EMPLOYEES' REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS – YEAR ENDED

JUNE 30, 2020

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS - YEAR ENDED JUNE 30, 2020

CONTENTS

MANAGER	**EREIT MANAGEMENT LTD** 15th Floor, Air Mauritius Centre 6, President John Kennedy Street Port Louis.
TRUSTEE	**STATE INSURANCE COMPANY OF MAURITIUS LTD** Sir Celicourt Antelme Street Port Louis
AUDITORS	**BDO & CO** Chartered Accountants 10, Frère Félix de Valois Street Port Louis Republic of Mauritius

We are pleased to present our report for the year ended June 30, 2020.

OBJECTS OF EMPLOYEES REAL ESTATE INVESTMENT TRUST

Employees' Real Estate Investment Trust (the Trust) was set up in 2005 to democratise land ownership by giving Mauritian citizens a direct stake in the productive resources of the economy.

The objectives of the Trust are as follows:

(i) To directly or through such a body controlled by it, purchase, lease or otherwise acquire land, manage, develop, sell, transfer or otherwise dispose of such land.

(ii) To do such things as are incidental thereto and connected therewith, for the promotion of the welfare and benefit of unitholders.

PRINCIPAL FUNCTIONS OF THE MANAGER

The Manager is responsible for:

- the provision of management and administrative services to the Trust; and
- the purchase, sale, transfer, exchange or alteration of any assets of the Trust.

PROPERTY

The plots of land owned by the Trust as at June 30, 2020 were as follows:

Location	Extent (Arpents)
Rivière du Rempart-Haute Rive Village	42.95
Trou D'Eau Douce - Beau Rivage	68.75
Rose Belle	199.61
Total	311.31

Onboarding of a Property consultant

EREIT Management Ltd (EML) is in the process of appointing a Property Consultant for EREIT. The main terms of reference would be to assess the potentials of different plots of land and make appropriate recommendations with a view to maximise unitholders' value in the current circumstances. The drone coverage survey on all plots carried out recently has captured the essential visual features in digital format. This will help the Property Consultant to be appointed to conceptualise different project options.

Main Project in the pipeline - International Retirement City (IRC)

Discussions with a project development company for the development of an IRC project in the south of Mauritius is on a progressive path, despite the impact of Covid-19 in the property development segment. The company would adopt a three phased approach for the development of the project, including project feasibility assessment for creating a bankable and viable project structure. Final discussions are being held with a view to incorporate all necessary safeguards in the Memorandum of Agreement.

Trou D'Eau Douce - Beau-Rivage

The lease agreement entailing a land extent of 68.75 Arpents at Beau-Rivage to Alteo Ltd has expired since February 2020. Alteo Planters Services Limited (APSL) which is a subsidiary of Alteo Ltd has entered into a management contract with EREIT with an effective date of 01 October 2019 for one year to manage the sugar cane crop on behalf of EREIT. The Trust is registered as a cane planter for the crop year 2020. Other options to make an optimum use of the land is being considered.

PROPERTY (CONT'D)

Compulsory acquisitions

The Government has acquired compulsorily the following portions of land:

- 3ha6802m² or 8A71P of land at Cote D'Or in relation to the construction of Terre Rouge-Verdun-Trianon link Road. Compensation payment of Rs.5.88m together including interest was received by the Trust. However, the Trust has objected on the compensation amount and the matter is being considered at the Board of Assessment.
- 1600m² of land at Rose Belle for the setting up of a Gas/Electricity Incinerator. A final compensation payment of Rs.1.25m including interest was received by the Trust by end of September 2019.
- 14,773.04m2 of land at Haute Rive, Riviere Du Rempart at an agreed compensation of Rs.12.6m including interest for the construction of a Multi-Purpose Hall. The final compensation payment amounting Rs.12.6m was received by the Trust in the second week of March 2020.

PERFORMANCE REVIEW

For the year under review, the net assets of Employees' Real Estate Investment Trust stood at **Rs.1,384,114,847** with a Net Asset Value (NAV) per unit of **Rs.7,767.50** as at June 30, 2020 (Rs.6,864.37 at June 30, 2019). This represents an increase in value of 13.2%, explained by the rise in the value of the land bank during the revaluation exercise..

