Eur 7.8M** (2018: net unrealised loss Eur 6.7M) relating to the hedging instruments, is included in OCI. (Note 20(d)).

The amount removed from OCI during the year and included in the carrying amount of the hedged items as a basis adjustment for 2019 is detailed in Note 20(d) and totalled **Eur 2.5M** (2018: Eur 4.1M). The amounts retained in OCI at March 31, 2019 are expected to mature and affect the consolidated and separate statements of profit or loss and other comprehensive income in the financial year ended March 31, 2020. Reclassifications of gains or losses from other comprehensive income to profit or loss during the year are shown in Note 20(d).

20. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Cont'd))

(c) Commodity price risk

The Group purchases jet fuel on an ongoing basis as its operating activities require a continuous supply of jet fuel for the airline services. The Group uses forward contracts and swaps to hedge against the increased volatility in jet fuel prices.

These contracts are expected to reduce the volatility attributable to price fluctuations of jet fuel. Hedging the price volatility of forecast jet fuel purchases is in accordance with the risk management strategy outlined by the Board of Directors. The hedging relationships are for a period between 1 and 24 months, based on existing purchase agreements.

As at March 31, 2019 the fair value of outstanding commodity forward contracts amounted to a liability of **Eur 0.3M** (2018: asset of Eur 2.3M). No ineffectiveness was recognised current year (2018: nil). The cumulative effective portion of **Eur 1.5M** (2018: Eur 5.4M) is reflected in OCI and will affect the profit or loss in the year 2020.

(d) Components of OCI

	THE GROUP AND THE COMPANY	
	2019	2018
	€'000	€'000
Cash flow hedges:		
Gains arising during the year		
Currency forward contracts		
Reclassification during the year to profit or loss	(2,495)	4,119
Net gain / (loss) during the year of the not-yet matured contracts	7,828	(6,695)
Commodity forward contracts		
Reclassification during the year to profit or loss	(1,082)	(2,152)
Net (loss) / gain of the not-yet matured commodity forward contracts	(1,484)	5,437
	2,767	709

21. EMPLOYEE BENEFIT LIABILITIES

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
Amount of provisions recognised in the consolidated and separate statements of financial position:	€'000	€'000	€'000	€'000
Defined benefit pension schemes [Note (a)]	57,943	47,425	57,943	47,425
Other post retirement benefits continuing operations	2,426	2,292	1,476	1,298
Other post retirement benefits dscontinued operations	372	-	-	-
Other post retirement benefits [Note (b)]	2,798	2,292	1,476	1,298
At March 31,	60,741	49,717	59,419	48,723
Employee benefit liabilities:				
Continuing operations	60,369	49,717	59,419	48,723
Discontinued operations	372	-	-	-

For the year ended March 31, 2019 the valuation exercise was carried out by Aon Hewitt Ltd. The Company contributes to a defined benefit pension plan in respect of some employees and has recognised a net liability of **Eur 57.9M** for such employees as at March 31, 2019 (2018: Eur 47.4M). Employees of the Company are entitled to unused, accumulated sick leave benefit paid upon retirement. The Group has recognised a net liability of **Eur 2.8M** for them as at March 31, 2019 (2018: Eur 2.3M) and the Company has recognised a net liability of **Eur 1.5M** for them as at March 31, 2019 (2018: Eur 1.3M). The employees of Airmate Ltd and Pointe Coton Resort Hotel Company Limited are entitled to paid sick leave benefits upon retirement.

21. EMPLOYEE BENEFIT LIABILITIES (Cont'd)

(a) Defined benefit pension schemes

(i) Reconciliation of net defined benefit liability

	THE GROUP AND THE COMPANY	
	2019	2018
	€'000	€'000
At April 01,	**47,425**	41,442
Amount recognised in profit or loss (Note (iv))	**5,782**	5,147
Employer contributions	**(8,354)**	(4,422)
Amount recognised in other comprehensive income (Note (v))	**10,472**	8,388
Exchange differences	**2,618**	(3,130)
At March 31,	**57,943**	47,425

Amount recognised in the consolidated and separate statement of financial position

	THE GROUP AND THE COMPANY	
	2019	**2018**
	€'000	€'000
Present value of funded obligations (Note (iii))	**142,571**	119,342
Fair value of plan assets (Note (ii))	**(84,628)**	(71,917)
At March 31,	**57,943**	47,425

(ii) Reconciliation of fair value of plan assets

	THE GROUP AND THE COMPANY	
	2019	**2018**
	€'000	€'000
At April 01,	**71,917**	73,469
Interest income	**4,757**	4,450
Employer contributions	**8,354**	4,422
Benefits paid	**(4,410)**	(3,325)
Exchange differences	**4,205**	(5,552)
Loss on plan asset excluding interest (Note (v))	**(195)**	(1,547)
At March 31,	**84,628**	71,917

21. EMPLOYEE BENEFIT LIABILITIES (Cont'd)

(a) Defined benefit pension schemes (Cont'd)

(iii) Reconciliation of present value of defined benefit obligation

	THE GROUP AND THE COMPANY	
	2019	2018
	€'000	€'000
At April 01,	**119,342**	114,911
Current service cost (Note (iv))	**3,034**	2,799
Interest expense	**7,557**	6,798
Benefits paid	**(4,410)**	(3,325)
Exchange differences	**6,771**	(8,682)
Liability experience loss (Note (v))	**8,257**	-
Liability loss due to change in financial assumptions (Note (v))	**2,020**	6,841
At March 31,	**142,571**	119,342

(iv) Components of amounts recognised in profit or loss

	THE GROUP AND THE COMPANY	
	2019	2018
	€'000	€'000
Current service cost	**3,034**	2,799
Net interest on net defined benefit liability	**2,748**	2,348
Total	**5,782**	5,147

(v) Components of amounts recognised in other comprehensive income

	THE GROUP AND THE COMPANY	
	2019	2018
	€'000	€'000
Loss on plan asset excluding interest (Note (ii))	**195**	1,547
Liability experience loss	**8,257**	-
Liability loss due to change in financial assumptions	**2,020**	6,841
Total	**10,472**	8,388

21. EMPLOYEE BENEFIT LIABILITIES (Cont'd)

(a) Defined benefit pension schemes (Cont'd)

(vi) Distribution of plan assets at March 31,

	THE GROUP AND THE COMPANY	
	2019	2018
Allocation of plan assets at end of year	%	%
Equities - overseas quoted	13	-
Equities - local quoted	30	27
Debt - overseas quoted	9	5
Debt - local quoted	11	-
Debt - local unquoted	22	24
Investment funds	6	35
Cash and other	9	9
	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) The principal actuarial assumptions (in Mauritian rupees terms) used for the defined benefit pension schemes were:

