MAURITIUS | HOUSING

ANNUAL REPORT

2004-2005

Website: www.mhc.mu

MAURITIUS HOUSING COMPANY LTD

Mission Vision Core Values

MAURITIUS | **HOUSING**

Mission

To help as many families as possible to become owners of a house and to be at the forefront of housing development in the country

Vision

To be the Leading Provider of Housing Financial Services in the Region

Core Values

Innovation & Creativity
Delighting the Customer
Teamwork
Commitment
Professionalism
Sense of Belonging

MAURITIUS HOUSING

MAURITIUS | HOUSING

TOUT
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TOIT

Mauritius Housing Company Ltd

Annual Report 2004-2005

MAURITIUS HOUSING

MAURITIUS | **HOUSING**

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MAURITIUS HOUSING COMPANY LTD

CORPORATE PROFILE - key events of fy 2004/05

2004 : Launch of innovative 'Home Loan' Scheme
Gemba Kaizen & '5s' workshops
Launch of CyberVillage Advertising Campaign
Opening of Customer Service Offices at Triolet & Bambous

2005 : Promotional offer – CyberVillage housing units
Inauguration of Camp du Roi Complex, Rodrigues

MAURITIUS HOUSING COMPANY LTD

REGISTERED OFFICE

Mauritius Housing Company Ltd,
MHC Building,
P.O Box 478,
Reverend Jean Lebrun Street, Port Louis.

Our Network

Head Office

Reverend Jean Lebrun Street, Port Louis.
Tel : 212 0244
Fax: 212 3325

Curepipe

Manhattan Heights, Rue Lees.
Tel : 676 0245/46
Fax: 676 0248

Central Flacq

François Mitterand St,
Tel : 413 5139/40
Fax: 413 5138

Goodlands

Corner Royal Road & L.Bahadoor Shastri St,
Tel : 282 1460 / 282 1442
Fax: 282 1461

Triolet

8ème Mille
Tel/Fax: 261 7623

Bambous

Royal Road
Tel/Fax: 452 0372

Rodrigues

Camp du Roi,
Tel : 831 1787
Fax: 831 1788

Mauritius Housing Company Ltd

Email: mhc@mhc.mu **Website: www.mhc.mu**

FINANCIAL HIGHLIGHTS

YEAR ENDED 30TH JUNE (in Rs mn, except for ratios and growth figures)	**2004/05**	**2003/04**
Interest Income	591.4	640.1
Interest Expenses	377.1	434.2
Net Profit	110.8	135.1
Net Assets	5,917.8	5,938.6
Retained Earnings	904.7	858.4
Mortgage Assets	5,810.9	5,363.7
Fixed Assets (Net of Depreciation)	242.6	225.3
Shareholders' Funds	1,672.8	1,552.7
Long Term Liabilities	4,245	4,386
Capital Employed	5,917.8	5,938.6
PEL (Capital Deposited)	682.1	618.7
Gearing (times)	2.8	2.9
Interest Cover (times)	1.6	1.5
Current Ratio (times)	1.7	2.3
ROCE (%)	1.9	2.3
EPS (Rs)	11.08	13.51
Net Profit Margin (%)	16.9	20.2
Total Income to Capital Employed Ratio (%)	11.1	11.7

EVOLUTION OF KEY FINANCIAL FIGURES

In Rs million except for EPS & Current Ratio	**2004/05**	**2003/04**	**2002/03 Restated**	**2001/02 Restated**	**2000/01 Restated**
Total Income	656	694	674.5	650.1	609.9
Net Profit	110.8	135.1	119.9	131.6	119.8
Net Assets	5,917.8	5,938.6	5,568.6	5,837.5	5,111.3
Net Housing Loans Assets	5,810.9	5,363.7	5,203.5	5,061.0	4,924.1
Fixed Assets	242.6	225.3	221.1	229.7	126.4
Reserves	1,572.8	1,452.7	1,365.1	1,222.6	1,005.5
Long Term Liabilities	4,245	4,386	4,103.5	4,514.9	4,005.8
EPS (Rs)	11.08	13.51	11.99	13.2	11.9
Current Ratio (%)	1.7	2.30	1.12	2.43	1.66

MAURITIUS HOUSING COMPANY LTD

BOARD OF DIRECTORS

Dr. M. A. KODABACCUS	- Chairman	
Mr. L. D. UNMOLE	- Managing Director	
Mr. K. DAWONAUTH	- Director	(up to March 2005)
Mr. A. SALAUROO	- Director	
Mr. R. HOSANY	- Director	
Mr. G. CHAPERON	- Director	
Mrs. K. FONG WENG-POORUN	- Director	
Mr. M. DHOORUNDHUR	- Director	(as from April 2005)
Mr. S. AYADASSEN	- Director	(up to March 2005)
Mr. D. MAYWAH	- Director	(up to March 2005)
Mr. B. NUCKCHEDDY	- Director	(as from April 2005)
Mr. S. MAUDARUN	- Director	(as from April 2005)

Mr. K. NARROO
Company Secretary

BOARD COMMITTEES

Risk Committee

Chairperson : Mr. K. Dawonauth (Ministry of Finance, up to March 2005)

Members : Mr. G. Chaperon (SICOM Ltd);
Mr. R. Hosany (Ministry of Social Security, National Solidarity and Senior Citizens Welfare & Reform Institutions), and
Mr. S. Ayadassen (MHC Staff Association, up to March 2005)

Corporate Governance & HR Committee

Chairperson : Mr. A. Salauroo (State Investment Corporation Ltd)

Members : Mr. L. D. Unmole (MHC Ltd);
Mrs. K. Fong Weng-Poorun (Ministry of Housing & Lands), and
Mr. D. Maywah (MHC Staff Association, up to March 2005)

MAURITIUS HOUSING COMPANY LTD

MANAGEMENT

Mr. L. D UNMOLE	-	Managing Director
Mr. R. K. MUDALIAR	-	Officer in Charge, Finance Division
Mr. A. NOBAUB	-	Manager, Information & Communications Technology Division
Mr. V. PACKIRY POULLE	-	Manager, Technical Division (retired in Dec 2004)
Mr. S. BADAL	-	Manager, Corporate Planning & Development Division
Mr. S. A. SOOKHEE	-	Manager, Commercial Division
Mrs. V. S. PAREEMAMUN	-	Manager, Corporate Services Division (w.e.f January 2005)
Mr. J. MAYWAH	-	Ag. Internal Auditor
Mr. R. ABEELUCK	-	Ag. Manager, Technical Division(w.e.f January 2005)

AUDITORS

Grant Thornton
Chartered Accountants
Fairfax House
21, Mgr Gonin Street
Port Louis

LEGAL ADVISER

Me Guy Ollivry, Q.C.
105, Chancery House
Port Louis

Mauritius Housing Company Ltd

MAURITIUS | HOUSING

Management Report

MAURITIUS HOUSING COMPANY LTD

Annual Report 2004-2005

MANAGEMENT REPORT

It is with pleasure that Management presents to you the Audited Financial Statements and Annual Report for the year ended June 30, 2005.

Economic Review

During the year under review the economy registered a sluggish growth of 4% (excluding sugar). Its inflation rate stood at 5.6% as at June 2005. This subdued activity level reflects the persistent difficulties in some key sectors of the economy, namely sugar and EPZ sectors. Sugar production grew by 6.5%. EPZ sector contracted by 6.8% due to unfavourable international market conditions as well as structural problems within the industry. Gross receipts from tourism grew by nearly 21%.

The construction sector registered a modest growth of 4.7% in 2004 as compared to 10.1% in previous year. While 'Real Estate, Renting and Business activities grew by 6.9% as compared to 6.5% in 2004; owner-occupied dwellings grew by 3% as compared to 3.2% in 2004.

The Bank of Mauritius revised its lending rate twice during the year after taking into account domestic as well as international economic conditions; and with a view to dampening the inflationary pressures in the economy and maintaining the attractiveness of domestic financial investments. The Lombard Rate increased by 25 basis points from 9.50 to 9.75 in October 2004 and by same amount in February 2005. Financial Intermediation grew by 7.4%. Domestic Banking remains the main sub-sector in financial intermediation with a direct contribution to GDP of about 4%.