Total revenue generated during the year amounted to **Rs.12,719,486** (2019: Rs.12,689,642) made up of rental income, profit on disposal and interest income whilst fees and expenses totalled **Rs.6,539,328** (2019: Rs.7,208,221).

FEES AND COMMISSION

Fees to the Manager of the Trust for the year ended June 30, 2020 amounted to **Rs.4,569,000** (2019: Rs.4,050,000).

The Trustee retains a monthly fee of **Rs.75,000**. The total fee for the year ended June 30, 2020 amounted to Rs900,000; same as that for the year ended June 30, 2019.

REDEMPTION OF UNITS

As per the provisions of the Trust Deed, the units of the Trust are redeemable since March 31, 2010.

As at June 30, 2020,the Trust has redeemed a total of 174,142 units and the register of unitholders comprised 178,193 unitholders, at that date.

PURCHASE OF UNITS

The scheme for purchasing additional units by eligible unit holders has been deferred given the current circumstances.

For and on behalf of the Board of EREIT Management Ltd, Manager of the Trust.

G. Goburdhun, G.O.S.K	**P. Neerunjun**
Director	Director

Date: 28th September 2020

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EMPLOYEES' REAL ESTATE INVESTMENT TRUST

INDEPENDENT AUDITOR'S REPORT
To the Unit holders of Employees' Real Estate Investment Trust

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Employees' Real Estate Investment Trust, on pages 4 to 21 which comprise the statement of financial position as at June 30, 2020, the income and distribution statement, statement of comprehensive income attributable to unit holders, statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 21 give a true and fair view of the financial position of the Trust as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the terms of its Trust Deed.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Property valuation

We draw attention to notes 3 and 4 as to the critical accounting estimate and assumptions used to determine the fair value of the Trust's property which is carried at Rs.1,028,800,000 in the statement of financial position at June 30, 2020. The critical estimate and assumption used to revalue the property is sensitive to market conditions prevailing in real estate transactions. Our opinion is not qualified in this respect.

Other information

The Manager and the Trustee are responsible for the other information. The other information comprises the information included in the manager's report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

INDEPENDENT AUDITOR'S REPORT (CONT'D)
To the Unit holders of Employees' Real Estated Investment Trust

Responsibilities of Manager, Trustee and Those Charged with Governance for the Financial Statements

The Manager and the Trustee and are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the terms of the Trust Deed, and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee are responsible for assessing the Trust'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 Manager and the Trustee either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee.
- Conclude on the appropriateness of the Manager and the Trustee's 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONT'D)
To the Unit holders of Employees' Real Estated Investment Trust

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Report on Other Legal and Regulatory Requirements

Trust Deed

We have no relationship with, or interests in, the Trust, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

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

Other Matter

This report is made solely to the Unit holders of Employees' Real Estate Investment Trust (the "Trust"), as a body, in accordance with the terms of the Trust Deed. Our audit work has been undertaken so that we might state to the unit holders those matters we are required to state to them in an auditor's 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 Trust and the unit holders as a body, for our audit work, for this report, or for the opinions we have formed.

BDO & CO.

BDO & CO
Chartered Accountants

Tarachand

Port Louis,
Mauritius.

Lilawattee Tarachand, FCA, FCMA
Licensed by FRC

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2020

	Notes		2020	2019
			Rs.	Rs.
ASSETS				
Non-current assets				
Property	4		**1,028,800,000**	874,000,000
Land development expenditure	5		**3,750,559**	3,750,559
			1,032,550,559	877,750,559
Current assets				
Financial assets at amortised cost	6		**329,589,551**	363,601,303
Cash and cash equivalents	7		**28,073,486**	21,749,405
			357,663,037	385,350,708
Non-current assets classified as held for sale	8		**4,408,022**	17,578,022
		Rs.	**1,394,621,618**	1,280,679,289
CURRENT LIABILITY				
Other payables	9		**10,506,771**	21,684,923
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	10		**1,384,114,847**	1,258,994,366
		Rs.	**1,394,621,618**	1,280,679,289
Net assets value per unit		Rs.	**7,767.50**	6,864.37

These financial statements have been approved for issue by the Manager on: 28 SEP 2020

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) MANAGER
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The notes on pages 9 to 21 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(b).