	THE GROUP AND THE COMPANY	
	2019	2018
Principal assumptions used at end of period		
Discount rate	6.0%	6.1%
Future salary increases	3.0%	3.0%
Future pension increases	3.0%	3.0%
Average retirement age (ARA)	62.5	62.5
Average life expectancy for:		
- Male at ARA	17.7 years	17.7 years
- Female at ARA	22.1 years	22.1 years

Sensitivity analysis on defined benefit obligation at end of year

- Increase due to 1% decrease in discount rate: **Eur 23.1M** (2018: Eur 20.3M)
- Decrease due to 1% increase in discount rate: **Eur 18.4M** (2018: Eur 15.5M)
- Increase due to 1% rise in future salary increases: **Eur 7.7M** (2018: Eur 7.2M)
- Decrease due to 1% decrease in future salary increases: **Eur 6.9M** (2018: Eur 6.0M)
- Increase due to 1% rise in future pension increases: **Eur 13.3M** (2018: Eur 11.9M)
- Decrease due to 1% decrease in future pension increases: **Eur 11.4M** (2018: Eur 9.5M)

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

Future cashflows

- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.
- Expected employer contribution for next year: Eur 6.3M
- Weighted average duration of the defined benefit obligation: 14 years

21. EMPLOYEE BENEFIT LIABILITIES (CONT'D)

(b) Other post retirement benefits

(i) Reconciliation of net defined benefit liability

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
At April 01,	2,292	2,283	1,298	1,175
Amount recognised in profit or loss (Note (iii))	322	326	148	131
Amount recognised in other comprehensive income (Note (iv))	80	(128)	(18)	98
Less Employer contributions	(31)	(17)	(26)	(17)
Exchange differences	135	(172)	74	(89)
At March 31,	2,798	2,292	1,476	1,298

(ii) Reconciliation of present value of defined benefit obligation

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
At April 01,	2,292	2,283	1,298	1,175
Current service cost (Note (iii))	181	189	70	61
Interest expense (Note (iii))	141	137	78	70
Other benefits paid	(31)	(17)	(26)	(17)
Exchange differences	135	(172)	74	(89)
Liability loss / (gain) due to change in financial assumptions (Note (iv))	80	(128)	(18)	98
At March 31,	2,798	2,292	1,476	1,298

(iii) Components of amounts recognised in profit or loss

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Current service cost	181	189	70	61
Net interest on net defined benefit liability	141	137	78	70
Total	322	326	148	131

(iv) Components of amounts recognised in other comprehensive income

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Liability loss / (gain) due to change in financial assumptions	80	(128)	(18)	98
Total	80	(128)	(18)	98

21. EMPLOYEE BENEFIT LIABILITIES (CONT'D)

(b) Other post retirement benefits (Cont'd)

(v) The principal actuarial assumptions (in Mauritian rupees terms) used for other post retirement benefits were:

The Group and the Company	2019	2018
Discount rate	**5.87% to 6.0%**	5.75% to 6.4%
Future salary increases	**3.0% to 5.0%**	3.0% to 5.0%
Average retirement age (ARA)	**62.5 - 65**	60 - 65

Sensivity analysis on defined benefit obligation at end of year

- Increase due to 1% decrease in discount rate: decrease of **Eur 554k** (2018: decrease of Eur 428k).
- Decrease due to 1% increase in discount rate: increase of **Eur 432K** (2018: increase of Eur 332K).

Future cashflows

- The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.
- Expected employer contribution for next year: Eur 53K
- Weighted average duration of the defined benefit obligation: 19 years

(c) Additional information

(i) The employee benefit liabilities have been provided based on the report from Aon Hewitt Ltd.

(ii) Post retirement mortality has been assumed to be in line with the UK standard table PA (90) rated down by one year.

(iii) The future salary increases have been estimated to be 3% for the Company. For subsidiaries of the Group, the assumption used for future salary increases was 5%.

Exposure to risks

The key risks that the Group and Company face are as follows:

- **Interest rate** - all else remaining unchanged, a reduction in the interest rate on which the discount rate is based will lead to an increase in liabilities.
- **Inflation** - an increase in the rate of inflation may increase the scheme's liabilities through higher salary increases and higher pension increases.
- **Longevity** - an increase in the members' life expectancy means that funds set aside to meet future benefit obligations are no longer sufficient.

As at March 31, 2019, the scheme's assets were invested in various major asset classes, including local equities, overseas equities, property, local government bonds and cash and so the Group and the Company were not exposed to significant concentration of risks.

22. PROVISIONS

Contractual maintenance expenses	THE GROUP AND THE COMPANY	
	2019	2018
	€'000	€'000
At April 01,	**24,163**	24,747
Net accrued for the year	**8,023**	7,921
Reversal of provision	**(2,694)**	(4,321)
Offsetting against security deposits	**(5,369)**	-
Payment	**(16,561)**	(3,192)
Exchange differences	**688**	(992)
At March 31,	**8,250**	24,163
Provided as follows:		
- less than one year	**2,365**	20,120
- after one year and before two years	**1,958**	1,402
- after two years and before five years	**3,087**	2,402
- after five years	**840**	239
	5,885	4,043
	8,250	24,163

Provisions also include restoration and handback costs to meet the contractual return conditions on aircraft held under operating leases. The provision made for these return conditions amounted to **Eur 3.4m** (2018: Eur 16.1m) at the reporting date.

The remaining provision of **Eur 4.8m** (2018: Eur 8.1m) relates to planned major overhaul such as airframe maintenance, landing charge and C Checks in line with the agreements.

Actual expense may differ from provision amount depending on a number of factors such as aircraft condition and prevailling maintenance prices at date of return/maintainance and changes in the planned returned/maintenance dates.

23. (a) TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Trade payables	**51,181**	53,452	**51,811**	52,413
Deferred revenue for customer loyalty programme	**-**	4,030	**-**	4,030
Sales in advance of carriage (see note below)	**-**	113,938	**-**	113,938
Amounts due to subsidiaries	**-**	-	**1,621**	1,848
Other payables and accruals	**3,370**	2,623	**2,950**	1,877
	54,551	174,043	**56,382**	174,106

23. (a) TRADE AND OTHER PAYABLES (Cont'd)

Outstanding balances due to related parties, as detailed in Note 32, are included under trade and other payables.

Trade payables are non-interest bearing and are normally settled on 30-60 days' term.

Sales in advance of carriage represent tickets issued but not yet utilised.