MHC's Performance

In spite of 2 reviews of the Lombard Rate during the past year, the situation of excess liquidity persisted. This further fuelled the fierce competition in the already restrained housing finance market. At MHC's end the refinancing of expensive loans availed from NPF/NSF at the close of FY 2003/04 enabled the Company to withstand competition. This refinance exercise positively impacted on the Company's stability and possibility to provide flexible loan schemes.

Indeed, in July 2004 MHC innovated with the launch of the Home Loan Scheme. We were able to offer the most competitive package on the market. The first year's interest rate was brought down from 9.75% p.a. to 7.5% p.a., while the repayment term was extended to 35 years. Our clients were thus able to consider taking an increased loan amount with the same income level, thus enabling them to finance their construction/ purchase at one go.

MHC's business volume which had stagnated since past few years was significantly boosted up 'total loans approved' crossed the Rs 1.1 bn mark. The 'Total Housing Loan Assets' of the Company rose by 7.4% from Rs 5.4 bn in FY 2003/04 to Rs 5.8 bn in FY 2004/05.

Outlook for the year 2005 - 2006

Given present business circumstances and economic forecasts, MHC will continue to consolidate its proactive stance to maintain as well as increase its market share.

To attain its objectives the Company will:

- continue to provide value-added and personalized services to our customers;
- promote the already existing innovative culture as well development of new products/ services; and
- venture into new avenues.

MAURITIUS HOUSING COMPANY LTD

MANAGEMENT REPORT

Review of the Year's Performance:

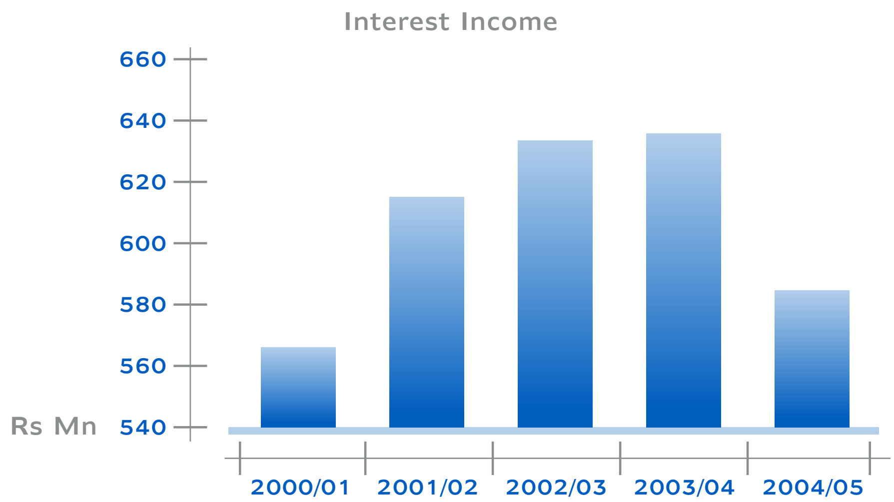
Interest Income

During the year, interest income fell by 7.6% . This shortfall was mainly due to:

1. **review of interest rates**
   During the past financial year the Company revised down the interest rates for existing clients from 14/13.5/12.5 % p.a. to 12% p.a. It equally launched the new Home Loan scheme with sharp cut in interest rate from 9.75% p.a. to 7.5% p.a. for the 1st year.

   As a result, interest on housing loans amounted to Rs 526.6 mn in FY 2004/05 against Rs 537.7 mn in FY 2003/04. Fortunately, the increase in business activities through the Home Loan Scheme partly compensated for the foregone interest income.

2. **decrease in the refund of interest differential**
   Refund on interest differential fell from Rs 50.4 mn in FY 2003/04 to Rs 12.6 mn in FY 2004/05.



Interest Expense

Interest expense fell by 13.2% to Rs 377.1 mn during FY 2004/05, as a result of Management action taken to review the long term loans.

Non-Interest Expense

Non-Interest expenses grew by 16.7% for year under review.

Non-Interest Income

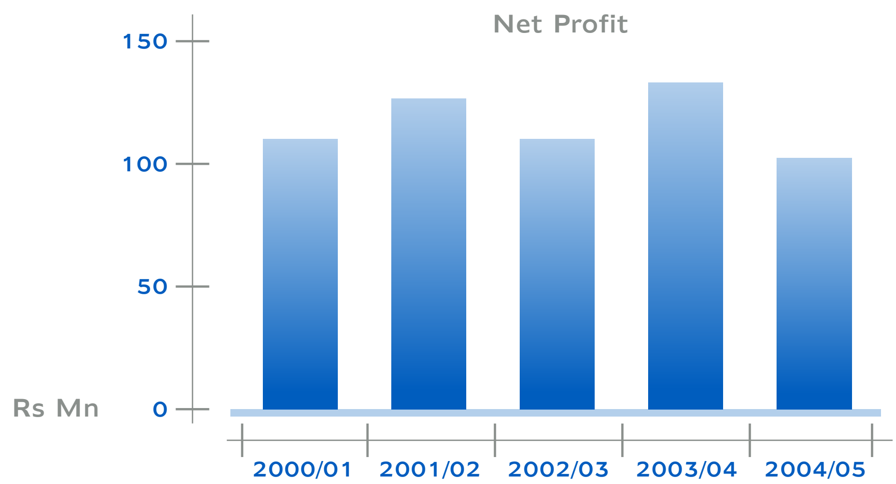
Non-Interest income rose by nearly 20% to attain Rs 64.6 mn as at June 2005 as compared to Rs 53.9 mn as at June 2004.

MAURITIUS HOUSING COMPANY LTD

MANAGEMENT REPORT

Net Profit

Net Profit realized for the year stood at Rs 110.8 mn.



Loans Approved

Total amount of loans approved soared from Rs 580.9 mn in FY 2003/04 to Rs 1,144 mn in FY 2004/05. The launch of Home Loan Scheme significantly contributed in the boosting up MHC's business.

Loans Approved – Housing Loans (Rs mn)

Financial Year	GSL Schemes	Private Promoters	Other Loans
03/04	21.2	24.5	535.2
04/05	6.2	55.2	1,083.0

Home Loan Scheme

Under this scheme both the Land Loans and Normal Loans are offered at the same conditions, namely same interest rates and repayment terms amongst others. The appealing features of the Home Loan Scheme comprised interest rate as low as 7.5% p.a. for the 1st year and up to 35 years as repayment term.

Life & Insurance

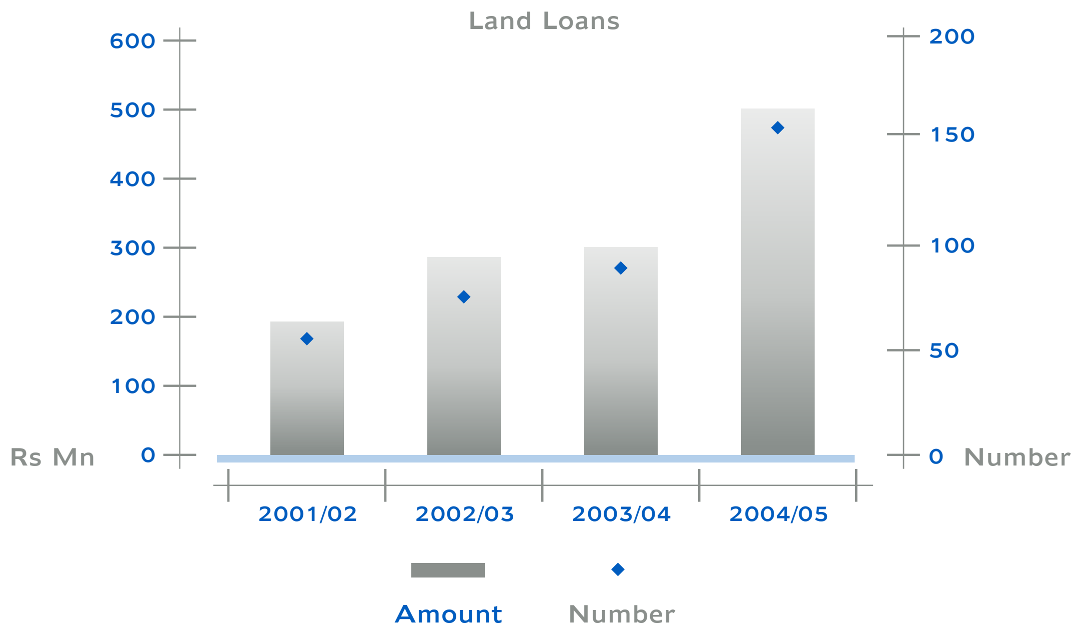
In addition to the appealing rates, MHC also offers added value services. MHC offers in-house life and building insurance covers. All loan clients are insured through a decreasing life balance assurance scheme, which caters for unexpected happenings in life. Under the house insurance scheme houses which are financed through MHC are covered against damages.