INCOME AND DISTRIBUTION STATEMENT - YEAR ENDED JUNE 30, 2020

	Notes	2020	2019
		Rs.	Rs.
Revenue			
Rental income		**535,520**	603,280
Interest income	1.08	**11,833,966**	12,086,362
Other income		**350,000**	-
		12,719,486	12,689,642
Expenses			
Manager's fees	11	**4,569,000**	4,050,000
Trustee's fees	12	**900,000**	900,000
Professional fees		**838,340**	1,955,875
Audit and taxation fees		**170,775**	165,560
Publication expenses		**51,163**	32,056
Bank charges		**7,488**	3,220
Postage		**2,562**	101,510
		6,539,328	7,208,221
Surplus before finance cost		**6,180,158**	5,481,421
Finance cost		-	-
Surplus before taxation		**6,180,158**	5,481,421
Taxation	13	-	-
Net surplus attributable to unit holders	Rs.	**6,180,158**	5,481,421

The notes on pages 9 to 21 form an integral part of these financial statements.

Auditor's report on pages 3 to 3(b).

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Note		2020	2019
			Rs.	Rs.
Net surplus attributable to unit holders			**6,180,158**	5,481,421
Other comprehensive income, net of tax:				
Surplus on revaluation of property	4		**154,800,000**	120,100,000
Total comprehensive income for the year		Rs.	**160,980,158**	125,581,421

The notes on pages 9 to 21 form an integral part of these financial statements.

Auditor's report on pages 3 to 3(b).

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - YEAR ENDED JUNE 30, 2020

		2020	2019
		Rs.	Rs.
Net assets attributable to unit holders at start,		**1,258,994,366**	1,183,392,555
Redemption of units		**(35,859,677)**	(49,979,610)
Total comprehensive income for the year		**160,980,158**	125,581,421
At end	Rs.	**1,384,114,847**	1,258,994,366

The notes on pages 9 to 21 form an integral part of these financial statements.

Auditor's report on pages 3 to 3(b).

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

STATEMENT OF CASH FLOWS - YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rs.	Rs.
Operating activities			
Surplus for the year		**6,180,158**	5,481,421
Adjustments for:			
Profit on sale of property, plant and equipment		**(350,000)**	-
Interest income		**(11,833,966)**	(12,086,362)
Changes in working capital:			
- other receivables		**(335,519)**	435,972,033
- other payables		**167,439**	(18,029,949)
		(6,171,888)	411,337,143
Interest received		**12,233,307**	11,030,271
Net cash generated from operating activities		**6,061,419**	422,367,414
Cash flows from investing activities			
Purchase of financial assets at amortised cost		**(328,000,000)**	(361,947,930)
Disposals of financial assets at amortised cost		**361,947,930**	-
Proceeds from sale of property, plant and equipment		**13,520,000**	-
Land development expenditure		**-**	(614,195)
Net cash flow generated/(used in) from investing activities		**47,467,930**	(362,562,125)
Cash flow from financing activities			
Units redeemed		**(47,205,268)**	(49,979,610)
Net cash flow used in financing activities		**(47,205,268)**	(49,979,610)
Net increase in cash and cash equivalents	Rs.	**6,324,081**	9,825,679
Movement in cash and cash equivalents			
At start,		**21,749,405**	11,923,726
Increase		**6,324,081**	9,825,679
At end,	7 Rs.	**28,073,486**	21,749,405

The notes on pages 9 to 21 form an integral part of these financial statements.

Auditor's report on pages 3 to 3(b).

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements of EMPLOYEES REAL ESTATE INVESTMENT TRUST have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except that land is carried at revalued amount.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of unitholders.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Company has adopted IFRS 16 from July 1, 2019, but has not restated comparatives for 2019, as permitted under the specific transition provisions. The reclassifications and adjustments arising from the new leasing rules are recognised in the opening balance sheet on July 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of July 1, 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The above provisions have no impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation has no impact on the Trust's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.1 Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Prepayment Features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The amendments have no impact on the Trust's financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. The amendments have no impact on the Trust's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

- IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 - clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Trust's financial statements.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- separately recognise any changes in the asset ceiling through other comprehensive income.

