# EMPLOYEES' REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS – YEAR ENDED

JUNE 30, 2011

**EMPLOYEES' REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT AND ADMINISTRATION**

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

## MANAGER'S REPORT

We are pleased to present our report for the year ended June 30, 2011.

## OBJECTS OF THE EMPLOYEES REAL ESTATE INVESTMENT TRUST

The Employees Real Estate Investment Trust was set up in 2005.

The objects of the Employees Real Estate Investment Trust (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.
- The purchase, sale, transfer, exchange or alteration of any assets of the Trust.

## INVESTMENT

During the year Rs.343,000,000 proceeds were obtained upon maturity of Term Deposits.

At close of year, there were no investment in Term Deposits.

The Manager is considering various development alternatives for the plots of land, as detailed hereunder, belonging to the Trust.

| Location | Extent (Arpents) |
|---|---|
| Riviere du Rempart-Haute Rive Village | 52.7 |
| Highlands-Cote D'Or Village | 169.8 |
| Trou D'Eau Douce-Beau Rivage | 68.8 |
| Rose Belle | 200 |

**MANAGER'S REPORT**

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**PERFORMANCE REVIEW**

For the year under review, the net assets of Employees Real Estate Investment Trust stood at Rs.686,410,586 with a Net Asset Value (NAV) per unit of Rs. 3,099.45 as at June 30, 2011 (Rs.2,973.92 at June 30, 2010).

Total revenue generated during the year amounted to Rs.10,111,511 (2010: Rs.24,672,891) made up of interest income and rental income whilst fees and expenses totalled Rs.7,296,172 (2010: Rs.6,239,259).

**FEES AND COMMISSION**

The Manager of the Trust has received a fee of Rs.3,996,000 for the year ended June 30, 2011 (2010: Rs.3,945,000).

The Trustee retains a monthly fee of Rs.75,000. The fee for the year ended June 30, 2011 was Rs.900,000 (2010: Rs.900,000).

**REDEMPTION OF UNITS**

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

As at 30 June 2011, the Trust has redeemed 126,583 units and the register of unit holders comprised 221,462 unitholders.

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

**R.Ringadoo**
Chairman

**I.Mallam-Hasham**
Director

Date: 28 SEP 2011

BDO

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## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

This report is made solely to the Unit holders of Employees' Real Estate Investment 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 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 Trust and the Unit holders as a body, for our audit work, for this report, or for the opinions we have formed.

### Report on the Financial Statements

We have audited the financial statements of Employees' Real Estate Investment Trust on pages 4 to 21 which comprise the statement of financial position at June 30, 2011, 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 a summary of significant accounting policies and other explanatory notes.

*Respective Responsibilities of Manager & Trustee*

The Manager and the Trustee are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the terms of the Trust Deed. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

**EMPLOYEES' REAL ESTATE INVESTMENT TRUST**



**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

**Report on the Financial Statements (Continued)**

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

*Opinion*

In our opinion, the financial statements on pages 4 to 21 give a true and fair view of the financial position of the Trust at June 30, 2011, 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.

**BDO & Co**
*Chartered Accountants*

Port Louis,
Mauritius.

**Per Georges Chung Ming Kan, F.C.C.A**
Licensed by FRC

28 SEP 2011

EMPLOYEES' REAL ESTATE INVESTMENT TRUST



## STATEMENT OF FINANCIAL POSITION - JUNE 30, 2011

| | Notes | | 2011 | 2010 |
|---|---|---|---|---|
| | | | **Rs.** | Rs. |
| **ASSETS** | | | | |
| Property | 3 | | **695,550,000** | 672,365,000 |
| Land development expenditure | 4 | | **3,119,720** | 2,840,490 |
| Other receivables | 5 | | **1,426,040** | 1,201,040 |
| Term deposits | 6 | | **-** | 356,504,045 |
| Cash at bank | | | **575,619** | 2,913,745 |
| | | | **700,671,379** | 1,035,824,320 |
| Non-current assets classified as held for sale | 7 | | **4,360,000** | - |
| **Total assets** | | Rs. | **705,031,379** | 1,035,824,320 |
| **LIABILITIES** | | | | |
| Other payables | 8 | | **18,620,793** | 767,376 |
| Net assets attributable to unit holders | 9 | | **686,410,586** | 1,035,056,944 |
| **Total liabilities and equity** | | Rs. | **705,031,379** | 1,035,824,320 |
| Net assets value per unit | | Rs. | **3,099.45** | 2,973.92 |