Land Loans

MHC's efforts to help prospects in financing their land acquisition have been fruitful. In fact, the number of loans approved rose from 291 in FY 2003/04 to 500 for the FY 2004/05. The corresponding amount of land loans approved rose from Rs 86.5 mn to Rs 161.01 mn, depicting a rise of 86% during the period under review.

MAURITIUS HOUSING COMPANY LTD

MANAGEMENT REPORT



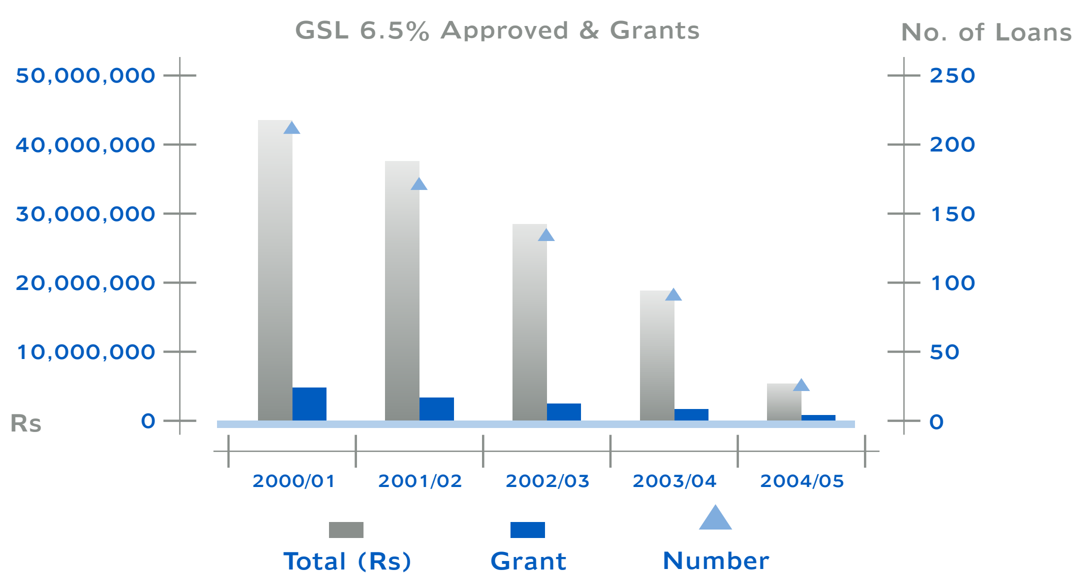
Loans to Private Promoters

Loans approved under this scheme has more than doubled as compared to FY 2003/04, from Rs 24.5 mn to Rs 55.2 mn in FY 2004/05.

Government Sponsored Loans 6.5% p.a. & 10% p.a.

MHC operates 2 GSL schemes since 1986. Through these schemes household earners in the income bracket of up to Rs 10,000 are targeted.

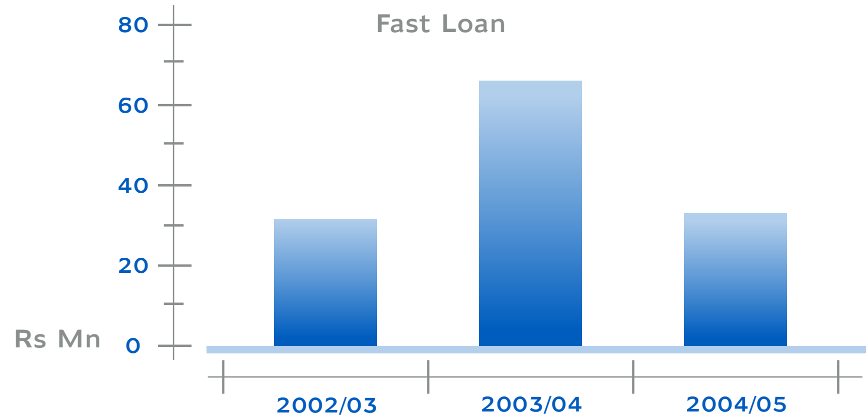
GSL 6.5% p.a.



MANAGEMENT REPORT

Fast Loan

The Fast Loan Scheme was launched mainly to enable MHC clients to undertake renovation works in their houses without having to offer a security. This eased the documentation process and reduced the disbursement period.



Interest Cover

The Company's Interest Cover rose from 1.5 to reach 1.6 in FY 2004/05.

Current Ratio

The Current Ratio fell from 2.3 in FY 2003/04 to 1.7 during the past financial year. The fall in the current ratio from 2.3 to 1.7 times was not indicative of a cash flow problem; in fact the Company exploited the excess liquidity situation in the country by availing overdraft facilities from banks at very competitive prices.

Earnings per share

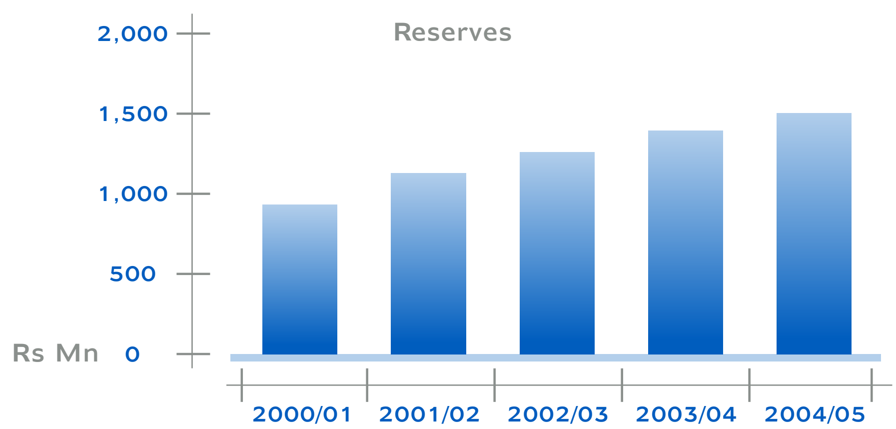
EPS dropped from Rs 13.51 to Rs 11.08 during the year under review.

Return on Capital Employed (ROCE)

Return on Capital Employed fell from 2.3 to 1.9.

Movement in Reserves

Reserves increased from Rs 1,452.7 mn in 2003/4 to reach Rs 1,572.8 mn in 2004/05.



MANAGEMENT REPORT

Savings

Plan Epargne Logement

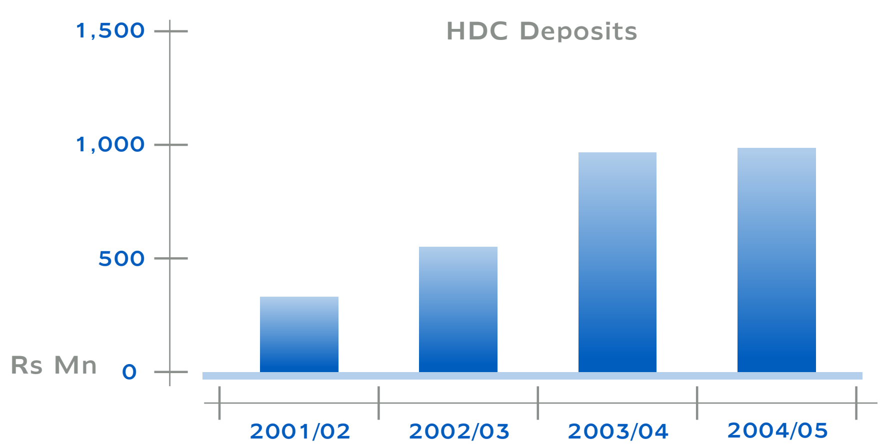
During the past year PEL capital balance grew by 10.3% , i.e., from Rs 618.7 mn for the year ended 30th June 2005, as compared to Rs 682.1 mn for the FY 2003/04.

