EMPLOYEES' REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS – YEAR ENDED

JUNE 30, 2010

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 & CO** Chartered Accountants DCDM Building 10, Frère Félix de Valois Street Port Louis

We are pleased to present our report for the year ended June 30, 2010.

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.336,856,615 proceeds were obtained upon maturity of Treasury Bills and Term Deposits. An amount of Rs.343,000,000 was reinvested in term deposits with maturity dates ranging from August 2010 tc April 2011.

At close of year, there were no investment in treasury bills.

The 500 Arpents of land held by the Trust has been revalued to Rs.672,365,000 as at June 30, 2010 by the Government valuer with the resulting surplus of Rs50,266,400 credited to revaluation reserve.

This land, as detailed hereunder, had been purchased for a sum of Rs.185,000/- per Arpent:

Location	Extent (Arpents)
Riviere du Rempart-Haute Rive Village	52.7
Highlands-Cote D'Or Village	178.5
Trou D'Eau Douce-Beau Rivage	68.8
Rose Belle	200

At present, the Manager is developing the 52.7 Arpents at Riviere du Rempart-Haute Rive Village. The development is being undertaken in two phases. Phase I consists of the development of a commercial/ residential morcellement on an extent of land of 37.7 arpents. Phase II will consist of the development of the remaining 15 Arpents bordering the river "Riviere du Rempart".

The letter of intent for Phase I has been received from the Morcellement Board. A tender exercise is being carried out by the Manager for the selection of a Civil Engineering Contractor for the infrastructural works for Phase I. Works on site are expected to start in October 2010 and completed in June 2011. Reservations for sale of the plots of land to prospective buyers will start in December 2010.

With regard to the 178.5 Arpents at Highlands-Cote D'Or, management is considering various development alternatives, including the outright sale of part of the land to potential buyers.

The land situated at Trou D'Eau Douce-Beau Rivage and Rose Belle will be developed subsequently. The Manager will proceed with request to the Ministry of Agriculture for the Land Conversion Permits of these plots of land to facilitate development options in future.

PERFORMANCE REVIEW

For the year under review, the net assets of Employees Real Estate Investment Trust stood at Rs.966,381,901 with a Net Asset Value (NAV) per unit of Rs.2,973.92 as at June 30, 2010 (Rs.2,776.53 at June 30, 2009).

Total revenue generated during the year amounted to Rs.24,672,891 (2009: Rs.29,900,914) made up of interest income and rental income whilst fees and expenses totalled Rs.6,239,259 (2009: Rs.5,238,815).

FEES AND COMMISSION

The Manager of the Trust has received a fee of Rs.3,945,000 for the year ended June 30, 2010 (2009: Rs.3,738,000).

The Trustee retains a monthly fee of Rs.75,000. The fee for the year ended June 30, 2010 was Rs.900,000 (2009: 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.

An awarness campaign was launched by the Manager in May 2010 to inform unitholders of the potential for increase in the value of the unit which could arise from the future development projects on the various plots of land. Unitholders who had already submitted an application for redemption, were granted up to 31 July 201(to cancel their application, if they so decide.

ISSUE OF NEW UNITS

The necessary arrangements and procedures are being worked out to enable the Trust to issue additional units to existing unitholders as well as to new employees registered with the National Savings Fund. The price of the units will be based on the Net Asset Value per unit plus any subscription charge. Each unitholder will be allowed to hold up to 50 units.

EREIT Management Ltd
Manager

BDO

Tel: +230 202 3000
Fax: +230 202 9993
www.bdo.mu

DCDM Building
10, Frère Félix de Valois Street
Port Louis, Mauritius
P.O. Box 799

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 25 which comprise the statement of financial position at June 30, 2010, 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 MEMBERS

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 25 give a true and fair view of the financial position of the Trust at June 30, 2010, 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
BDO & Co
(Formerly BDO De Chaz al Du Mée & Co)
Chartered Accountants

Port Louis,
Mauritius.
28 SEP 2010

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2010

	Notes		2010	2009
			Rs.	Rs.
ASSETS				
Property	3		**672,365,000**	622,098,600
Land development expenditure	4		**2,840,490**	2,639,240
Other receivables	5		**1,201,040**	771,433
Term deposits	6		**356,504,045**	336,856,615
Cash at bank			**2,913,745**	5,071,888
Total assets		Rs.	**1,035,824,320**	967,437,776
LIABILITIES				
Other payables	7		**767,376**	1,055,875
Net assets attributable to unit holders	8		**1,035,056,944**	966,381,901
Total liabilities and equity		Rs.	**1,035,824,320**	967,437,776
Net assets value per unit		Rs.	**2,973.92**	2,776.53

These financial statements have been approved for issue by the Manager on : 28 SEP 2010