These financial statements have been approved for issue by the Manager on: 28 SEP 2011

) MANAGER
)

The notes on pages 8 to 21 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

## INCOME AND DISTRIBUTION STATEMENT - YEAR ENDED JUNE 30, 2011

| | Notes | 2011 | 2010 |
|---|---|---|---|
| | | Rs. | Rs. |
| **Revenue** | | | |
| Interest income | 2(f) | **9,361,511** | 23,922,891 |
| Other income | | **750,000** | 750,000 |
| | | **10,111,511** | 24,672,891 |
| **Expenses** | | | |
| Manager's fees | 10 | **3,996,000** | 3,945,000 |
| Trustee's fees | 11 | **900,000** | 900,000 |
| Publication expenses & awareness programme | | **397,785** | 854,439 |
| Professional fee | | **618,175** | 426,650 |
| Bank charges | | **376,131** | 1,045 |
| Auditors' remuneration | | **122,000** | 112,125 |
| Postage fees | | **886,081** | - |
| | | **7,296,172** | 6,239,259 |
| Surplus before taxation | | **2,815,339** | 18,433,632 |
| Taxation | 12 | - | - |
| Net surplus available for distribution to unit holders | | **2,815,339** | 18,433,632 |

The notes on pages 8 to 21 form an integral part of these financial statements.

Auditors' report on pages 3 and 3(a).

**EMPLOYEES' REAL ESTATE INVESTMENT TRUST**



**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011**

| | Notes | | 2011 | 2010 |
|---|---|---|---|---|
| | | | Rs. | Rs. |
| Net surplus available for distribution to unit holders | | | **2,815,339** | 18,433,632 |
| Other comprehensive income, net of tax: | | | | |
| Gain on revaluation of property | 3 | | **27,545,000** | 50,266,400 |
| Total comprehensive income for the year | | Rs. | **30,360,339** | 68,700,032 |

The notes on pages 8 to 21 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - YEAR ENDED JUNE 30, 2011**

| | | 2011 | 2010 |
|---|---|---|---|
| | | **Rs.** | Rs. |
| Net assets attributable to unit holders at July 1, | | **1,035,056,944** | 966,381,901 |
| Redemption of units | | **(379,006,697)** | (24,989) |
| Total comprehensive income for the year | | **30,360,339** | 68,700,032 |
| **At June 30,** | Rs. | **686,410,586** | 1,035,056,944 |

The notes on pages 8 to 21 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

## STATEMENT OF CASH FLOWS - YEAR ENDED JUNE 30, 2011

| | Notes | | 2011 | 2010 |
|---|---|---|---|---|
| | | | Rs. | Rs. |
| **Operating activities** | | | | |
| Surplus for the year | | | **2,815,339** | 18,433,632 |
| Adjustments for: | | | | |
| Interest income | | | **(9,361,511)** | (23,922,891) |
| Changes in working capital: | | | | |
| - other receivables | | | **(225,000)** | (429,607) |
| - other payables | | | **7,585,477** | (288,499) |
| | | | **814,305** | (6,207,365) |
| Interest received | | | **9,361,511** | 10,418,846 |
| **Net cash generated from operating activities** | | | **10,175,816** | 4,211,481 |
| **Cash flows from investing activities** | | | | |
| Land development expenditure | 4 | | **(279,230)** | (201,250) |
| Investment in term deposits | 6 | | **-** | (343,000,000) |
| Proceeds from matured term deposits | 6 | | **356,504,045** | 336,856,615 |
| Net cash flow from investing activities | | | **356,224,815** | (6,344,635) |
| **Cash flow from financing activities** | | | | |
| Units redeemed | | | **(368,738,757)** | (24,989) |
| **Net decrease in cash and cash equivalents** | | Rs. | **(2,338,126)** | (2,158,143) |
| **Movement in cash and cash equivalents** | | | | |
| At July 1, | | | **2,913,745** | 5,071,888 |
| Decrease | | | **(2,338,126)** | (2,158,143) |
| **At June 30,** | 13 | Rs. | **575,619** | 2,913,745 |

The notes on pages 8 to 21 form an integral part of these financial statements.