Breakdown of cumulated PEL balance & operative accounts:

As at	No of operative A/Cs	Cumulated Balance – Rs mn
30.06.03	89,298	564.7
30.06.04	93,351	618.7
30.06.05	98,349	682.1

Housing Deposit Certificate

Capital deposited in this fixed deposit scheme evolved as follows:



INNOVATION & CUSTOMER RELATIONSHIP

During the past year, MHC revamped its products with the launch of the Home Loan scheme in July 2004. This scheme includes innovative features like interest rate of 7.5% p.a. for 1st year and up to 35 years as repayment term.

MHC enhanced its delivery network by opening Customer Service Offices at Triolet and Bambous. The operation of these 2 outlets during FY 2004/05 proved to be beneficial in terms of increased awareness amongst prospects in those regions as well as additional business volume. The Company equally undertook aggressive communication campaign throughout the year.

These customer-focused strategies enabled us to be closer to our clients as well as anticipate and better assess their needs.

Quality - Gemba Kaizen Workshops

To deliver quality services while widening our scope of activities to boost business volume MHC had initiated quality improvement processes, namely implementation of '5s' & Gemba Kaizen concepts in the recent years. In September/ October 2004, 2 workshops were devoted to introduce the Kaizen philosophy and its constituent aspects, as well as '5s' as quality implementation tool. 35 staff members were thus initiated to Gemba Kaizen and '5s' concepts.

RISK MANAGEMENT

Risk Management Framework

Since its set-up MHC's operation was restricted to housing finance as per its objects. However, in order to strive in the competitive financial market the Company has had to diversify its activities and operate as a deposit taking institution since September 2001.

Risk management is also a priority on MHC's corporate agenda. A unit in the Corporate Planning & Development Division has been assigned the responsibility to ensure that the Company meets both statutory and regulatory requirements, as well as to develop and manage the corporate risk strategy.

Audit Committee

During the FY 2004/05, the Audit Committee met twice. This Committee is made up of four members of the Board and has as main function the promotion of transparency and integrity of information. In assuming these responsibilities, the Committee follows the guidelines more fully described in the Banking Act 2004 as well as the Model Terms of Reference for Audit Committee in the Report on Corporate Governance for Mauritius.

Addressing the Risk of Money Laundering

In its initiative to adhere to the 'Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism', the Company has reviewed its existing system by introducing additional controls.

During the year under review:

1. Training sessions on the risks associated with money laundering were held.
2. Guidelines on how to detect suspicious transactions were also issued to staff.
3. KYC principles have been translated to frontline staff as a measure to reduce the risk of exposure to money laundering and terrorist financing and to protect against a range of other potentially damaging risks including reputation risk, legal risk and the risk of regulatory sanction.

Risk Identification

As a first step towards developing a strategy for management of risk, a Risk Management Framework has been established. The main risks which the Company may face are Credit Risk; Interest Rate Risk; Business Risk; Operational Risk; Legal Risk; Liquidity Risk; Compliance Risk; Reputation Risk; Market Risk; Concentration Risk; Price Risk and Risk of change in government policy.

It is worth noting that on a proactive basis MHC is fully committed to address all the risks it might face.

STAFF MATTERS

Employee Education, Training and Development

The Company places high value on training and skills improvement of its employees who remain its valuable asset. With a view to improving skills and knowledge, the Company constantly invests in high quality training for its personnel. The MHC's Staff Study Scheme provides financial assistance to employees of the Company to enable them enhance their academic qualifications as well as acquire new knowledge and skills.

During the financial year 2004/2005 the following courses relevant to the business of the Company were sponsored:

- Management Development Programme on "Enhancing Executive Image through Leadership, Team-Building and Communication"
- Strategic Facilitation Skills for Trainers, Managers and Team Leaders
- Gemba Kaizen & '5s' Implementation Workshop
- Balance Scorecard Strategy Implementation Workshop
- Addressing the Risks of Money Laundering and Terrorist Financing Seminar
- Continuous Professional Development Conference
- New Frontiers in Project Management
- First Aid Course
- Computer Proficiency Programme

ICT Culture Promotion

With a view to ensuring that MHC staff possess at least the basic computer skills, the company sponsored the Computer Proficiency Program (CPP) run by the National Productivity & Competitiveness Council (NPCC), which covers, inter alia, computer basic skills/ Word Processing/ Excel/ Power Point/ Internet/ E-mail amongst others.

Staff members as from the grade of Messenger/Cleaner up to the grade of Technical Officers were sponsored to follow the CPP Course.

Performance Appraisal and Productivity Bonus

During the past year, the Company introduced a Performance Appraisal System for all its employees. A set of guidelines for performance appraisal has been defined to help appraisers in the performance review exercise. Employees, who equally participate in the performance review, can make their comments in writing, on the appraisal made by their respective superiors.

It is to be noted that for the financial year 2004/2005, a Productivity Bonus Scheme based on both the employee's and organizational performance has been introduced.

Rotation Policy

Rotation opportunities are mutually beneficial to individual employees and to the Company as a whole. A Rotation Policy has been introduced to enable staff members to acquire new skills and knowledge as well as a broader understanding of the Company's operations. This in turn helps the Company to develop and optimize its human resources effectively and efficiently.

Mauritius Housing Company Ltd

STAFF MATTERS

Appointments and Promotions

During FY 2004/05, the following appointments and promotions were effected:

(i) Appointments

Ms Vanesha Sannassee-Pareemamun	Manager (On Contract)
Mr Shakeel Maudarun	Risk and Compliance Officer
Mr Surendranath Singh Ayadassen	Branch Manager (Assignment Basis)
Mr Auman Ruchchan	Branch Manager (Assignment Basis)
Mr Dan Krishna Madoorappen	Branch Manager (Assignment Basis)
Mr Coossyram Lutchmoodoo	Branch Manager (Assignment Basis)
Ms Man Fah Chan Wan Fong	Officer-in-Charge(Deposit)(Assignment Basis)
Ms Sandiah Teelwah	Assistant Manager (Human Resources) (Assignment Basis)
Ms Kaveeta Nowbutsing	Assistant Manager (Corporate Planning & Development) (Assignment Basis)
Mr Taslim Dooky	Analyst Programmer
Ms Nassibah Hosenally	Customer Relationship Officer (Assignment Basis)

It is also to be noted that 13 temporary clerks were appointed as Executive Assistants and Sales and Marketing Officers and Agents were recruited on a temporary basis.

(ii) Promotions

Mr Surendra Puhuloo (Assistant Accountant)	Accountant
3 Executive Assistants	Senior Executive Assistants
12 Data Operators cum Clerk Assistants	Executive Assistants

Mutually Agreeable Retirement Scheme (MARS)

A Mutually Agreeable Retirement Scheme (MARS) has been introduced. The scheme enables an officer, aged 45 or more, who is willing to retire voluntarily and whom management wish to part with, to do so with enhanced retirement benefits.

During FY 2004/2005, six employees retired under the MARS:

1. Mr Manilall Chintaram, Manager (Personnel & Administration)
2. Mr Vatcheerenganaden Packiry Poullé, Manager (Technical)
3. Mr Renganaden Patchay, Accountant
4. Ms Marie Josée Ruche, Assistant Manager (Commercial Division)
5. Mr Ibrahim Thorabally, Executive Assistant
6. Mr Abdool Rashid Boodhun, Office Attendant/Lift Operator

Retirement on Marriage Grounds

Ms Deeya Ramkoosalsing, Attorney, retired on marriage grounds with effect from 1st July 2004.

STAFF MATTERS

Overseas Conferences

September 2004	Managing Director	Annual General Meeting and Annual Conference, AUHF, SOUTH AFRICA
October 2004	Chairman and Managing Director	Residential Seminar & Official Visit to SINGAPORE
February 2005	Managing Director	Executive Committee, AUHF, SOUTH AFRICA
April 2005	Chairman and Managing Director	Conference on "Allen Management Leader Programme", SINGAPORE

INFORMATION & COMMUNICATIONS TECHNOLOGY

The investment made in the information technology has enabled MHC to offer a faster service to its clients. Indeed, new IT systems introduced during this financial year resulted in reduced loan application time, enhanced customer service and increased productivity.