23. (b) CONTRACT LIABILITIES

	THE GROUP AND THE COMPANY
	2019
	€'000
Sales in advance of carriage (see note above)	110,155
Contract liabilities for customer loyalty	4,286
At March 31,	114,441

*Reconciliation of contract liabilities

	THE GROUP AND THE COMPANY	
	Sales in advance of carriage	Customer loyalty programme
	2019	2018
	€'000	€'000
Balance at April 01, 2018	113,938	4,030
Net release to profit or loss	(3,783)	256
At March 31,	110,155	4,286

Customer Loyalty programme:

2019 (As per IFRS 15)

The Group and Company account for award credits as a seperately identifiable component of the sales transaction in which they are earned. The consideration in respect of the initial sale is allocated to award credits based on their relative stand-alone selling price (measured using the estimated ticket value method based on historical statistical date), adjusted for expected expiry and the extent to which the demand for an award cannot be met and is accounted for as a liability (deferred revenue) in the Group's and Company's statements of financial position.

2018 (As per IFRIC 13)

Deferred revenue for customer loyalty programme has been fair valued in the consolidated and separate financial statements and is classified as Level 3 in the fair value hierarchy. The fair value is calculated using a model incorporating a number of factors such as historical lowest ticket fares by route and past redemption rates. The significant unobservable input in the valuation is the redemption rate assumed at 50%. An increase or decrease in the redemption rate by 5% will increase or decrease the fair value by Eur 202k.

Reconciliation of Level 3 fair values - Deferred revenue for customer loyalty programme

	THE GROUP AND THE COMPANY
	€'000
Balance at April 01, 2018	3,770
Net transactions in miles	260
At March 31, 2019	4,030

The Group and the Company maintained a redemption rate of 50% during the current year.

24. OPERATING SEGMENTS

(a)

	THE COMPANY				TOTAL		SUBSIDIARIES										Adjustment/		TOTAL	
	Aircraft operations		Ground operations				Investment property		Hotel & restaurant		Call centre		Helicopter				Unallocated			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	490,408	501,710	8,096	7,879	498,504	509,589	1,189	1,198	-	2,346	7,220	5,553	1,596	1,682	(8,702)	(6,029)	499,807	514,339		
Operating expenses	(493,733)	(457,051)	(8,590)	(7,681)	(502,323)	(464,732)	(1,006)	(1,068)	-	(910)	(6,880)	(5,295)	(1,362)	(1,086)	8,702	6,029	(502,869)	(467,062)		
Segment results	(3,325)	44,659	(494)	198	(3,819)	44,857	183	130	-	1,436	340	258	234	596	-	-	(3,062)	47,277		
Administrative expenses, including impairment losses					(34,115)	(30,905)	-	-	-	(1,276)	(219)	(259)	(624)	(668)	-	-	(34,958)	(33,108)		
Impairment in an associate					-	(102)	-	-	-	-	-	-	-	-	-	-	-	(102)		
Other operating income					4,612	4,634	27	17	-	129	1	1	-	-	-	-	4,640	4,781		
Fair value gain on investment property					-	-	302	40	-	-	-	-	-	-	-	-	302	40		
Finance income					12,872	646	293	177	-	2	-	-	(58)	-	(7,849)	(75)	5,258	750		
Finance cost					(1,219)	(14,628)	-	-	-	-	-	-	-	-	-	-	(1,219)	(14,628)		
(Loss)/profit before tax					(21,669)	4,502	805	364	-	291	122	-	(448)	(72)	(7,849)	(75)	(29,039)	5,010		
Income tax expense					-	-	(73)	(60)	-	-	(24)	2	(27)	(67)	9	-	(115)	(125)		
(Loss)/profit for the year					(21,669)	4,502	732	304	-	291	98	2	(475)	(139)	(7,840)	(75)	(29,154)	4,885		
(Loss)/profit attributable to:																				
- Equity holders of the parent					(21,669)	4,502	686	284	-	158	98	2	(475)	(139)	(7,900)	(75)	(29,260)	4,732		
- Non-controlling interests					-	-	46	20	-	133	-	-	-	-	60	-	106	153		
					(21,669)	4,502	732	304	-	291	98	2	(475)	(139)	(7,840)	(75)	(29,154)	4,885		
Assets																				
Segment assets	322,366	324,757	12,174	10,722	334,540	335,479	23,365	23,857	-	4,243	1,679	1,321	1,443	1,398	4,766	-	365,793	366,298		
																	365,793	366,298		
Equity and liabilities																				
Segment liabilities	275,418	255,575	23,525	22,400	298,943	277,975	5,598	412	-	889	1,351	1,023	797	374	2,182	-	308,871	280,673		
Capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,032	82,485	47,032	82,485		
Non-controlling interests	-	-	-	-	-	-	1,119	1,477	-	1,663	-	-	-	-	1,245	-	2,364	3,140		
																	358,267	366,298		
Capital additions	25,168	38,997	1,833	3,350	27,001	42,347	1	1	-	422	2	3	459	5	138	-	27,601	42,778		
Depreciation and amortisation	33,010	28,900	548	960	33,558	29,860	1	2	-	341	2	7	568	407	380	-	34,509	30,617		

The Group presents segmental information using business segments and geographical segments. This is based on the internal management and financial reporting systems and reflects the risks and earnings structure of the Group. 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 and separate financial statements.

** Capital additions comprise of additions to property, plant and equipment and intangible assets during the years.*

*** At March 31, 2019 the operations of Pointe Coton Resort Hotel Company Limited were classified as a disposal group held for sale and as discontinued operations. The business of Pointe Coton Resort Hotel Company Limited represented the Group's Hotel and restaurant operating segment until March 31, 2018. With Pointe Coton Resort Hotel Company Limited being classified as discontinued operations, the Hotel and restaurant segment is no longer presented in the segment note.*

24. OPERATING SEGMENTS (CONT'D)

(b) Secondary reporting geographical segments

	The Company	
	2019	2018
Traffic revenue by destination	€'000	€'000
Africa and Middle East	41,277	37,176
America	5,129	6,469
Asia	95,456	103,289
Australia	18,589	22,013
Europe	162,139	153,743
Indian Ocean	55,039	56,828
Mauritius	120,875	130,071
Total Company	498,504	509,589
Revenue from subsidiaries - Mauritius	1,303	4,750
Total Group	499,807	514,339

(c) Main analysis of revenue

	THE GROUP			
	2019		2018	
	€'000	%	€'000	%
Passenger	408,869	81%	418,355	81%
Cargo	49,774	10%	46,888	9%
Purged revenue	13,137	3%	15,422	3%
Others	28,027	6%	33,674	7%
Total revenue	499,807	100%	514,339	100%

Others include room revenue, sale of food and beverages and income from other normal hotel services as well as redemption of miles on customer loyalty programme.