Name:
Trustee

Name:
Trustee

The notes on pages 8 to 25 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

EMPLOYEES' REAL ESTATE INVESTMENT TRUST

INCOME AND DISTRIBUTION STATEMENT - YEAR ENDED JUNE 30, 2010

	Notes	2010	2009
		Rs.	Rs.
Revenue			
Interest income	2(e)	23,922,891	29,150,914
Other income		750,000	750,000
		24,672,891	29,900,914
Expenses			
Manager's fees		3,945,000	3,738,000
Trustee's fees		900,000	900,000
Publication expenses & awareness programme		855,484	80,074
Bank charges		-	2,436
Auditors' remuneration		112,125	118,105
Professional fees		426,650	400,200
		6,239,259	5,238,815
Surplus before taxation		18,433,632	24,662,099
Taxation	9	-	-
Net surplus available for distribution to unitholders		18,433,632	24,662,099

The notes on pages 8 to 25 form an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2010

		2010	2009
		Rs.	Rs.
Net surplus available for distribution to unitholders		**18,433,632**	24,662,099
Other comprehensive income, net of tax:			
Gain on revaluation of property		**50,266,400**	424,098,600
Total comprehensive income for the year	Rs.	**68,700,032**	448,760,699

The notes on pages 8 to 25 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, 2010

		2010	2009
		Rs.	Rs.
Net assets attributable to unitholders at July 1,		**966,381,901**	517,642,023
Redemption of units		**(24,989)**	(20,821)
Total comprehensive income for the year		**68,700,032**	448,760,699
At June 30,	Rs.	**1,035,056,944**	966,381,901

The notes on pages 8 to 25 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF CASH FLOWS - YEAR ENDED JUNE 30, 2010

	Notes	2010	2009
		Rs.	Rs.
Operating activities			
Surplus for the year		**18,433,632**	24,662,099
Adjustments for:			
Interest income		**(23,922,891)**	(29,150,914)
Changes in working capital:			
- other receivables		**(429,607)**	125,000
- other payables		**(288,499)**	851,750
		(6,207,365)	(3,512,065)
Interest received		**10,418,846**	10,987,770
Net cash generated from operating activities		**4,211,481**	7,475,705
Cash flows from investing activities			
Land development expenditure	4	**(201,250)**	(1,053,515)
Investment in treasury bills		**-**	(13,756,440)
Proceeds from matured treasury bills		**-**	35,100,000
Investment in term deposits	6	**(343,000,000)**	(319,000,000)
Proceeds from matured term deposits	6	**336,856,615**	294,399,190
Net cash used in investing activities		**(6,344,635)**	(4,310,765)
Cash flow from financing activities			
Units redeemed		**(24,989)**	(20,821)
Net (decrease)/increase in cash and cash equivalents	Rs.	**(2,158,143)**	3,144,119
Movement in cash and cash equivalents			
At July 1,		**5,071,888**	1,927,769
(Decrease)/increase		**(2,158,143)**	3,144,119
At June 30,	Rs.	**2,913,745**	5,071,888

The notes on pages 8 to 25 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.

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

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation', clarifies that the net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Trust. This IFRIC will not have any impact on the Trust's financial statements.

IAS 1, 'Presentation of Financial Statements' (Revised 2007), prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in either one performance statement (the income and distribution statement) or two statements (the income and distribution statement and the statement of comprehensive income attributable to unit holders). As the change in accounting policy only impacts presentation aspects, there is no impact on net assets value.

IAS 23, 'Borrowing Costs' (Revised 2007), requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This IAS is currently not applicable to the Trust as there are no qualifying assets.

IFRS 8, 'Operating Segments', requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. This IFRS 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)

Amendments to IAS 32 and IAS 1, 'Puttable financial instruments and obligations arising on liquidation', requires entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The amendment is not expected to have any impact on the Trust's financial statements.

Amendments to IFRS 2, 'Vesting Conditions and Cancellations', clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is not expected to have any impact on the Trust's financial statements.

Amendments to IFRS 7, 'Improving Disclosures about Financial Instruments', requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRIC 15, 'Agreements for the Construction of Real Estate', clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. IFRIC 15 is not relevant to the Trust's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

Amendments to IFRIC 9 and IAS 39, 'Embedded Derivatives', clarifies the accounting for embedded derivatives when a financial asset is reclassified out of the 'fair value through profit or loss' category. The amendment is not expected to have any impact on the Trust's financial statements.

IAS 27, 'Consolidated and Separate Financial Statements' (Revised 2008), requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The revised standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This IAS will not have any impact on the Trust's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IFRS 3, 'Business combinations' (Revised 2008), continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This IFRS will not have any impact on the Trust's financial statements.

Amendments to IAS 39, 'Eligible hedged items', prohibits designating inflation as a hedgeable component of a fixed rate debt. In a hedge of one-sided risk with options, it prohibits including time value in the hedged risk. The amendment is not expected to have any impact on the Trust's financial statements.