The amendments have no impact on the Trust's financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.1 Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2020 or later periods, but which the Trust has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 17 Insurance Contracts
Definition of a Business (Amendments to IFRS 3)
Definition of Material (Amendments to IAS 1 and IAS 8)
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
Annual Improvements 2018-2020
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
Onerous Contracts-Cost of Fulfilling a Contract (Amendments to IAS 37)
Reference to the Conceptual Framework (Amendments to IFRS 3)
Covid-19-Related Rent Concessions (Amendment to IFRS 16)
Amendments to IFRS 17
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

Where relevant, the Trust is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed under Note 3.

1.2 Property

Land is stated at fair value based on valuation by external independent valuers.

Land is not depreciated.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.2 Property (cont'd)

Increases in the carrying amount arising on revaluation are credited to revaluation surplus in net assets attributable to unit holders. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity, all the decreases are charged to the income and distribution statement.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property are determined by comparing proceeds with carrying amount and are included in the income and distribution statement. On disposal of revalued assets the amounts included in revaluation surplus are transferred to net surplus available for distribution to unit holders.

1.3 Financial assets

(a) *Categories of financial assets*

The Trust classifies its financial assets principally into loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

(i) <u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. The Trust's loans and receivables comprise cash and cash equivalents and trade and other receivables.

(b) *Recognition and measurement*

Purchases and sales of financial assets are recognised on trade date, i.e. the date on which the Trust commits to purchase or sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Trust has transferred substantially all risks and rewards of ownership.

Loans and receivable are carried subsequently at amortised cost using effective interest method.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.3 Financial assets (cont'd)

(c) Impairment of financial assets

The Trust assesses at the end of each reporting period whether that is objective evidence that a financial asset or a group of financial assets is impaired.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in the income and distribution statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Company's financial assets measured at amortised cost comprise of cash and cash equivalents in the statement of financial position. Cash and cash equivalents include cash at bank.

1.4 Financial liabilities

The Trust has financial liabilities which include other payables and accruals.

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

1.5 Capital account

Capital account has been classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction net of tax from proceeds.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.6 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. This condition is regarded as met only, when the sale is highly probable and the asset is available for immediate sale in its present condition.

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.8 Revenue recognition

Revenue earned by the Trust is recognised as follows:

- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the Trust reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.
- Other income- on an accrual basis, unless collectability is in doubt.

1.9 Provisions

Provisions are recognised when the Trust has a present or constructive obligation as a result of past events, and when it is probable that this obligation will result in an outflow of economic benefits that can be reasonably estimated.

1.10 Distribution policy

Net income of the Trust

The distribution policy of the Trust is to issue to the Unit Holders, Bonus Units instead of cash dividends, which will be equivalent to the Net Income of the Trust after deducting amounts distributed upon redemption of units and associated distribution charges.

Realised gains capitalised through completion of real estate projects

This appreciation will be distributed to the unit holders in form of bonus units. The units is expected to be redeemable only after five years of operation of the Trust.

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

The Trust's activities expose it to a variety of financial risks, including:
- Liquidity risk;
- Interest rate risk.

A description of the significant risk factors is given below:

(i) *Liquidity risk*
Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities.

Liquidity risk management deals with overall profile of the statement of assets and liabilities, the funding requirements of the Trust and cash flows.

The table below analyses the Trust's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than one year
	Rs.
At June 30, 2020	
Other payables	**10,506,771**
At June 30, 2019	
Other payables	21,684,923

(ii) *Cash flow and fair value interest rate risk*
The Trust's interest rate risk arises from bank savings accounts. Bank savings account held at variable rates exposes the Trust to cash flow interest rate risk. Bank savings account held at fixed rates exposes the Trust to fair value interest rate risk. The Trust is only exposed to cash flow interest rate risk as its bank savings accounts are held at variable rates.