Auditors' report on pages 3 and 3(a).

## 1. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) 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 Shareholders of the Trust.

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

Amendments to IFRS 1, 'Additional Exemptions for First-time Adopters' exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining whether an arrangement contains a lease'. The amendment is not expected to have any impact on the Trust's financial statements.

Amendments to IFRS 2, 'Group Cash-settled Share-based Payment Transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. This amendment is not expected to have any impact on the Trust's financial statements.

Amendment to IAS 32, ' Classification of rights issues', addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. This amendment is not expected to have any impact on the Trust's financial statements.

Amendment to IFRS 1 Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters provides first-time adopters relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. This amendment is not expected to have any impact on the Trust's financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of preparation (cont'd)

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This IFRIC will not have any impact on the Trust's financial statements.

**Improvements to IFRSs (issued 16 April 2009)**

IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment is not expected to have any impact on the Trust's financial statements.

IAS 7 (Amendment), 'Statement of Cash Flows', clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. This amendment is unlikely to have an impact on the Trust's financial statements.

IAS 17 (Amendment) 'Leases', clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles. Prior to the amendment, IAS 17 generally required a lease of land with an indefinite useful life to be classified as an operating lease, unless title passed at the end of the lease term. A lease newly classified as a finance lease should be recognised retrospectively. The amendment will not have an impact on the Trust's operations.

IAS 18 (Amendment), 'Revenue'. An additional paragraph has been added to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent.

IAS 36 (Amendment), 'Impairment of Assets', clarifies that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8, 'Operating segments') before aggregation. The amendment will not have an impact on the Trust's operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of preparation (cont'd)

IAS 38 (Amendment), 'Intangible Assets', clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment removes the exceptions from recognising intangible assets on the basis that their fair values cannot be reliably measured. Intangible assets acquired in a business combination that are separable or arise from contractual or other legal rights should be recognised. The amendment specifies different valuation techniques that may be used to value intangible assets where there is no active market. The amendment is unlikely to have an impact on the Trust's financial statements.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' clarifies that the scope exemption within IAS 39 only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does 'not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction'. The amendment removes reference to transactions between segments as being hedgeable transactions in individual or separate financial statements and clarifies that amounts deferred in equity are only reclassified to profit or loss when the underlying hedged cash flows affect profit or loss. The amendment is not expected to have an impact on the Trust's income statement/statement of comprehensive income.

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The amendment will not have an impact on the Trust's operations.

IFRS 8 (Amendment), 'Operating Segments', clarifies that the requirement for disclosing a measure of segment assets is only required when the Chief Operating Decision Maker reviews that information. This amendment is unlikely to have an impact on the Trust's financial statements.

**Improvements to IFRSs (issued 6 May 2010)**

IFRS 3 (Amendment), 'Business Combinations', clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards. This amendment is unlikely to have an impact on the Trust's financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of preparation (cont'd)

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements', clarifies that the consequential amendments to IAS 21, IAS 28 and IAS 31 resulting from the 2008 revisions to IAS 27 are to be applied prospectively. This amendment is unlikely to have an impact on the Trust's financial statements.

***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 1 January 2011 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:

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IAS 24 Related Party Disclosures (Revised 2009)
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS1)
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)
Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
IFRS 9 Financial Instruments
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 19 Employee Benefits (Revised 2011)

**Improvements to IFRSs (issued 6 May 2010)**

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 34 Interim Financial Reporting
IFRIC 13 Customer Loyalty Programmes

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (a) Basis of preparation (cont'd)

Where relevant, the Trust is still evaluating the effect of these new or revised standards and interpretations 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.

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.

There were no major estimates and assumptions made during the year that have a significant risk of causing material adjustment to the carrying amounts of Trust's assets and liabilities within the next financial year.

### (b) Property

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

Land is not depreciated.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Impairment of 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).