Amendments to IFRS 1 and IAS 27, 'Cost of an Investment in a Subsidiary', clarifies that the cost of a subsidiary, jointly controlled entity or associate in a parent's separate financial statements, on transition to IFRS, is determined under IAS 27 or as a deemed cost. Dividends from a subsidiary, jointly controlled entity or associate are recognised as income. There is no longer a distinction between pre-acquisition and post-acquisition dividends. The cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) is measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendment is not expected to have any impact on the Trust's financial statements.

IFRIC 17, 'Distributions of Non-cash Assets to Owners', clarifies that a dividend payable is recognised when appropriately authorised and no longer at the entity's discretion. An entity measures distributions of assets other than cash when it pays dividends to its owners, at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. This IFRIC will not have any impact on the Trust's financial statements.

IFRIC 18, 'Transfers of Assets from Customers', addresses the treatment for assets transferred from a customer in return for connection to a network or ongoing access to goods or services, or both. It requires the transferred assets to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period. This IFRIC will not have any impact on the Trust's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued May 22, 2008)

IAS 1 (Amendment), 'Presentation of Financial Statements', clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. This amendment is not expected to have any impact on the Trust's financial statements.

IAS 8 (Amendment), 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies that application of the guidance issued with IFRSs that is not an integral part of the Standard is not mandatory in selecting and applying accounting policies. This amendment is unlikely to have an impact on the Trust's financial statements.

IAS 10 (Amendment), 'Events after the Reporting Period', reinforces the clarification of the explanation as to why a dividend declared after the reporting period does not result in the recognition of a liability.

IAS 16 (Amendment), 'Property, Plant and Equipment', requires entities whose ordinary activities comprise renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and transfer the carrying amount of the asset to inventories when the asset becomes held for sale. Consequential amendment to IAS 7 requires that cash flows arising from purchase, rental and sale of those assets to be classified as cash flows from operating activities. The amendment will not have an impact on the Trust's operations.

IAS 18 (Amendment), 'Revenue', removes the inconsistency between IAS 39 and the guidance in IAS 18 relating to the definition of costs incurred in originating a financial asset that should be deferred and recognised as an adjustment to the effective interest rate.

IAS 19 (Amendment), 'Employee Benefits', clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IAS 20 (Amendment), 'Government Grants and Disclosure of Government Assistance', clarifies that the benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. This amendment will not have an impact on the Trust's operations.

IAS 23 (Amendment), 'Borrowing Costs', has amended the definition of borrowing costs so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This amendment is currently not applicable to the Trust as there are no qualifying assets.

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements', requires an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', and is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', to continue to apply IAS 39. The amendment will not have an impact on the Trust's operations.

IAS 28 (Amendment), 'Investments in Associates', clarifies that an investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. Where an investment in an associate that is accounted for under IAS 39, 'Financial instruments: Recognition and Measurement', only certain rather than all disclosure requirements in IAS 28 need to be made. This amendment will not have an impact on the Trust's operations.

IAS 29 (Amendment), 'Financial Reporting in Hyperinflationary Economies', has amended the guidance to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have an impact on the Trust's operations.

IAS 31 (Amendment), 'Interests in Joint Ventures', requires where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made. The amendment will not have an impact on the Trust's operations.

IAS 34 (Amendment), 'Interim Financial Reporting', clarifies that the presentation of basic and diluted earnings per share in interim financial reports is required only when the entity is within the scope of IAS 33.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IAS 36 (Amendment), 'Impairment of Assets', clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment), 'Intangible Assets', clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Advertising and promotional activities includes mail order catalogues.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement', clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used. The amendment is not expected to have an impact on the Trust's income and distribution statement.

IAS 40 (Amendment), 'Investment Property', clarifies that property under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Trust's operations, as there are no investment properties held by the Trust.

IAS 41 (Amendment), 'Agriculture', requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment replaces the terms 'point-of sale costs' and 'estimated point-of-sale costs' with 'costs to sell'. The amendment will not have an impact on the Trust's operations, as no agricultural activities are undertaken.

IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations', clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The amendment will not have an impact on the Trust's operations.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures', clarifies that interest income is not a component of finance costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued 16 April 2009)

IFRS 2 (Amendment), 'Share-based Payment', confirms that, transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 (2008) Business Combinations, contribution of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 Share-based Payment. The amendment will not have an impact on the Trust's operations.

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. This amendment is unlikely to have an impact on the Trust's financial statements.

IFRIC 9 (Amendment), 'Reassessment of Embedded Derivatives', clarifies that embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture are outside the scope of IFRIC 9. This amendment is unlikely to have an impact on the Trust's financial statements.