(a) At end of reporting period, if interest rates on rupee-denominated variable rate savings accounts had been 50 basis point higher/lower with all variables held constant, the impact on the net deficit attributable to unit holders would have been minimal.

2. FINANCIAL RISK MANAGEMENT (CONT'D)

2.2 Capital risk management

The Trust's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and
- to provide an adequate return to unitholders.

The Trust has no long-term borrowings at the end of the reporting period and as such is not geared.

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The major estimate and assumption that has a significant risk of a material adjustment to the carrying amount of property and the net asset value attributable to unit holders within the next financial year is discussed below.

(i) Revaluation of property

Property is measured at revalued amounts with changes in fair value recognised in other comprehensive income. The Trust used an independent valuation specialist to determine fair values at June 30, 2020. The method of valuation used by the valuer is the 'sales comparable method', which is based on comparison of sales of similar properties within the same locality at the relevant date. The physical, social, environmental and economic factors which may impact on value have been taken into considerations and adjustments have been made to reflect same.

The basis for the valuation carried out to ascertain the 'open market value' of the property is in accordance with the Royal Institution of Chartered Valuation Surveyors (RICS) Valuation-Professional Standards 2014.

The determined fair value of the property is sensitive to demand and supply within the same localities and depend on market conditions prevailing in real estate transactions. The key assumptions used to determine the fair value of the property is further explained in Note 4(b).

4. PROPERTY

	Land	
	2020	2019
VALUATION	**Rs.**	Rs.
At start,	**874,000,000**	766,500,000
Revaluation surplus	**154,800,000**	120,100,000
Transfer to Non-current assets classified as held for sale (note 9)	**-**	(12,600,000)
At end,	**1,028,800,000**	874,000,000

(a) If the property was stated on the historical cost basis, the amount would be as follows:

	2020	2019
	Rs.	Rs.
Cost	**58,007,258**	58,007,258

(b) The property has been revalued at June 30, 2020 by a Chartered Property Valuer at Rs.1,028,800,000. The valuation was made on the basis of open market value defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

5. LAND DEVELOPMENT EXPENDITURE

	2020	2019
	Rs.	Rs.
At start,	**3,750,559**	3,136,364
Expenditure during the year	**-**	614,195
At end,	**3,750,559**	3,750,559

Land development expenditure will be released to income and distribution statement as expenses upon disposal of developed plots to match with proceeds.

6. FINANCIAL ASSETS AT AMORTISED COST

	2020	
	Rs.	Rs.
	Current	Non-current
Held to maturity investments (note a)	**328,000,000**	-
Other receivables (note b)	**1,589,551**	-
	329,589,551	-

	2019	
	Rs.	Rs.
	Current	Non-current
Held to maturity investments (note a)	**361,947,930**	-
Other receivables (note b)	**1,653,373**	-
	363,601,303	-

6. FINANCIAL ASSETS AT AMORTISED COST (CONT'D)

(a) **Fair values of financial assets at amortised cost**

Fair value for the following investments was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

	2020	2019
	Rs.	Rs.
Fixed deposit	328,000,000	255,000,000
Treasury bills	-	106,947,930
	328,000,000	361,947,930

All of the financial assets at amortised cost are denominhated in Mauritian Rupees. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

(b) **Other receivables**

These amount generally arise from transactions outside the usual operating activities of the Company. Interests may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

7. CASH AND CASH EQUIVALENTS

	2020	2019
	Rs.	Rs.
Cash at bank	28,073,486	21,749,405

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

		2020	2019
		Rs.	Rs.
At start,		17,578,022	4,978,022
Additions		-	12,600,000
Disposal		(13,170,000)	-
At end,	Rs.	4,408,022	17,578,022

Non-current assets classified as held for sale represents:

(a) *Land earmarked for sale*

(i) 3ha6802m2 of land at a carrying amount of Rs.4,408,022 at Cote D'Or which the Government has compulsorily acquired in relation to the construction of the Terre Rouge-Verdun-Trianon link road. The compensation proposed for the land by the Government is Rs.4,360,000. The Trust has declined the offer and referred the case to Board of Assessment, Compulsory Acquisition, Intermediate Court and is claiming Rs.46.6m. Pending verdict of the Board of Assessment, an interim payment of Rs.4,360,000 was received from the Government after sign off a Deed of Acquittance. The interim payment amounting to Rs.4,360,000 has been classified as advance payment in other payables (note 9).