MHC intends to strengthen its efforts in this direction. To this end, the Rodrigues branch will be fully computerised in the coming financial year and will be online with Head Office.

TECHNICAL SERVICES

CyberVillage

This joint venture between BPML and MHC is strategically located at Ebène - the future IT hub of Mauritius. It occupies 25% of the overall site area and provides a host of features built to high architectural standard and with comfort as well as secure living in mind. This integrated residential complex comprises of:

- 56 two-bedroom apartments
- 100 three-bedroom apartments
- 54 bungalows
- a recreational complex
- an amphitheatre
- internal jogging track
- underground cabling and dedicated powerline

The main items of the launch campaign were:

- An intensive communication campaign both local and overseas.
- Show units of each housing type to give an idea how the furnished units will be .
- A website dedicated to this project was equally designed to reach both local and foreign prospects. (www.cybervillage.mu)

Value Added Services

Since July 2001, MHC offers in-house architectural services to MHC customers. The services include the preparation of architectural/structural drawings for the submission to authorities concerned for development/building permit as well as construction purposes.

Mauritius Housing Company Ltd

TECHNICAL SERVICES

New Office Complex at Camp du Roi, Rodrigues

The 3-storeyed office block of an area of 1,500 sq.m with parking facilities was inaugurated on the 23rd of May 2005 by the Chief Commissioner of Rodrigues Regional Assembly in the presence of MHC's Chairman, Managing Director and Officer-in-Charge, Finance Division. It is presently occupied by the Commission of Social Security Labour and Industrial Relations, Rodrigues Regional Assembly on the ground and first floors respectively, and MHC's branch office on the second floor. The Company also intends to provide network services online with Head Office so as to provide a better service to its Rodriguan clients.

Sites and Services Projects

MHC Ltd, via its Technical Division has equally extended its services for the "Site and Services projects" under the responsibility of the Ministry of Housing and Lands. This consists of the provision of nearly 300 serviced plots of land every year for the construction of houses. Beneficiaries of this scheme can have their house plans drawn at MHC's Technical Division against a nominal fee. During the year under review, the first project started at Camp Levieux and MHC is currently proceeding with regular inspections of the construction works jointly with the local authorities.

Sale of foreclosed properties

Foreclosed properties are normally sold to the highest bidder after call for tenders are published in the press.

During the year under review MHC acquired 24 properties at the Masters' Bar for a total amount of Rs 4,512,000. It also approved the sale of 30 foreclosed properties for a total sum of Rs 14, 527,310.

MAURITIUS HOUSING COMPANY LTD

MAURITIUS | **HOUSING**

Financial Statements

30 June 2005

MAURITIUS HOUSING COMPANY LTD

Annual Report 2004-2005

CORPORATE INFORMATION

DIRECTORS:	Dr Mahmad Aniff Kodabaccus (Chairman)	(up to 14 July 2005)
	Mr Lobin Dayha Unmole (Managing Director)	(up to 21 July 2005)
	Mr Koomarsing Dawonauth	(up to 10 March 2005)
	Mr Areff Salauroo	(up to 28 September 2005)
	Mr Reshad Hosany	
	Mr Gilles Chaperon	
	Mrs Kanoye Fong Weng Poorun	(up to 12 July 2005)
	Mr Surendranath Singh Ayadassen	(up to 10 March 2005)
	Mr Devanand Maywah	(up to 10 March 2005)
	Mr Mohit Dhoorundhur	(with effect from 14 April 2005)
	Mr Betha Nuckcheddy	(with effect from 14 April 2005)
	Mr Sheik Muhammad Shakeel Maudarun	(with effect from 14 April 2005)

REGISTERED OFFICE:

MHC Building
Révérend Jean Lebrun Street
Port Louis
Mauritius

SECRETARY:

Mr Kreshan Narroo
Anjore Lane
Mon Désir
Candos
Mauritius

AUDITORS:

Grant Thornton
Fairfax House
21, Mgr Gonin Street
Port Louis
Mauritius

LEGAL ADVISER:

Me. Guy Ollivry, Q.C.
105, Chancery House
Port Louis
Mauritius

BANKERS:

The Mauritius Commercial Bank Ltd
State Bank of Mauritius Ltd
Barclays Bank PLC
The Hong Kong and Shanghai Banking Corporation
First City Bank Ltd
Bank of Baroda Ltd

MAURITIUS HOUSING COMPANY LTD

ANNUAL REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements of Mauritius Housing Company Ltd, "the Company", for the year ended 30 June 2005.

INCORPORATION

The Company was incorporated in the Republic of Mauritius on 12 December 1989 as a public company with limited liability.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the granting of loans for the construction of houses and to engage in deposits taking.

RESULTS AND DIVIDENDS

The results for the year are as shown in the income statement.

The directors have recommended the payment of a dividend of Rs 22,150,600 (2004: Rs 27,029,000) for the year under review as decided by the Board on 02 December 2005.

DIRECTORS

The present membership on the Board is set out on page 24.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and the cash flows of the Company. The Directors are also responsible for keeping accounting records which:

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- would enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

DIRECTORS' SERVICE CONTRACTS

Mr Lobin Dayha Unmole had a service contract with the Company. Following a mutual agreement with the Company, he resigned as the Managing Director of the Company on 21 July 2005. He received a compensation of Rs 930,050 for termination of employment. After his departure, all his outstanding loans contracted with the Company have been reclassified as "non-MHC staff loans".

ANNUAL REPORT (contd)

DIRECTORS' SHARE INTERESTS

The directors hold no share of the Company whether directly or indirectly.

DIRECTORS' REMUNERATION

Remunerations and other benefits received by the directors from the Company and other related corporations are as follows:

	The Company	Related Corporations
	Rs	Rs
Executive Director	1,253,714	-
Non-executive Directors	813,255	-

SIGNIFICANT CONTRACTS

No contracts of significance existed during the year under review between the Company and its directors and loans to directors are done in the normal course of business.

DONATIONS

The Company made no donations during the year (2004: Rs 11,000).

AUDITORS

The auditors, Grant Thornton, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting.

Fees (exclusive of VAT) payable to the auditors for the year under review amounted to Rs 350,000 (2004: Rs 315,000) and are entirely for audit services provided.

Director

Director

Date: 02 DEC 2005

MAURITIUS HOUSING COMPANY LTD

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The Company's financial statements have been prepared by Management, which is responsible for their integrity, consistency, objectivity and reliability. International Financial Reporting Standards, as well as the requirements of the Mauritius Companies Act 2001 and the Banking Act 2004 as applicable to the Company and the guidelines issued there under, have been applied and Management has exercised its judgement and made best estimates where deemed necessary.

The Company has designed and maintained its accounting systems, related internal controls and supporting procedures, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against losses from unauthorised use or disposal. These supporting procedures include careful selection and training of qualified staff, the implementation of organisation and governance structures providing a well-defined division of responsibilities, authorisation levels and accountability for performance, and the communication of the Company's policies, procedures manuals and guidelines of the Bank of Mauritius throughout the Company.

The Company's Board of Directors oversees Management's responsibility for financial reporting, internal controls, assessment and control of major risk areas, and assessment of significant related party transactions.

Pursuant to the provisions of the Banking Act 2004, the Bank of Mauritius makes such examination and inquiry into the operations and affairs of the Company, as it deems necessary.

The Company's external auditors, Grant Thornton, have full and free access to the proceedings of the Board of Directors and its committee meetings to discuss the audit and matters arising therefrom, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Director

Director

Date: 02 DEC 2005

Mauritius Housing Company Ltd

REPORT FROM THE SECRETARY TO THE MEMBERS OF MAURITIUS HOUSING COMPANY LTD

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

Mr. Kreshan Narroo
Secretary

Date: **02 DEC 2005**

MAURITIUS | HOUSING

Auditors' Report

MAURITIUS HOUSING COMPANY LTD

Annual Report 2004-2005

AUDITORS' REPORT TO THE MEMBERS OF MAURITIUS HOUSING COMPANY LTD

We have audited the financial statements of Mauritius Housing Company Ltd, the 'Company', on pages 32 to 63 which have been prepared in accordance with the accounting policies set out on pages 37 to 43.