IFRIC 16 (Amendment), 'Hedges of a Net Investment in a Foreign Operation', clarifies that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged. 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 2010 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 IFRS 1 Additional Exemptions for First-time Adopters
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
Classification of Rights Issues (Amendment to IAS 32)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IAS 24 Related Party Disclosures (Revised 2009)
IFRS 9 Financial Instruments
Amendment to IFRS 1 Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued 16 April 2009)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IFRS 8 Operating Segments
IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash Flows
IAS 17 Leases
IAS 18 Revenue
IAS 36 Impairment of Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement

Improvements to IFRSs (issued 6 May 2010)

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 3 Business Combinations
IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 27 Consolidated and Separate Financial Statements
IAS 34 Interim Financial Reporting
IFRIC 13 Customer Loyalty Programmes

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(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.

(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) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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

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) <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.

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, 2010	
Other payables	**767,376**
At June 30, 2009	
Other payables	1,055,875

(b) <u>Cash flow and fair value interest rate risk</u>

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) <u>Cash flow interest rate risk</u>

The Trust was not materially exposed to cash flow interest rate risk at June 30, 2010 and 2009, 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, 2010, 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.

	2010	2009
	+/-	+/-
	Rs.	Rs.
Results	**688,104**	562,966

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	
		2010	2009
VALUATION		**Rs.**	Rs.
At July 1,		**622,098,600**	198,000,000
Revaluation surplus		**50,266,400**	424,098,600
At June 30,	Rs.	**672,365,000**	622,098,600

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

		2010	2009
		Rs.	Rs.
Cost	Rs.	**93,202,600**	93,202,600

(b) The land has been revalued at June 30, 2010 by Mr Yodhun Bissessur, (Chartered Valuation Surveyor). 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

		2010	2009
		Rs.	Rs.
At July 1,		**2,639,240**	1,585,725
Addition during the year		**201,250**	1,053,515
At June 30,	Rs.	**2,840,490**	2,639,240

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

5. OTHER RECEIVABLES

		2010	2009
		Rs.	Rs.
Rental income receivable		**986,250**	750,000
Sundry receivable		**214,790**	21,433
	Rs.	**1,201,040**	771,433

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

		2010	2009
		Rs.	Rs.
At July 1,		336,856,615	294,399,190
Additions		343,000,000	319,000,000
Matured		(336,856,615)	(294,399,190)
Interest accrued		13,504,045	17,856,615
At June 30,	Rs.	356,504,045	336,856,615

Additions effected during the year are as follows:

Name of Financial Institutions		2010 Rs.	2009 Rs.
Mauritius Leasing Company Ltd		28,000,000	28,000,000
Sicom Financial Services Ltd		90,000,000	218,000,000
Bank One Ltd		-	44,000,000
MCS Mutual Aid Association Ltd		-	17,000,000
Mauritius Post and Cooperative Bank Ltd		164,000,000	12,000,000
Development Bank of Mauritius Ltd		14,000,000	-
Bramer Banking Corporation		47,000,000	-
Total	Rs.	343,000,000	319,000,000

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. OTHER PAYABLES

		2010	2009
		Rs.	Rs.
Deposits on sale of land		500,000	500,000
Manager's fees		-	311,500
Professional fees accrued		267,376	244,375
	Rs.	767,376	1,055,875

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

8. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

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

		2010	2009
		Rs.	Rs.
Capital account		**349,925,000**	349,939,000
Redemption at par		**(9,000)**	(14,000)
		349,916,000	349,925,000
Revaluation reserve		**579,162,400**	528,896,000
Retained earnings		**105,994,533**	87,575,922
Redemption		**(15,989)**	(15,021)
		105,978,544	87,560,901
	Rs.	**1,035,056,944**	966,381,901

(b) Movement in units during the year

	2010	2009
	Units	Units
At July 1,	**348,054**	348,068
Units liquidated - in respect of deceased unit holder	**(9)**	(14)
At June 30,	**348,045**	348,054

	2010	2009
	Rs.	Rs.
(c) Net asset value per unit at June 30,	**2,973.92**	2,776.53

9. TAXATION

		June 30, 2010	June 30, 2009
		Rs.	Rs.
Income tax on the chargeable income for the year at nil (June 30, 2009: nil)	Rs.	**-**	-

The trust is exempt from income tax

10. 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.

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 annual inflation rate. The adjusted fee for the year ended June 30, 2010 is Rs.3,945,000 (2009: Rs.3,738,000).

12. TRUSTEE'S FEES

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

13. RELATED PARTY TRANSACTIONS

	2010	2009
	Rs.	Rs.
Manager		
-Fees	**3,945,000**	3,738,000
Trustee		
-Fees	**900,000**	900,000
Payables at end of reporting period:		
Manager-accrued fee	**-**	311,500

14. CAPITAL COMMITMENTS

		2010	2009
		Rs.	Rs.
Capital expenditure contracted for at the end of reporting period but not yet incurred	Rs.	**6,752,150**	6,953,400