25. DEPRECIATION, AMORTISATION, FOREIGN EXCHANGE DIFFERENCES AND COSTS OF INVENTORIES INCLUDED IN PROFIT OR LOSS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
(a) Operating profit is arrived after:				
Crediting:				
Revenue from redemption of miles	1,295	1,248	1,295	1,248
Rental income	1,189	1,198	52	48
Gain / (loss) on disposal of property, plant and equipment	458	(721)	462	(362)
Ticket cancellation and penalty fees	1,558	1,618	1,558	1,618
Service charges	2,881	2,760	2,881	2,760

25. DEPRECIATION, AMORTISATION, FOREIGN EXCHANGE DIFFERENCES AND COSTS OF INVENTORIES INCLUDED IN PROFIT OR LOSS (CONT'D)

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
(a) Operating profit is arrived after: (Cont'd)				
Charging:				
-Included in operating expenses:				
Depreciation charge for the year (Note 6)	31,784	28,848	30,976	27,858
Fuel costs	152,094	129,509	152,094	129,509
Operating lease rental	45,421	35,952	45,421	35,952
Cost of inventories recognised as expenses	11,116	11,810	11,116	11,810
Increase/(Decrease) in provision for obsolete inventory	1,060	(125)	1,060	(125)
Employee costs	91,320	79,028	84,620	74,189
-Included in administrative expenses:				
Depreciation charge for the year (Note 6)	2,188	1,263	2,045	1,254
Increase in provision for impairment on trade receivables (Note 16)	558	366	527	338
Amortisation charge for the year (Note 8)	537	506	537	501
Outside service costs	4,288	4,136	3,754	3,491
Professional fees	4,574	3,037	4,384	2,976
Motor vehicle running expenses	2,437	1,982	2,330	1,889
Communication cost services	1,491	1,474	1,483	1,465
Employee costs	11,819	12,488	10,448	10,792

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
(b) Analysis of employee costs				
Salaries and wages	92,733	82,350	86,200	75,710
Social security costs	3,341	2,618	1,977	1,853
Defined benefit pension schemes (Note 21(a)(iv))	5,782	5,147	5,782	5,147
Other post retirement benefits (Note 21(b)(iii))	322	326	148	131
Defined contribution pension scheme	961	900	961	900
	103,139	91,341	95,068	83,741

26. FINANCE INCOME

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Other interest income	595	729	360	550
Unrealised gain on translation of monetary assets and liabilities	2,150	-	2,150	-
Gain on currency hedge	2,495	-	2,495	-
Dividend income	18	21	7,867	96
	5,258	750	12,872	646

27. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Foreign exchange:				
Loss on currency hedging	-	4,119	-	4,119
Unrealised loss on translation of monetary assets and liabilities	-	8,501	-	8,501
	-	12,620	-	12,620
Interest expense:				
Finance leases	624	2,008	624	2,008
Other loans	595	-	595	-
	1,219	2,008	1,219	2,008
Total	1,219	14,628	1,219	14,628

28. INCOME TAX EXPENSE

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
(a) Income tax				
In profit or loss:				
Deferred tax charge for the year (Note 14)	(21)	(27)	-	-
Corporate Social Responsibility	16	10	-	-
Corporate Social Responsibility underprovided	-	8	-	-
Under provision of deferred tax in previous year	(19)	-		
Over / (under) provision of income tax in prior year	16	(4)		-
Current income tax charge	123	138	-	-
	115	125	-	-
In other comprehensive income:				
Deferred tax credit related to items recognised in other comprehensive income during the year	(17)	34	-	-
(b) Tax reconciliation				
Profit before tax	(28,912)	5,010	(21,669)	4,502
Tax at the rate of 15% (2018: 15%)	(4,337)	752	(3,250)	675
Corporate Social Responsibility at the rate of 2% (2018: 2%)	(578)	10	(433)	90
Corporate Social Responsibility underprovided	-	8	-	-
Expenses not allowable for tax purposes	42	2,326	33	2,230
Exempt income	(444)	(32)	(433)	(16)
Additional relief obtained on salaries paid to resident staff	(128)	(100)	-	-
Over / (under) provision of income tax in previous year	16	(4)	-	-
Under provision of deferred tax in previous year	(19)	-	-	-
Deferred tax movement for the year not recognised*	1,480	144	-	-
Effect of tax holiday**	4,083	(2,979)	4,083	(2,979)
Tax charge for the year	115	125	-	-

Expenses not allowable for tax purposes comprise of depreciation of property, plant and equipment, amortisation of intangible asset and loss on foreign exchange. Exempt income consists of interest on loans.

* The Group has not recognised deferred tax assets on unused tax losses since it is probable that future taxable profits will be available against which these tax losses will be utulised.

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

29. EARNINGS PER SHARE

	2019	2018
The Group	€'000	€'000
Earnings per share is based on:		
(Loss) / profit attributable to equity holders of the parent from continuing operations:		
Continuing operations	(29,133)	4,732
Weighted average number of shares	102,305,000	102,305,000

Basic and diluted earnings per share were the same for both years since there was no potential dilutive ordinary shares at March 31.

30. COMMITMENTS

(a) Operating lease commitments

(i) The Group as lessor

The Group has entered into leases on its investment property. The commercial property leases have lease terms between three and five years with renewable option of further periods of three years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

The future minimum rentals receivable under non-cancellable operating leases as at March 31, are as follows:

	2019	2018
	€'000	€'000
Within 1 year	1,105	1,033
After 1 year, but not more than five years	2,234	3,070
	3,339	4,103

(ii) The Group and Company as lessees

	2019	2018
	€'000	€'000
The Group and the Company have the following commitments under non-cancellable operating leases:		
- within one year	48,214	51,036
- after one year and before two years	49,748	47,073
- after two years and before five years	149,723	134,508
- after five years	282,953	294,661
	530,638	527,278

The Group has entered into commercial leases on certain aircraft and accessories. The remaining lease duration period ranges from 1 to 12 years with a renewable option as at March 31, 2019. Included in the non-cancellable commitments are commitments relating to operating leases for two new aircraft A330 Neo. 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.

(b) Capital commitments

The Group had entered into contractual arrangements for the order of 8 new aircraft. Two of the aircraft on operating lease were delivered in 2018. One aircraft has been received in April 2019 and one is expected to be received by the end of June 2019. The remaining four aircraft would be financed under loan arrangement and are yet to be delivered.

31. SUBSTANTIAL SHAREHOLDERS

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

	2019 & 2018		
	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 & Co Ltd	4.28	9.24	13.52
Compagnie Nationale Air France	2.78	5.72	8.50
Air India	2.56	4.50	7.06

32. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated and separate financial statements, parties are considered to be related to the Group and the Company if they have the ability, directly or indirectly, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(i) Entities with significant influence over the Group

State-controlled entities

The Government of Mauritius has a 44.42% effective interest (including both direct and indirect holdings) in the share capital of Air Mauritius Limited. The amounts paid to and received from the Government of Mauritius and its state-controlled entities relate generally to taxes, civil aviation and related charges, utility costs.