9. OTHER PAYABLES

		2020	2019
		Rs.	Rs.
Advance payment on compulsory acquisition of land by Government of Mauritius		4,360,000	4,360,000
Payable to unit holders for redeemed units		4,855,390	16,200,981
Professional fees accrued		835,631	670,692
Payable to Trustee		75,000	75,000
Payable to Trust's Manager		380,750	378,250
	Rs.	10,506,771	21,684,923

The carrying amounts of other payables approximate their fair value and are denominated in Mauritian Rupees.

10. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

(a) The net assets attributable to unit holders is analysed as follows:

		2020	2019
		Rs.	Rs.
Capital account		183,499,000	191,575,000
Redemption		(5,217,000)	(8,076,000)
		178,282,000	183,499,000
Revaluation surplus (note 10(d))		976,344,582	821,544,582
Revenue surplus (note 10(e))		229,488,265	253,950,784
	Rs.	1,384,114,847	1,258,994,366

(b) Movement in units during the year

	2020	2019
	Units	Units
At start,	183,410	191,486
Units redeemed	(5,217)	(8,076)
At end,	178,193	183,410

		2020	2019
		Rs.	Rs.
(c) Net asset value per unit at June 30,	Rs.	7,767.50	6,864.37

(d) Revaluation surplus

		2020	2019
		Rs.	Rs.
At start,		821,544,582	701,444,582
Gain on revaluation during the year		154,800,000	120,100,000
At end,	Rs.	976,344,582	821,544,582

10. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS (CONT'D)

(e) Revenue surplus

		2020	2019
		Rs.	Rs.
At start,		**253,950,784**	290,372,973
Surplus during the year		**6,180,158**	5,481,421
Redemption		**(30,642,677)**	(41,903,610)
At end,	Rs.	**229,488,265**	253,950,784

11. MANAGER'S FEES

EREIT MANAGEMENT Ltd, the Manager of the Trust, receives an annual base fee of Rs.3 million which is adjusted by the cumulative annual inflation rate to the end of the reporting period. The adjusted fee for the year ended June 30, 2020 is Rs.4,569,000 (2019: Rs.4,050,000).

12. TRUSTEE'S FEES

State Insurance Company of Mauritius, the Trustee, receives a fee of Rs.**75,000** per month (2019: Rs.75,000).

13. TAXATION

The trust is exempt from income tax.

14. CAPITAL ACCOUNT

The Trust was created under the Unit Trust Act 1989 with an initial fund of Rs.350M transferred from the Employees' Welfare Fund pursuant to section 10A (3) of the Employees' Welfare Fund Act 1995.

15. RELATED PARTY TRANSACTIONS AND BALANCES

	2020	2019
	Rs.	Rs.
Volume of transaction		
Manager		
- Fees	**4,569,000**	4,050,000
Trustee		
- Fees	**900,000**	900,000
Payables at end of reporting period:		
- Manager:		
: accrued management fee	**380,750**	378,250
- Trustee: trustee fees	**75,000**	75,000

16. CONTINGENCY LIABILITY

On 8th March 2017, Gold Coast Equestrian Ltd has lodged a court case against the Trust in the Supreme Court of Mauritius to claim damages for a sum of Rs.102M, in relation to a pre-sale agreement rescinded by the Trust in year 2013.

The Trust have appointed lawyers for the cases who are presently preparing for the defence and the outcome of the court cases are uncertain as of to-date.

17. EVENTS AFTER THE REPORTING DATE

The Directors acknowledge the current outbreak of COVID-19 which is causing economic disruption in most countries. This is an additional risk factor which could impact the operations and valuation of the Company's assets after year end.

The Directors are actively monitoring developments closely. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty in the global financial markets.

The Directors have thus concluded that the development after the year end did not provide evidence of conditions that existed at the end of the reporting period and have therefore assessed any impact they had as non-adjusting.