EMPLOYEES REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS PERIOD ENDED

JUNE 30, 2006

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

MANAGEMENT AND ADMINISTRATION

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 DE CHAZAL DU MEE** Chartered Accountants 10, Frère Félix de Valois Street Port Louis

MANAGER'S REPORT

We are pleased to present our report for the period ended June 30, 2006.

PRINCIPAL FUNCTIONS OF THE MANAGER

The manager is responsible for :
-The provision of management and administrative services of the Trust.
-The purchase, sale, transfer, exchange or alteration of any assets of the Trust.

INVESTMENT

The Investment Committee recommended that Rs233.7 million to be invested in Government Treasury Bills with maturity dates ranging from December 2006 to August 2007

The Trust has also acquired 300 acres of land during the period at a cost of Rs56million net of a total of 500 acres put at its disposal by the Government of Mauritius.

The land has been subsequently been revalued to Rs75million as at June 30, 2006 by the Government valuer.

PERFORMANCE REVIEW

For the period under review, the net assets of Employees Real Estate Investment Trust (EREIT) stood at Rs384 million with a Net Asset Value (NAV) per unit holder of Rs1,102.55 as at June 30, 2006.

Total distributable income generated during the period amounted to Rs24.3 million made up of interest income and rental income whilst fees and expenses totalled Rs9.6 million.

FEES AND COMMISSION

The Manager of the Trust receives an annual fee of Rs3.0 million per annum to be adjusted with the inflation rate.

MANAGER'S REPORT

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 will be redeemable only after five years of operation of the Trust, time when the Trust is projected to have achieved a development percentage of about 70% of the land acquired.

No distribution of any form has been recommended during the period under review.

ASSET ALLOCATION

The table below shows the asset mix of the Trust as at June 30, 2006.

ASSETS	Rs000	%
Property	75,045	19.42%
Held-to-maturity investments	244,584	63.29%
Other receivables	300	0.08%
Cash at bank	66,523	17.21%
TOTAL ASSETS	**386,452**	**100.00%**

PROSPECTS

The Trust invested in 300 acres of land as at June 30, 2006 and a further 200 acres will be acquired shortly to be developed in line with the objective of the Trust so as to produce sustainable growth in the NAV of the Trust.

EREIT Management Ltd

Manager

21 DEC 2006

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

REPORT OF THE AUDITORS TO THE UNITHOLDERS

We have audited the financial statements of **Employees' Real Estate Investment Trust** set out on pages 4 to 12 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

This report is made solely to the unit holders, as a body. 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.

Respective responsibilities of Manager, Trustee and Auditors

The Manager and the Trustee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and for ensuring that the financial statements comply with the terms of its Trust Deed and with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager and the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

REPORT OF THE AUDITORS TO THE UNITHOLDERS

Opinion

We have obtained all such information and explanations which we considered necessary.

In our opinion:

a) proper accounting records have been kept by the Trust as far as it appears from our examination of those records

b) the financial statements give a true and fair view of the state of affairs of the Trust as at June 30, 2006 and of its profit and cash flows for the period then ended, comply with the terms of its Trust Deed and have been prepared in accordance with International Financial Reporting Standards.

Bdo de Chazal du Mee

BDO DE CHAZAL DU MEE
Chartered Accountants

Port Louis,
Mauritius.

21 DEC 2006

Per Abdullah Ramtoola F.C.C.A.

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

BALANCE SHEET - JUNE 30, 2006

	Notes		Rs.
ASSETS			
Property	3		75,045,000
Held-to-maturity investments	4		244,584,768
Other receivables	5		300,000
Cash at bank			66,522,711
Total assets		Rs.	386,452,479
LIABILITIES			
Other payables	6		2,622,750
Net assets attributable to unit holders	7		383,829,729
Total liabilities and equity		Rs.	386,452,479
Net assets value per unit	7	Rs.	1,102.55

These financial statements have been approved for issue by the Manager on : 21 DEC 2006

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) MANAGER
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The notes on pages 8 to 12 form an integral part of these financial statements.

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

INCOME AND DISTRIBUTION STATEMENT - PERIOD ENDED JUNE 30, 2006

	Note		Period from April 26, 2005 to June 30, 2006
			Rs.
Revenue			
Interest income	1(e)		24,031,388
Other income			300,000
			24,331,388
Expenses			
Preliminary expenses	8		6,300,000
Manager's fees			2,400,000
Trustee's fees			565,333
Professional fees			280,000
Auditors' remuneration			97,750
Bank charges			826
			9,643,909
Surplus available for distribution to unit holders	1(g)	Rs.	14,687,479

The notes on pages 8 to 12 form an integral part of these financial statements.