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

DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of the financial statements which are in accordance with and comply with the Mauritius Companies Act 2001 and International Financial Reporting Standards, and which present fairly the financial position of the Company at 30 June 2005 and of its financial performance, changes in equity and cash flows for the year then ended. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' RESPONSIBILITIES

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. An audit includes 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 as to whether the financial statements are free from material misstatement. 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 Company other than in our capacity as auditors and arm's length dealings with the Company in the ordinary course of business.

OPINION

We have obtained all the information and explanations that we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

MAURITIUS HOUSING COMPANY LTD

AUDITORS' REPORT TO THE MEMBERS OF MAURITIUS HOUSING COMPANY LTD (Contd)

OPINION (Contd)

(b) The financial statements on pages 32 to 63:

(i) are complete, fair and properly drawn up;

(ii) have been prepared on a basis consistent with that of the preceding year; and

(iii) give a true and fair view of the financial position of the Company at 30 June 2005 and of its financial performance and cash flows for the year then ended, and have been prepared in accordance with International Financial Reporting Standards, and comply with the provisions of the Banking Act 2004 and the Mauritius Companies Act 2001 as well as regulations and guidelines of the Bank of Mauritius, as applicable to the Company.

Grant Thornton

Grant Thornton
Chartered Accountants

Y NUBEE, FCCA
Signing Partner

Date: 02 DEC 2005

Port Louis, Mauritius

MAURITIUS HOUSING COMPANY LTD

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005	2004
		Rs'000	Rs'000
Interest income	4	591,369	640,105
Interest suspended		(12,859)	(24,938)
		578,510	615,167
Interest expense	5	(377,093)	(434,223)
Net interest income		201,417	180,944
Other income	6	64,617	53,937
		266,034	234,881
Operating expenses	7	(96,402)	(82,567)
Operating profit on ordinary activities		169,632	152,314
Fair value adjustment on property development	16	(26,000)	-
Realised loss on foreclosed properties		(5,125)	(9,928)
Operating profit before provision	8	138,507	142,386
Provision for doubtful debts			
- Specific	13(c)	(25,045)	(5,819)
- General	13(c)	(2,709)	(1,420)
Net profit for the year		110,753	135,147
		Rs	Rs
Earnings per share	10	11.08	13.51

MAURITIUS HOUSING COMPANY LTD

BALANCE SHEET - 30 JUNE 2005

	Notes	2005	Restated 2004
		Rs'000	Rs'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	209,681	212,719
Investment property	12	32,880	12,578
Non-current receivables	13	5,100,951	4,978,375
Other receivables	14	58,637	-
		5,402,149	5,203,672
Current assets			
Assets held for trading	15	26,326	19,477
Property development	16	238,743	260,918
Trade and other receivables	17	668,450	497,056
Loans- BPML	18	201,870	131,870
Cash in hand and at bank		108,843	391,410
		1,244,232	1,300,731
Total assets		6,646,381	6,504,403
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	100,000	100,000
Revaluation and other reserves	20	668,125	558,069
Revenue reserves	21	904,696	867,574
Dividends proposed	23	-	27,029
		1,672,821	1,552,672
Non-current liabilities			
Borrowings	24	1,942,146	2,261,192
Retirement benefit obligations	25	24,649	21,154
PEL savings accounts	26 (a)	1,067,024	987,187
Housing Deposits Certificates - HDC	26 (b)	1,031,550	974,114
Loan NHDC	27	120,991	142,326
Other payables	14	58,637	-
		4,244,997	4,385,973
Current liabilities			
Borrowings	24	501,581	362,306
Housing Deposits Certificates - HDC	26(b)	27,564	52,771
Loan- NHDC	27	21,335	21,335
Trade and other payables	28	178,083	129,346
		728,563	565,758
Total equity and liabilities		6,646,381	6,504,403

Approved by the Board of Directors on 02 DEC 2005 and signed on its behalf by:

DIRECTOR

DIRECTOR

The notes form an integral part of these financial statements.

MAURITIUS HOUSING COMPANY LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2005

	Share capital	Revaluation and other reserves	Revenue reserves	Proposed dividends	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance at 1 July 2003	100,000	517,956	831,493	15,591	1,465,040
Dividends paid for 2003	-	-	-	(15,591)	(15,591)
Proposed dividends after balance sheet date	-	-	(27,029)	27,029	-
Profit for the year	-	-	135,147	-	135,147
Net movement on reserves	-	49,248	(20,272)	-	28,976
Balance at 30 June 2004	100,000	567,204	919,339	27,029	1,613,572
Balance at 1 July 2004, as previously stated	100,000	567,204	919,339	27,029	1,613,572
Prior year adjustment (Note 22)	-	(9,135)	(51,765)	-	(60,900)
Balance at 1 July 2004, as restated	100,000	558,069	867,574	27,029	1,552,672
Dividend paid for 2004	-	-	-	(16,217)	(16,217)
Dividend unpaid (Note 28)	-	-	-	(10,812)	(10,812)
Profit for the year	-	-	110,753	-	110,753
Transfer to General Reserve:					
- 15% of profit for the year	-	16,613	(16,613)	-	-
- 1% of net secured loans	-	57,018	(57,018)	-	-
Movement on reserves (Note 20)	-	36,425	-	-	36,425
At 30 June 2005	100,000	668,125	904,696	-	1,672,821

MAURITIUS HOUSING COMPANY LTD

The notes form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	Rs'000	Rs'000
Operating activities		
Cash generated from operations (Note 29)	48,670	(129,312)
Interest received	530,832	559,137
Interest paid	(355,213)	(398,643)
Net cash from operating activities	224,289	31,182
Investing activities		
Purchase of property, plant and equipment	(10,525)	(5.861)
Purchase on investment property	(20,478)	-
Purchase of foreclosed properties	(6,849)	(7,935)
Proceeds from disposal of property, plant and equipment	251	5,020
Secured loans granted - net (see Note 29(c))	(442,044)	(79,205)
Property development	(3,825)	(81,161)
Net cash used in investing activities	(483,470)	(169,142)
Financing activities		
Grant and subsidies received	109,618	100,000
Housing Deposits Certificates (HDC)	20,895	456,728
Plan Epargne Logement Savings (PEL)	63,424	77,768
Repayment of debentures	(92,785)	(242,786)
Proceeds from long term borrowings	-	1,450,000
Payments on long term borrowings	(274,811)	(1,631,985)
Dividends paid	(16,217)	(15,591)
Net cash (used in)/from financing activities	(189,876)	194,134
(Decrease)/increase in cash and cash equivalents	(449,057)	56,174
Movement in cash and cash equivalents		
Cash and cash equivalents at start of year	342,205	286,031
(Decrease)/increase in cash and cash equivalents	(449,057)	56,174
Cash and cash equivalents at end of year (Note 29)	(106,852)	342,205

The notes form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2005

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. GENERAL INFORMATION

Mauritius Housing Company Ltd, the 'Company', was incorporated on 12 December 1989 as a public company with limited liability. The principal activities of the Company are the granting of loans for the construction of houses and to engage in deposits taking. The registered office of the Company is MHC Building, Révérend Jean Lebrun Street, Port Louis, Mauritius.

2. ACCOUNTING POLICIES

The financial statements are prepared in accordance with and comply with the International Financial Reporting Standards.

The principal accounting policies adopted in the preparation of these financial statements are set out below. The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make certain assumptions and estimates that affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. Actual amounts could in certain cases differ from those assumptions and estimates. Changes are taken into account with income statement effect if new information comes to light.

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards and under the historical cost convention as modified by the revaluation of land and buildings, foreclosed property and property development.

(b) Property, plant and equipment

Property, plant and equipment include own-used properties, software, IT and communication and other machines and equipment, motor vehicles and housing estates.

All property, plant and equipment are initially recorded at cost, except freehold land and buildings which are shown at market value, based on triennial valuations done by external independent valuers. All property, plant and equipment, except freehold land and housing estates, are stated at historical cost/valuation less depreciation.