The Group	2019	2018
	€'000	€'000
Income for the year	6,006	6,323
Expenses for the year	12,781	9,372
Amount receivable as at March 31,	1,160	1,166
Amount payable as at March 31,	1,621	803

The Group and the Company have deposits and MUR denominated loans with State Bank of Mauritius Ltd, another entity under common control by the Government of Mauritius.

(ii) Key management personnel

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors.

Compensation	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	€'000	€'000	€'000	€'000
Short-term benefits	2,890	2,530	2,839	2,473
Post-employment benefits:				
- Defined benefit	208	202	208	202
	3,098	2,732	3,047	2,675

32. RELATED PARTY TRANSACTIONS (CONT'D)

(iii) Other related parties

(1) Mr Philippe Espitalier-Noël who is a Director of the Company, is also a director of Rogers & Co. Ltd ("Rogers"), a shareholder of the Company. The Group has paid incentive commission on sale of tickets to Rogers during the year and the summary of transactions are as follows:

	The Group and the Company	
	2019	2018
	€'000	€'000
Income for the year	6,606	6,616
Expenses for the year	1,271	1,284
Amount receivable	677	830
Amount payable	111	47

(2) Mr Pradeep Singh Kharola , who is a Director of the Company, is also the Chairman and Managing Director of Air India, a shareholder of the Company. Air India has provided handling services to the Group during the year and the summary of transactions are as follows:

	The Group and the Company	
	2019	2018
	€'000	€'000
Expenses for the year	1,100	1,290
Amount payable	-	19

(3) Mr Patrick Roux, who is a Director of the Company, is also the Senior Vice-President at Air France. Air France has provided handling and maintenance services to the Group and Company during the year and the summary of transactions are as follows:

	The Group and the Company	
	2019	2018
	€'000	€'000
Income for the year	987	1,032
Expenses for the year	41,053	52,547
Amount receivable	120	160
Amount payable	10,984	11,585

32. RELATED PARTY TRANSACTIONS (CONT'D)

(iv) Terms and conditions of transactions with related parties

Outstanding balances at year end are interest free and settlement occurs in cash. For the year ended March 31, 2019, the Group and the Company have not made any provision for doubtful debts relating to amounts owed by related parties (2018: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(v) Subsidiaries and associates

The Company holds investments in subsidiaries and in an associate as described in Notes 9 and 10. The Company had no related party transactions with its associate. Transactions with subsidiaries are in respect of rent of office space from MEDCOR, revenue from cleaning services provided to MEDCOR, call centre services and provision of human resources services by Airmate Ltd and sale of tickets to Pointe Coton Resort Hotel Company Limited. At March 31, 2019, the operations of Pointe Coton Resort Hotel Company Limited were classified as a disposal group held for sale and as discontinued operations.

The Company

	Airmate Limited	Mauritius Estate Development Corporation Limited (MEDCOR)	Pointe Coton Resort Hotel Company Limited (discontinued operations)	Mauritius Helicopter Limited	Air Mauritius (S.A.) (Proprietary) Limited	Total
2019	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Income for the year	7,220	1,189	2,379	1,596	-	12,384
Expenses for the year	6,880	1,006	954	1,362	-	10,202
Amount receivable	207	441	250	156	198	1,252
Amount payable	357	436	317	54	1	1,165

32. RELATED PARTY TRANSACTIONS (CONT'D)

(v) Subsidiaries and associates (cont'd)

The Company	Airmate Limited	Mauritius Estate Development Corporation Limited (MEDCOR)	Pointe Coton Resort Hotel Company Limited	Mauritius Helicopter Limited	Air Mauritius (S.A.) (Proprietary) Limited	Total
2018	€'000	€'000	€'000	€'000	€'000	€'000
Income for the year	45	69	27	687	-	828
Expenses for the year	5,541	341	438	-	-	6,320
Amount receivable as at March 31,	99	29	2	138	459	727
Amount payable as at March 31,	716	570	110	-	-	1,396

33. DETAILS OF BORROWINGS AND FINANCIAL DERIVATIVES

(a) Borrowings and financial derivatives

Base currency	Interest rate %	2019 Loans, borrowings, overdraft and obligations under finance leases	2019 Fair value of financial derivative liability	2018 Loans, borrowings, overdraft and obligations under finance leases	2018 Fair value of financial derivative liability
	€'000	**€'000**	**€'000**	€'000	€'000
Variable interest bearing loans					
Eur	Euribor +1.2%	**14,846**	**-**	19,494	-
Mur	PLR + 2%	**3,742**	**-**	4,606	-
Leased aircraft under sales and leaseback arrangement					
Usd	5.68%	**2,109**	**-**	5,379	-
Bank loans					
Usd	Libor +0.75%	**30,398**	**-**	-	-
Mur	PLR + 1.3%	**6,138**	**-**	-	-
Bank Overdraft					
Mur	5.75% to 7.35%	**10,504**	**4,055**	953	-
Financial derivatives (Note 20)		**-**	**-**	-	2,297
COMPANY TOTAL		**67,737**	**4,055**	30,432	2,297
Bank Overdraft					
Mur	6.65% to 8.25%	**47**	**-**	21	-
GROUP TOTAL		**67,784**	**4,055**	30,453	2,297

All the above loans have variable market rates. For the other loan and borrowings and derivatives, the carrying amount approximates the fair value since they are at market interest rates. For further details on the fair value measurement, refer to Note 34.

33. DETAILS OF BORROWINGS AND FINANCIAL DERIVATIVES (CONT'D)

(b) Derivative financial instruments

The Group and the Company	2019 €'000	2018 €'000
Currency derivatives (Note 20 (a))		
- Assets	3,036	-
- Liabilities	-	(2,297)
Fair value of commodity derivatives (Note 20 (a)):		
- Assets	3,137	2,316
- Liabilities	(3,387)	-
Put contracts		
- Liabilities	(668)	-
	2,118	19

(i) *Fair value of currency derivatives*

	Amount with remaining life			
	Less than three months	Between three months and one year	More than one year	Total
	€'000	€'000	€'000	€'000
OTC traded forward rate agreements				
At March 31, 2019	1,175	1,573	288	3,036
At March 31, 2018	(686)	(1,375)	(236)	(2,297)

The currency derivatives have been classified as Level 2 of the fair value hierarchy in both 2019 and 2018.

(ii) Fair value of commodity derivatives

	Amount with remaining life			
	Less than three months	Between three months and one year	More than one year	Total
	€'000	€'000	€'000	€'000
OTC traded forward rate agreements				
At March 31, 2019				
Assets - OTC Traded				
- Swap	234	2,373	31	2,638
- Collar	(66)	(877)	(1,945)	(2,888)
	168	1,496	(1,914)	(250)
At March 31, 2018				
Assets - OTC Traded				
- Call	25	-	-	25
- Swap	-	14	71	85
- Collar	1,163	907	136	2,206
	1,188	921	207	2,316

These derivative financial instruments have been accounted for as cash flow hedges and have been classified as Level 2 of the fair value hierarchy in both 2019 and 2018.

34. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

2019 The Group		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€'000	€'000	€'000	€'000
Assets measured at fair value:					
Investment property (Note 7)	March 31,2019	10,821	-	-	10,821
Derivative financial instruments	March 31,2019	6,173	-	6,173	-
Liabilities measured at fair value:					
Derivative financial instruments	March 31,2019	(4,055)	-	(4,055)	-
Interest-bearing loans and borrowings:					
- Floating rate borrowings	March 31,2019	(67,737)	-	(67,737)	-

There have been no transfers between Level 1 and Level 2 during the year (2018: none).

2019 THE COMPANY		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€'000	€'000	€'000	€'000
Assets measured at fair value:					
Derivative financial instruments	March 31,2019	6,173	-	6,173	-
Liabilities measured at fair value:					
Derivative financial instruments	March 31,2019	(4,055)	-	(4,055)	-
Interest-bearing loans and borrowings:					
- Floating rate borrowings	March 31,2019	(67,737)	-	(67,737)	-

There have been no transfers between Level 1 and Level 2 during the year (2018: none).

2018 The Group		Fair value measurement using			
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€'000	€'000	€'000	€'000
Assets measured at fair value:					
Investment property (Note 7)	March 31,2018	9,744	-	-	9,744
Available-for-sale investments *	March 31,2018	563	563	-	-
Derivative financial instruments	March 31,2018	2,316	-	2,316	-
Liabilities measured at fair value:					
Derivative financial instruments	March 31,2018	(2,297)	-	(2,297)	-
Deferred revenue for customer loyalty programme (Note 23)	March 31,2018	(4,030)	-	-	(4,030)
Interest-bearing loans and borrowings:					
- Floating rate borrowings	March 31,2018	(30,453)	-	(30,453)	-

** There have been no transfers between Level 1 and Level 2 during the year (2017: none).*

34. FAIR VALUE MEASUREMENT (CONT'D)

2018 THE COMPANY	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		€'000	€'000	€'000	€'000
Assets measured at fair value:					
Available-for-sale investments *	March 31,2018	563	563	-	-
Derivative financial instruments	March 31,2018	2,316	-	2,316	-
Liabilities measured at fair value:					
Derivative financial instruments	March 31,2018	(2,297)	-	(2,297)	-
Deferred revenue for customer loyalty programme (Note 23)	March 31,2018	(4,030)	-	-	(4,030)
Interest-bearing loans and borrowings:					
- Floating rate borrowings	March 31,2018	(30,432)	-	(30,432)	-

Management has assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments.

Security deposits accounted under under long-term deposits are deposits on leases which are reimbursable at the end of the lease period and are estimated to approximate their fair values.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. As at March 31, 2018 the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.
- Fair values of the Group's interest-bearing loans and borrowings are determined by using discounted cash flow method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at March 31, 2018 was assessed to be insignificant.

35. DIVIDENDS PAYABLE TO NON-CONTROLLING INTERESTS

	2019	2018
Declared during the year:	€'000	€'000
Dividend attributable to NCI	(990)	(63)
Dividends payable on ordinary share:		
Continuing operations	488	-
Discontinued operations	502	-

The subsidiaries of the Group, Pointe Coton Resort Hotel Company Limited and Mauritius Estate Development Corporation Limited, declared a dividend of **Eur 8.8M** during the year (2018: Eur 138K from Pointe Coton Resort Hotel Company Limited only) out of which Eur 990K was payable to non-controlling interest at the reporting date.

36. ASSETS HELD FOR SALE

On March 27, 2019, a letter of intent was signed by a prospective buyer and the Company to dispose its subsidiary, Pointe Coton Resort Hotel Company Limited and, therefore, classified it as a disposal group held for sale and meets the definition of discontinued operations. The Board considered the subsidiary met the criteria to be classified as held for sale at that date for the following reasons:

- Pointe Coton Resort Hotel Company Limited was available for immediate sale and could be sold to its potential buyer in its current condition.
- The Board had a plan to sell the subsidiary with the prospective buyer.
- The proceeds had been agreed at EUR 2.74M and the sale price was reasonable in relation to its current fair value.
- The Board expected negotiations to be finalised and the sale to be completed within the first quarter of the next financial year ending March 31, 2020.

(a) At March 31, 2019, the results of Pointe Cotton Resort Hotel Company Limited for the year are presented below:

	2019	2018
	€'000	€'000
Revenue	2,379	2,346
Operating costs	(954)	(924)
Gross profit	1,425	1,422
Administrative expenses	(1,445)	(1,269)
Other income	147	136
Operating profit	127	289
Finance income	-	2
Profit before tax	127	291
Income tax expense	-	-
Profit for the year	127	291
Other comprehensive income for the year:		
Other comprehensive income which may be reclassified to profit or loss in subsequent periods:		
Actuarial gain on defined benefit plans	3	29
Other comprehensive income for the year, net of tax	3	29
Total comprehensive income for the year, net of tax	130	320

36. ASSETS HELD FOR SALE (CONT'D)

(b) The major classes of assets and liabilities of Pointe Cotton Resort Hotel Company Limited classified as held for sale as at March 31, 2019 are as follows:

	2019
	€'000
ASSETS	
Non-current assets	
Property, plant and equipment	1,924
Intangibles	-
	1,924
Current assets	
Inventories	103
Trade and other receivables	493
Cash and cash equivalents	1,893
	2,489
Total assets	4,413
EQUITY AND LIABILITIES	
Equity	
Share capital	2,331
Other deficits	(807)
Retained earnings	1,056
Total equity	2,580
Non-current liabilities	
Provisions	372
	372
Current liabilities	
Trade and other payables	318
Interest bearing loans and borrowings	47
Dividend payable	1,096
	1,461
Total liabilities	1,833
Total equity and liabilities	4,413

(c) Liabilities directly associated with assets held for sale

	2019
	€'000
Liabilities directly associated with assets held for sale	1,239

(d) The net cash flows of Pointe Coton Resort Hotel Company Limited classified as held for sale are as follows:	2019 €'000	2018 €'000
Net cash flows generated from operating activities	282	857
Net cash flows used in investing activities	(118)	(404)
Net cash flows generated from operating and investing activities	164	453
Net cash flows used in financing activities	(143)	-
Net increase in cash and cash equivalents	21	453
Movement in cash and cash equivalents	1,825	1,296
At March 31,	1,846	1,749

The Company classified its investment in Pointe Coton Resort Hotel Company Limited as assets held for sale amounting to **Eur 1,263k** (2018: Eur nil)

At March 31, 2019 the operations of Pointe Coton Resort Hotel Company Limited were classified as a disposal group held for sale and as a discontinued operations. The business of Pointe Coton Resort Hotel Company Limited represented the group's Hotel and restaurant operating segment until March 31, 2018 With Pointe Coton Resort Hotel Company Limited being classified as discontinued operations, the Hotel and restaurant segment is no longer presented in the segment note.