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

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - PERIOD ENDED JUNE 30, 2006

	Notes	Capital account	Revaluation reserve	Retained profits	Rs.
Initial fund	8	350,000,000	-	-	350,000,000
Surplus on revaluation of land		-	19,142,250	-	19,142,250
Surplus for the period	1(g)	-	-	14,687,479	14,737,479
At June 30, 2006	Rs.	**350,000,000**	**19,142,250**	**14,687,479**	**383,879,729**

The notes on pages 8 to 12 form an integral part of these financial statements.

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

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

CASH FLOW STATEMENT - PERIOD ENDED JUNE 30, 2006

	Notes	Period from April 26, 2005 to June 30, 2006
		Rs.
Operating activities		
Surplus for the period		14,687,479
Adjustments for:		
Interest income		(24,031,388)
Changes in working capital:		
- other receivables		(300,000)
- other payables		2,622,750
		(7,021,159)
Interest received		13,155,200
Net cash generated from operating activities		6,134,041
Cash flows from investing activities		
Purchase of property	4	(55,902,750)
Investment in treasury bills		(233,708,580)
Net cash flow used investing activities		(289,611,330)
Cash flow from financing activity		
Initial fund		350,000,000
Net increase in cash and cash equivalents and as at June 30, 2006	Rs.	66,522,711

The notes on pages 8 to 12 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.

(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 reserve in in net assets attributable to unit holders.

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.

(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

Financial assets and financial liabilities are recognised on the balance sheet when the Trust has become a party to the contractual provisions of the instrument.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

The accounting policies in respect of the main financial instruments are set out below.

(i) Held-to-maturity investments

Held-to-maturity invesments are non-derivative financial assets with fixed payments and fixed maturities that the Trust has the positive intention and ability to hold to maturity.

(ii) Other receivables

Other receivables are stated at their nominal value.

(ii) Other payables

Other payables are stated at their nominal value.

(e) Income

Interest income is accounted for on an accrual basis.

(f) 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.

(g) Distribution policy

Net income of the Trust

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Realised gains capitalised through completion of real estate projects

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2. FINANCIAL RISK FACTORS

The fund's activities expose it to a variety of financial risks, including:

- Interest rate risk;
- Liquidity risk.

A description of the significant risk factors is given below:

(a) <u>Interest rate risk</u>

Fluctuations in interest rate impact on the value of short term cash investments and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

(b) <u>Liquidity risk</u>

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.

3. PROPERTY

		Land
		Rs.
COST		
Additions during the period		55,902,750
Revaluation surjplus		19,142,250
At June 30, 2006	**Rs.**	**75,045,000**

The land has been revalued at June 30, 2006 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus was credited to net assets attributable to unit holders.

4. TREASURY BILLS

		2006
		Rs.
Acquisition during the period (note 4(b))		233,708,580
Interest accrued		10,876,188
At June 30, 2006	Rs.	244,584,768

(a) The treasury bills maturity dates range from December 08, 2006 to August 03, 2007 and interest rates vary from 7.10% to 7.82%.

(b) Treaury bills can be analysed as follows:

		2006
		Rs.
Current		118,603,255
Non-current		115,105,325
	Rs.	233,708,580

5. OTHER RECEIVABLES

		2006
		Rs.
Rental receivable	Rs.	300,000

6. OTHER PAYABLES

		2006
		Rs.
Manager's fees		2,400,000
Professional fees		280,000
Auditors' remuneration		97,750
	Rs.	2,777,750

7. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

		2006
		Rs.
Capital account		350,000,000
Revaluation reserve		19,142,250
Retained profits		14,687,479
	Rs.	383,829,729
No. of unit holders		348,129
Net assets per unit	Rs.	1,102.55

8. PRELIMINARY EXPENSES

Preliminary expenses consist of Rs.6M and Rs.0.3M paid to the Manager and Trustee respectively for the launching of the Investment Trust.

9. 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.

10. TAXATION

The income of the Trust will be exempt from income tax up to the year of assessment 2006/07.

11. MANAGER'S FEES

EREIT MANAGEMENT Ltd, the Manager of the Trust, receives an annual fee of Rs.3 million per annum to be adjusted with the inflation rate.

12. TRUSTEE'S FEES

State Insurance Company of Mauritius, the Trustee, receives a fee of Rs.40,000 per month.

13. ACCOUNTING PERIOD

The financial statements have been drawn up from April 26, 2005 to June 30, 2006.

14. RELATED PARTY TRANSACTIONS

	2006
	Rs.
Manager	
-Fees	2,400,000
-Launching expenses incurred	6,000,000
Trustee	
-Fees	565,333
-Set up costs incurred	300,000

15. CAPITAL COMMITMENTS

	2006
	Rs.
Capital expenditure contracted for at the balance sheet date but not yet incurred	Rs. 37,280,000