Own-used property is defined as property held for use in the supply of services or for administrative purposes whereas investment property is defined as property held to earn rental income and/or for capital appreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement.

Depreciation is calculated to write off the cost of each asset or its revalued amount to its residual value over its estimated useful life, with the exception of freehold land and housing estates.

The annual rates used are as follows:

Freehold buildings	2%	Reducing balance basis
Furniture and equipment and software	10 & 33 1/3%	Straight line basis
Motor vehicles	20%	Straight line basis

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

2. ACCOUNTING POLICIES (Contd)

(b) Property, plant and equipment (Contd)

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to these assets are transferred to the income statement.

Costs associated with maintenance of computer software are expensed as incurred.

(c) Foreclosed property

Foreclosed property is classified as assets held-for-trading and it represents houses acquired through auction at the Master's Bar further to the default of clients. Foreclosed property is held for trading and is stated at the price paid at bar together with all related expenses incurred on the acquisition. If the acquisition value together with related costs is different from the loan balance outstanding, the difference is reported as an unrealised loan loss/gain in the Mortgage Insurance Reserve Account, if the property has a mortgage insurance. However, if the property does not have a mortgage insurance, such difference is reported in the Foreclosed Property Reserve Account; any deficiency in the Foreclosed Property Reserve Account is expensed.

Realised loss/gain on disposal of foreclosed property is taken to the income statement.

No depreciation is charged on foreclosed property.

(d) Software development costs

Software development costs are capitalised when they meet certain criteria relating to identifiability, it is probable that future economic benefits will flow to the enterprise, and the cost can be measured reliably. These costs are amortised on the basis of the expected useful lives.

(e) Deferred taxation

No provision for deferred taxation made in these financial statements as the Company is exempt from any income tax liability.

(f) Investment property

Investment property is property held to earn rental income and is stated at its revalued amount.
Depreciation is calculated on the straight line method to write off the revalued amount of assets to their residual values over their estimated useful lives as follows:

Buildings 2%

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(g) Income recognition

Interest, other than bank interest, is recognised as income in the income statement of the accounting period in which it is receivable.

Interest income is suspended when loans become non-performing. When a loan becomes non-performing, all previously accrued but uncollected interest is suspended according to the nature of the loans. All suspended interest income is shown under current liabilities.

Bank interest income is accounted on an accrual basis, unless collectibility is in doubt.

2. ACCOUNTING POLICIES (Contd)

(g) Income recognition (Contd)

Rental income is accounted on an accrual basis.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

Refund of interest differential, interest generated from grants and administration cover from Government of Mauritius are recognised on an accrual basis.

(h) Penalty on late payments

There is a surcharge equivalent to 10% of the monthly repayment that is not made within fifteen days from the last day of the month when the payment falls due. This surcharge is accounted for in the income statement as and when received.

(i) Penalty on loan refinancing

The penalty on loan refinancing is recognised in full as a financial asset and a financial liability in the balance sheet (see Note 14) as the Company has a contractual obligation to pay. The penalty fee is recognised in the income statement over a period of 6 years, being the period over which the penalty has to be settled. Any payment made is deducted from the liability. Any interest arising from the penalty fee is recognised in the income statement when incurred.

(j) Financial assets

The Company classifies its financial assets in the following categories:

- **financial assets held for trading:** these concern principally foreclosed property and are intended for sale in the short term. Financial assets held for trading are recognised on trade-date, that is, the date on which the Company commits to purchase the assets;

- **Secured loans:** these concern loans originated by the Company and where money is provided directly to the borrowers and they are recognised when cash is advanced to the borrowers. They are initially recorded at cost, which is the fair value of the cash given to originate the loans, including any transaction costs, and are subsequently valued to account for any impairment.

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

Secured loans

Secured loans comprise of the following:

(i) loans to individuals for the construction, renovation and acquisition of residential houses;.

(ii) loans to private promoters for construction of bungalows and residential units intended for resale;

(iii) loans to Business Parks of Mauritius Limited (BPML) in a joint venture for the purpose of construction of high standard apartments intended for resale.

Provision for credit losses and interest suspended

An allowance for credit losses is established if there is objective evidence that the Company will be unable to collect all amounts due according to the original contractual terms.

2. ACCOUNTING POLICIES (Contd)

(j) **Financial assets (Contd)**

Secured loans (Contd)

Provision for credit losses and interest suspended (Contd)

An allowance for credit losses is reported as a reduction of the carrying value of a loan on the balance sheet.

All impaired loans are reviewed and analysed at each balance sheet date. Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates will result in a change in the allowance for credit losses and be charged or credited to the credit loss expense.

An allowance for an impairment is reversed only when the credit quality has improved such that there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms of the loan agreement.

A write-off is made when all or part of a claim is deemed uncollectible. Write-offs are charged against previously established allowances for credit losses or directly to credit loss expense. Recoveries in part or full of amounts previously written-off are credited to credit loss expense.

The Company has established the below-mentioned criteria for provisions for credit losses and for adjustment in respect of interest income suspended and these criteria are in line with the spirit of 'social mission' which guides the Company:

(i) a loan is classified as non-performing when the contractual payments of principal and interest are in arrears for one year and 'Sale by Levy' proceedings have not yet been initiated; the provision for such type of loan is the excess of balance of capital outstanding over the recoverable amount of the collateral security. This is calculated on a case-to-case basis. Interest suspended is calculated at 25% of the total interest outstanding.

(ii) a non-performing loan for which 'Sale by Levy' proceedings have been initiated, the provision for credit loss is 50% of the total capital outstanding. The full outstanding interest is suspended.

(iii) loan due by private promoters is considered as non-performing when the promoters default on the first repayment date; in which case , a provision is made in the event that the balance outstanding exceeds the collateral security. Interest outstanding on such type of loan is suspended in full.

(iv) loan provided to 'BPML' under a joint venture condition is considered as non-performing when capital and interest payments are in arrears for more than one year. Future cash flows considered recoverable are discounted to present value in accordance with IAS 39. All interest accrued and uncollected is suspended.

Over and above provision for credit losses, a general provision of 1% of total secured loans (net of provisions) is made.

(k) **Life assurance and building insurance**

The Company operates the following insurance schemes:

(i) Secured loan holders are required to make contribution to the Company which provides life assurance cover for a sum equal to the balance outstanding of their account. 90% of the contribution is credited to a Life Assurance Reserve Account and the remaining 10%, representing the Company's charge for the administration of the scheme, is credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

2. ACCOUNTING POLICIES (Contd)

Life assurance and building insurance (Contd)

(ii) Building insurance premium is charged to those who have taken loan for construction purposes. The premium is based on the expected valuation of the building. 90% of the contribution is credited to a Building Insurance Reserve Account and the remaining 10%, representing the Company's charge for the administration of the scheme, is credited to the income statement.

(iii) A mortgage insurance premium of 0.06% is charged on the excess of loan amount over 75% of the value of collaterals to client as a Mortgage Insurance. The premium is based on the expected valuation of the building. 90% of the contribution is credited to a Building Insurance Reserve Account and the remaining 10%, representing the Company's charge for the administration of the scheme, is credited to the income statement.

(l) **Interest expense**

Interest expense is recognised for all interest bearing instruments in the income statement on an accrual basis.

(m) **Employee benefits**

- **Retirement benefit obligations**

The Company contributes to a defined benefit plan for its staff and the assets of this plan are held in a separate fund administered by the State Insurance Company of Mauritius Limited. The cost of providing benefits is determined using the projected unit credit method so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every five years. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Company's pension obligations and fair value of plan assets are amortised over the expected average remaining working lives of the participating employees.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

- **Pension contributions**

Contributions to the Family Protection Scheme (FPS) are expensed to the income statement in the period which they fall due.

(n) **Interest subsidy and grants**

Interest subsidy and interest on grants receivable from Government of Mauritius in respect of Government Sponsored Loans are accounted on an accrual basis for current year's claims only.

(o) **General reserve**

The Company has set up a General Reserve which will act as a buffer for any contingencies that may arise and hence 15% of the net profit is transferred annually to this reserve.