37. CONTINGENT LIABILITIES

Litigation

There are currently a number of lawsuits that have been filed against the Company for diverse reasons. The timing and outcome of these claims are dependent upon the judicial system and cannot be reliably assessed. The amount of liability recognised at March 31, 2019 with respect to those litigations amounts to **Eur 757K** (2018: Eur 750k).

38. HOLDING COMPANY AND ULTIMATE CONTROLLING ENTITY

Air Mauritius Holding Ltd, 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.

39. EVENTS AFTER THE REPORTING DATE

Post year end, the shareholders resolved on June 10, 2019 to:

- dispose the entire shareholding of the Company in Pointe Coton Resort Hotel Company Limited to the Airports of Mauritius (AML) for a cash consideration of Mur 110m (equivalent to Eur 2.7m) in April 2019;
- issue fresh redeemable preference shares for cash consideration of Mur 500m (equivalent to Eur 12.3m);
- acquire 20% of Mauritius Duty Free Paradise Co Ltd for a non-cash consideration of Mur 405m through the issue of a different class of ordinary shares; this new investment is expected to generate a stream of dividend income annually.

39. FINANCIAL SUMMARY (CONT'D)

(a) The Group	2019	2018	2017
	€'000	€'000	€'000
STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME			
Revenue	**499,807**	514,339	497,809
Share of results of associates			(13)
(Loss) / profit before tax from continuing operations	**(29,039)**	5,010	27,633
(Loss) / profit for the year from continuing operations	**(29,154)**	4,885	27,552
Profit after tax from discontinued operations	**127**	-	-
(Loss)/ profit for the year	**(29,027)**	4,885	27,552
Other comprehensive income	**(6,215)**	(9,875)	(14,148)
Total comprehensive income for the year, net of tax from continuing operations	**(35,369)**	(4,990)	13,404
Total comprehensive income for the year, net of tax from discontinuing operations	**3**	-	-
Total comprehensive income for the year, net of tax	**(35,239)**	(4,990)	13,404
STATEMENTS OF FINANCIAL POSITION			
Non-current assets	**183,573**	229,856	201,119
Current assets	**176,953**	136,442	171,934
Current liabilities	**232,847**	205,454	194,767
Non-current liabilities	**78,283**	75,219	87,734
SHARE CAPITAL			
Authorised			
Ordinary shares of Mur 10 each	**81,566**	81,566	81,566
Issued and fully paid			
Ordinary shares of Mur 10 each	**41,724**	41,724	41,724
RESERVES			
Share premium	**18,869**	18,869	18,869
Other reserves	**(6,754)**	(11,772)	(10,414)
(Accumulated reserves)/retained earnings	**(7,056)**	33,664	37,218

(b) The Company	2019	2018	2017
	€'000	€'000	€'000
STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME			
Revenue	**498,504**	509,589	494,788
(Loss) / profit for the year	**(21,669)**	4,502	26,932
STATEMENTS OF FINANCIAL POSITION			
Non-current assets	**195,223**	238,163	213,323
Current assets	**173,651**	129,479	160,732
Current liabilities	**232,951**	205,496	196,228
Non-current liabilities	**77,333**	74,225	86,626
SHARE CAPITAL			
Authorised			
Ordinary shares of Mur 10 each	**81,566**	81,566	81,566
Issued and fully paid			
Ordinary shares of Mur 10 each	**41,724**	41,724	41,724
RESERVES			
Share premium	**18,869**	18,869	18,869
Other reserves	**2,964**	175	(529)
(Accumulated reserves)/retained earnings	**(4,967)**	27,153	31,137

APPENDICES TO ANNUAL REPORT

TRANSLATION OF THE CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 2019

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	MUR m	MUR m	MUR m	MUR m
ASSETS				
Non-current assets				
Property, plant and equipment	5,925	6,617	5,839	6,440
Investment property	423	402	-	-
Intangible assets	25	45	24	44
Investment in subsidiaries	-	-	1,058	1,169
Available-for-sale investments	-	23	-	23
Long term deposits	708	2,155	708	2,155
Long term investments	85	241	-	-
Long term receivable	5	5	5	5
Deferred tax asset	7	5	-	-
	7,178	9,493	7,634	9,836
Current assets				
Inventories	811	749	811	745
Trade and other receivables	4,915	3,366	5,118	3,344
Other financial asset	241	96	241	96
Financial assets at fair value through other comprehensive income	23	-	23	-
Short-term deposits	165	62	-	-
Cash and short-term deposits	591	1,362	547	1,163
	6,746	5,635	6,740	5,348
Total assets	13,924	15,128	14,374	15,184
EQUITY AND LIABILITIES				
Equity				
Share capital	1,724	1,724	1,724	1,724
Share premium	780	780	780	780
Other reserves	(264)	(366)	(124)	97
(Accumulated losses) / retained earnings	(582)	1,279	(138)	1,030
Reserves of a disposal group held for sale	10	-	-	-
Equity attributable to equity holders of the parent	1,668	3,417	2,242	3,631
Non-controlling interests	92	119	-	-
Total equity	1,760	3,536	2,242	3,631
Non-current liabilities				
Interest-bearing loans and borrowings	470	886	470	886
Employee benefit liabilities	2,360	2,053	2,323	2,012
Provisions	230	167	230	167
	3,060	3,106	3,023	3,065
Current liabilities				
Provisions	92	-	92	-
Trade and other payables	2,133	8,020	2,205	8,022
Contract liabilities	4,475	-	4,475	-
Interest-bearing loans and borrowings	2,178	371	2,178	371
Other financial liabilities	159	95	159	95
Dividend	19	-	-	-
Liabilities directly associated with the assets held for sale	48	-	-	-
	9,104	8,486	9,109	8,488
Total equity and liabilities	13,924	15,128	14,374	15,184

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

DIRECTORS IN SUBSIDIARIES

Mauritius Estate Development Corporation Limited (MEDCOR)

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

- Dr Arjoon Suddhoo, FRAeS - Chairman (up to April 29, 2019)
- Mr Somas Appavou, FRAeS
- Mr Balakrishna Seetaramadoo
- Mr Indradev Buton
- Mr Dindoyal Sookun
- Mr Manickchand Beejan (from June 11, 2018 to February 28, 2019)
- Mr Vijay Seetul