### (d) Financial instruments

*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) Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Trust provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets when maturity is within twelve months of at the end of the reporting date or non-current assets for maturities greater than twelve months.

**(ii) Other receivables**
Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income and distribution statement.

**(ii) Other payables and accruals**
Other payables and accruals are stated at fair value and subsequently measured at amortised cost using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Financial instruments (cont'd)

**(iii) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks and other short term highly liquid investments.

**(iv) Capital account**

Capital account has been classified as equity.

### (e) 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.

### (f) 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.

### (g) 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.

### (h) 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:

(a) **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, 2011** | |
| **Other payables** | **18,620,793** |
| At June 30, 2010 | |
| Other payables | 767,376 |

(b) **Cash flow and fair value interest rate risk**

The Trust's interest rate risk arises from term deposits and cash at bank. Term deposit held at variable rates expose the Trust to cash flow interest rate risk. Term deposits held at fixed rates expose the Trust to fair value interest-rate risk.

(i) **Cash flow interest rate risk**

The Trust was not materially exposed to cash flow interest rate risk at June 30, 2011 and 2010, and as such if interest rate had been 50 basis points higher/lower with all variable held constant, there would have been no significant impact on the net surplus available for distribution to unitholders.

## 2. FINANCIAL RISK MANAGEMENT (CONT'D)

### 2.1 Financial risk factors (cont'd)

(b) **Cash flow and fair value interest rate risk (cont'd)**

(ii) Fair value interest rate risk

At June 30, 2011, if interest rates had been 50 basis points higher/lower with all variables held constant, net surplus available for distribution to unitholders for the year would have changed as shown in the table below mainly as a result of an increase/decrease in the fair value of fixed rate term deposits held by the Trust.

| | **2011** | 2010 |
|---|---|---|
| | +/- | +/- |
| | **Rs.** | Rs. |
| Results | - | 688,104 |

### 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 borrowings at the end of the reporting period and as such is not geared.

## 3. PROPERTY

| | | Land | |
|---|---|---|---|
| | | **2011** | 2010 |
| **VALUATION** | | **Rs.** | Rs. |
| At July 1, | | **672,365,000** | 622,098,600 |
| Property reclassified as non-current assets held for sale (note 7) | | **(4,360,000)** | - |
| Revaluation surplus | | **27,545,000** | 50,266,400 |
| **At June 30,** | Rs. | **695,550,000** | 672,365,000 |

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

| | | **2011** | 2010 |
|---|---|---|---|
| | | **Rs.** | Rs. |
| Cost | Rs. | **91,589,576** | 93,202,600 |

(b) The land has been revalued at June 30, 2011 by Mr Krishna Dwarka (Sworn Land Surveyor and Real Estate Appraiser). Valuations were made on the basis of open market value. The revaluation surplus was credited to revaluation surplus under net assets attributable to unit holders.

## 4. LAND DEVELOPMENT EXPENDITURE

| | | **2011** | 2010 |
|---|---|---|---|
| | | **Rs.** | Rs. |
| At July 1, | | **2,840,490** | 2,639,240 |
| Addition during the year | | **279,230** | 201,250 |
| At June 30, | Rs. | **3,119,720** | 2,840,490 |

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

## 5. OTHER RECEIVABLES

| | | **2011** | 2010 |
|---|---|---|---|
| | | **Rs.** | Rs. |
| Rental income receivable | | **1,200,000** | 986,250 |
| Sundry receivable | | **226,040** | 214,790 |
| | Rs. | **1,426,040** | 1,201,040 |

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

Sundry receivable is past due but not impaired. None of the other receivables are impaired.

## 6. TERM DEPOSITS

| | | 2011 | 2010 |
|---|---|---|---|
| | | Rs. | Rs. |
| At July 1, | | **356,504,045** | 336,856,615 |
| Additions | | - | 343,000,000 |
| Matured | | **(356,504,045)** | (336,856,615) |
| Interest accrued | | - | 13,504,045 |
| At June 30, | Rs. | - | 356,504,045 |

Maturity effected during the year are as follows:

| **Name of Financial Institutions** | | 2011<br>Rs. | 2010<br>Rs. |
|---|---|---|---|
| Mauritius Leasing Company Ltd | | **29,093,143** | 29,349,066 |
| Sicom Financial Services Ltd | | **93,775,659** | 230,890,022 |
| Mauritius Post and Cooperative Bank Ltd | | **170,447,019** | 12,441,692 |
| Development Bank of Mauritius Ltd | | **14,632,500** | - |
| Bramer Banking Corporation | | **48,555,724** | - |
| Bank one | | - | 46,121,648 |
| MCS Mutual Aid Association Ltd | | - | 18,054,187 |
| Total | Rs. | **356,504,045** | 336,856,615 |

Interest rates on term deposits varies from 6.05% to 7.65% p.a. with maturity dates ranging from August 2010 to April 2011.

Term deposits are denominated in Mauritian Rupees.

## 7. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | 2011 | 2010 |
|---|---|---|
| | Rs. | Rs. |
| Reclassified from property (note 3) | **4,360,000** | - |

Non-current assets classified as held for sale represent 3ha6802m$^2$ of land at carrying amount 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 for the land acquired proposed by the Government at Rs 4,360,000.

## 8. OTHER PAYABLES

| | | 2011 | 2010 |
|---|---|---|---|
| | | Rs. | Rs. |
| Deposits on sale of land | | **7,650,000** | 500,000 |
| Manager's fees | | **333,000** | - |
| Professional fees accrued | | **346,500** | 267,376 |
| Payable of redeemed units | | **10,291,293** | - |
| | Rs. | **18,620,793** | 767,376 |

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

## 9. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

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

| | | 2011 | 2010 |
|---|---|---|---|
| | | **Rs.** | Rs. |
| Capital account | | **349,916,000** | 349,925,000 |
| Redemption at par | | **(126,583,000)** | (9,000) |
| | | **223,333,000** | 349,916,000 |
| Revaluation reserve | | **606,707,400** | 579,162,400 |
| Retained earnings | | **108,793,883** | 105,994,533 |
| Redemption | | **(252,423,697)** | (15,989) |
| | | **(143,629,814)** | 105,978,544 |
| | Rs. | **686,410,586** | 1,035,056,944 |

(b) Movement in units during the year

| | 2011 | 2010 |
|---|---|---|
| | **Units** | Units |
| At July 1, | **348,045** | 348,054 |
| Units redeemed/liquidated | **(126,583)** | (9) |
| At June 30, | **221,462** | 348,045 |

| | 2011 | 2010 |
|---|---|---|
| | **Rs.** | Rs. |
| (c) Net asset value per unit at June 30, | **3,099.45** | 2,973.92 |

## 10. 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 annual inflation rate. The adjusted fee for the year ended June 30, 2011 is Rs.3,996,000 (2010: Rs.3,945,000).

## 11. TRUSTEE'S FEES

State Insurance Company of Mauritius, the Trustee, receives a fee of Rs.75,000 per month. (2009: Rs. 75,000).

## 12. TAXATION

The trust is exempt from income tax.

## 13. CASH AND CAH EQUIVALENTS

| | | 2011 | 2010 |
|---|---|---|---|
| | | Rs. | Rs. |
| Cash at bank | | **742,869** | 2,913,745 |
| Bank overdraft | | **(167,250)** | - |
| | Rs. | **575,619** | 2,913,745 |

## 14. CAPITAL ACCOUNT

The Trust was created under the Unit Trust Act 1989 with an initial fund of Rs350M transferred from the Employees' Welfare Fund pursuant to section 10A (3) of the Employees' Welfare Fund Act 1995.

## 15. RELATED PARTY TRANSACTIONS

| | 2011 | 2010 |
|---|---|---|
| | Rs. | Rs. |
| Manager | | |
| -Fees | **3,996,000** | 3,945,000 |
| Trustee | | |
| -Fees | **900,000** | 900,000 |
| Payables at end of reporting period: | | |
| Manager-accrued fee | **333,000** | - |

## 16. CAPITAL COMMITMENTS

| | | 2011 | 2010 |
|---|---|---|---|
| | | Rs. | Rs. |
| Capital expenditure contracted for at the end of reporting period but not yet incurred | Rs. | **6,472,920** | 6,752,150 |