Secretary

- Mr Vijay Seetul

Pointe Coton Resort Hotel Company Limited

Air Mauritius Limited has a shareholding of 54.2% in Pointe Coton Resort Hotel Company Limited, which owns a hotel in Rodrigues. Subsequent to the year end, the shareholders have resolved to dispose of the shares. The Board Directors of Pointe Coton Resort Hotel Company Limited are as follows:

- Dr Arjoon Suddhoo, FRAeS - Chairman (up to April 29, 2019)
- Mr Somas Appavou, FRAeS
- Mrs Anista Ramphul Punchoo
- Mr Balakrishna Seetaramadoo
- Mr Manickchand Beejan (as from May 03, 2018 to February 28, 2019)
- Mr Patrice Leal
- Mr Indradev Buton
- Mr Dindoyal Sookun
- Mr Vijay Seetul

Secretary

- Mr Vijay Seetul

Airmate Ltd

The Company is a 100% subsidiary, which provides call centre services to the airline. The Board Members are as follows:

- Dr Arjoon Suddhoo, FRAeS - Chairman (up to April 29, 2019)
- Mr Somas Appavou, FRAeS
- Mr Ramprakash Maunthrooa
- Mr Balakrishna Seetaramadoo
- Mr Donald Payen
- Mr Vijay Seetul

Secretary

- Mr Vijay Seetul

Mauritius Helicopter Limited

The Company is a fully owned subsidiary and the Board Members are as follows:

- Dr Arjoon Suddhoo, FRAeS - Chairman (up to April 29, 2019)
- Mr Somas Appavou, FRAeS
- Mr Ramprakash Maunthrooa
- Mr Balakrishna Seetaramadoo
- Mr Pramil Banymandhub (as from June 11, 2018)
- Mr Garth Gray (up to April 11, 2018)
- Mr Vijay Seetul

Secretary

- Mr Vijay Seetul

DIRECTORS IN SUBSIDIARIES

Air Mauritius Institute Co Ltd

The Company is a fully owned subsidiary and is not yet operational. The Board members are as follows:

- Dr Arjoon Suddhoo, FRAeS - Chairman (up to April 29, 2019)
- Mr Somas Appavou, FRAeS

Secretary

- Mr Jean Bernard Sadien

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

In South Africa the Company operates through a 100% owned subsidiary, Air Mauritius (S.A.) (Proprietary) Ltd which acts as an agent for Air Mauritius Limited. This Company operates on a cost reimbursement basis with its expenses being directly accounted for in the books of the parent Company. The Board Directors of Air Mauritius (S.A.) (Proprietary) Ltd are:

- Mr Isidore Bronstein
- Mrs Carla Da Silva
- Mr Donald Payen

Secretary

- Mazars Audit Firm

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 Mr Ian Nash.

Secretary

- Mrs Dhanwantee Buckowonsing

Air Mauritius Holidays (Pty) Ltd

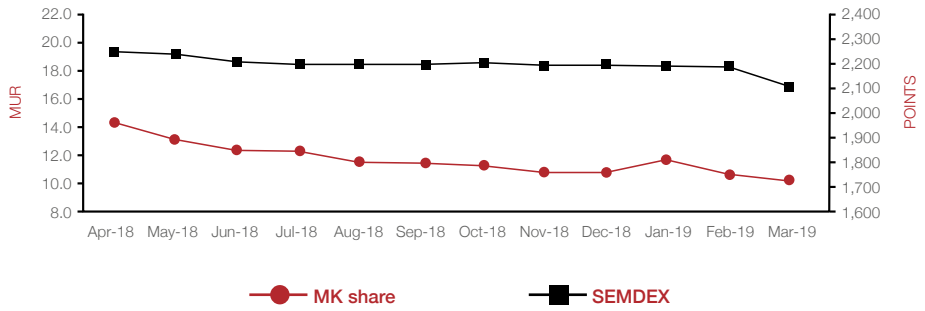
The Company is a fully owned subsidiary and it is intended to operate the tour packaging business in these markets. The Board member is Mr Donald Payen.

SHAREHOLDERS' INFORMATION

SHAREHOLDERS' INFORMATION

Key Data per Share	2018/19 Amount (Mur)	2017/18 Amount (Mur)
Market Capitalisation	**982,128,000**	1,483,422,500
Highest Closing Price	**14.50**	16.55
Lowest Closing Price	**9.60**	13.10
Closing Price	**9.60**	14.50
Average Price	**11.77**	14.86
Value of Shares traded	**45,149,789**	92,294,207
Net worth per share	**18.88**	34.57
Share Price/Equity per share at year end	**50.9%**	41.9%
P/E ratio (average)	**(0.99)**	7.46
(Loss)/Earnings per share	**(11.95)**	1.99
No. of shares traded during the year	**4,012,943**	6,231,673
No. of shares at year end	**102,305,000**	102,305,000

Air Mauritius Share Price v/s Semdex



Share Listing

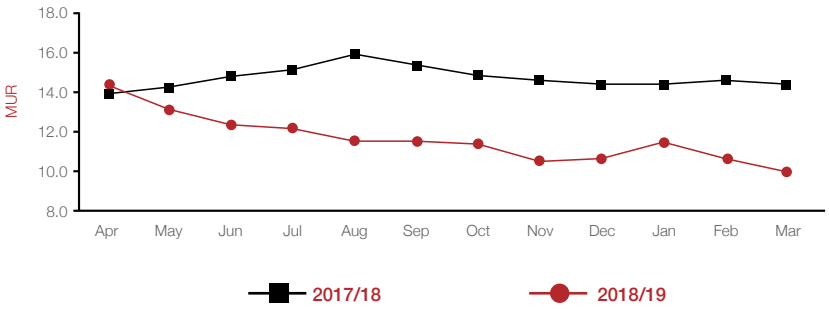
Air Mauritius was the first company with a majority of shares owned by the state to offer its shares to the public. The company was granted listing in November 1994 and its partly-paid shares were first traded on the Stock Exchange of Mauritius in February 1995.

Share Price Development

The share price traded at Mur 14.50 on the Stock Exchange of Mauritius at the beginning of the financial year 2018/19. However, the share price started losing value as from May 30, 2018 to reach Mur 9.60 at the close of the financial year 2018/19. The highest number of shares traded during one session was 501,200 for a value of Mur 5,770,680.

Market capitalisation stood at Mur 1.0 billion at March 31, 2019 compared to Mur 1.5 billion of the previous financial year.

Air Mauritius Share Price: 2018/19 v/s 2017/18



NOTES

NOTES

NOTES

NOTES

NOTES

NOTES

NOTES

NOTES

NOTES

Air Mauritius Centre
President John Kennedy Street, Port Louis, Mauritius

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