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

2. ACCOUNTING POLICIES (Contd)

(p) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

(q) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. At the time of the effective payment, the provision is deducted from the corresponding expenses.

All known risks at the balance sheet date are reviewed in detail and provision is made where necessary .

(r) Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. When an indication of impairment loss exists, the carrying amount of the asset is assessed and written down to its recoverable amount.

(s) Financial instruments

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

The Company's policies in respect of the main financial instruments are as follows:

- **Borrowings**
  Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred.

- **Trade receivables**
  Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

- **Assets held for trading**
  Assets held for trading are stated at their fair values.

- **Loans**
  Loans are measured at cost less specific and general provision, whenever required.

- **Trade payables**
  Trade payables are stated at their nominal values.

- **Cash and cash equivalents**
  Cash and cash equivalents are measured at fair value.

- **Deposits**
  Deposits are stated at their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

2. ACCOUNTING POLICIES (Contd)

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement. Rental income from assets leased is recognised on an accrual basis.

Assets leased out under operating leases are included in the balance sheet as investment property and are depreciated over their expected useful lives on a basis consistent with similar assets.

(u) Dividend distribution

For the year ended 30 June 2004, dividend distribution to the shareholders was recognised as a liability in the period in which the dividends are approved by the Company's Board of Directors.

For the year ended 30 June 2005, the Company had adopted International Accounting Standard (IAS) 10, Events after the Balance Sheet Date, before its effective date (ie. accounting period beginning on or after 01 January 2005). The dividends are not recognised as a liability but have been shown as note to the financial statements.

(v) Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(w) Equity

Share capital is determined using the nominal value of share that has been issued.

Revenue reserves include all current and prior years' results as disclosed in the income statement.

Capital reserves are made up of revaluation reserves, insurance reserves, foreclosed property reserves and statutory and non-statutory general expenses.

(x)

Comparatives

in the current year.

Where necessary, comparative figures have been adjusted to conform with changes in presentation

3. FINANCIAL RISK MANAGEMENT

(i) Strategy in using financial instruments

The use of financial instruments is a major feature of the Company's operations. The Company accepts deposits from customers and secures borrowings from financial and non-financial institutions at variable rates and seeks to earn above-average interest margins by investing these funds in a wide range of assets.

In pursuance of its objectives of maximising returns on investments, the Company takes into account the maintenance of sufficient liquidity to meet all claims that might fall due and to provide loans facilities for housing purposes.

The Company also seeks to raise its interest margins, net of provisions, through lending at competitive rate and then claim back any interest differential from the Government of Mauritius in the form of Government Sponsored Loans.

3. FINANCIAL RISK MANAGEMENT (Contd)

(ii) Credit risk

Credit risk represents the loss the Company would suffer if a borrower failed to meet its contractual obligations. Such risk is inherent in traditional financial products such as loans, commitments to lend and other contingent liabilities. The credit quality of counterparties may be affected by various factors such as an economic downturn, lack of liquidity, an unexpected political event or death. Any of these events could lead the Company to incur losses.

All loans are secured loans and the Company has formulated policies for determining the stage where a loan becomes impaired.

Additionally, loanees are required to procure a life assurance and a building and mortgage insurance in order to cater for any unforeseen event. Management believes that impairments in the portfolio at the balance sheet date are adequately covered by allowances and provisions.

(iii) Market risk

Market risk is the risk of loss arising from movement in observable market variables such as interest rates, exchange rates and equity markets. The market risk management policies at the Company are set by and controlled by the Risk Committee.

(iv) Cash flow and interest rate risks

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company exercises a close follow-up on the market interest rates and adapts its interest margins in response to changes in the rates. The Company sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The Company obtains credit facilities at favourable interest rates as these facilities are guaranteed by the Government of Mauritius.

(v) Exchange rate risks

The Company is not exposed to any exchange rate risk as all its financial assets and liabilities are expressed in Mauritian Rupees (MRU).

(vi) Liquidity risk

Being a financial institution, the Company's liquidity risk is subject to statutory obligation whereby it has to meet Bank of Mauritius requirements in respect of liquidity ratio to be maintained at all times. The Company manages its liquidity risk by ensuring timely collection of receivables and also by availing credit facilities from banks and which facilities are guaranteed by the Government of Mauritius.

(vii) Legal claim

Due to the nature of the business, the Company is exposed to claims, disputes and legal proceedings arising in the ordinary course of business. Such legal proceedings may result in monetary damages, legal defence costs and penalties. It is the policy of the Company to seek legal advice on each case.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

4. INTEREST INCOME

	2005 Rs'000	2004 Rs'000
Interest on secured housing loans	526,570	537,748
Refund of interest differential from Government	12,641	50,370
Interest generated from Government grants	13,023	20,027
Housing deposit bonus from Government	17,709	12,192
Interest on bank deposits	13,043	18,665
Other interests	8,383	1,103
	591,369	640,105

5. INTEREST EXPENSE

	2005 Rs'000	2004 Rs'000
Interest expense on:		
- Bank overdrafts	1,615	-
- Bank and other loans repayable by instalments		
• within one year	15,639	10,229
• between one to five years	66,346	35,437
• after more than five years	68,838	185,091
- Debentures	46,522	60,944
- Exceptional Savings Scheme	47	3
- Plan Epargne Logement (PEL)	46,022	44,773
- NHDC loans	12,463	14,406
- Penalty for early repayment of loan (see Note 14)	15,000	-
- Housing Deposit Certificates (HDC)	104,601	83,340
	377,093	434,223

6. OTHER INCOME

	2005 Rs'000	2004 Rs'000
Administration cover	25,801	20,171
Other commissions	31,086	26,545
Rental income	2,601	2,341
Profit on disposal of property, plant and equipment	170	2,110
Policy fees and charges on loans	3,434	1,983
Others	1,525	787
	64,617	53,937

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

7. OPERATING EXPENSES

	2005	2004
	Rs'000	Rs'000
Salaries	46,760	41,689
Retirement benefits (Voluntary Early Retirement)	2,773	-
Depreciation	7,430	7,464
Staff pension contributions	9,364	7,610
Maintenance and repairs	2,669	2,366
Travelling and transport	4,921	4,960
Staff welfare, training and study schemes	3,493	3,591
General expenses	858	1,231
Electricity charges	2,013	1,789
Passage benefits	1,582	1,509
Printing and stationery	1,559	1,415
Telephone charges	1,597	1,368
Motor vehicles running expenses	611	640
Directors' emoluments	2,067	1,854
Audit fees	403	362
Professional fees	737	638
'Family Protection Scheme' contribution	471	487
Entertainment expenses	384	350
Software maintenance costs	96	3
Rental of properties	1,320	1,151
Advertising	3,234	1,092
Overseas mission expenses	530	486
Postages	348	273
Legal fees and expenses	87	64
Bank charges	199	164
Donations	-	11
Share of expenses on MHC/BPML joint venture project	896	-
	96,402	82,567

8. OPERATING PROFIT BEFORE PROVISION

	2005	2004
	Rs'000	Rs'000
Operating profit before provision is arrived at after charging/ (crediting):		
Charging:		
Depreciation on property, plant and equipment and investment property	7,430	7,464
Directors' emoluments (see Note (a) below)	2,067	1,854
Auditors' remuneration	403	362
Interest payable (Note 5)	377,093	434,223
Staff costs (see Note (b) below)	59,088	49,786
Loss on foreclosed properties	5,125	9,928

	2005	2004
Crediting:	Rs'000	Rs'000
Rental income from investment property	(2,304)	(2,304)
Interest income (see Note 4)	(591,369)	(640,105)

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

8. OPERATING PROFIT BEFORE PROVISION (Contd)

(a) Directors' emoluments

	2005 Rs'000	2004 Rs'000
- Full time director	1,254	1,111
- Part time directors	813	743
	2,067	1,854

(b) Analysis of staff costs

	2005 Rs'000	2004 Rs'000
Wages and salaries	46,760	41,689
Pension costs and other contributions	9,555	8,097
Retirement benefits (Voluntary Early Retirement)	2,773	-
	59,088	49,786

	2005	2004
The number of employees at the end of the year was:		
- Permanent	167	160
- On contract	7	6
- Temporary	15	14
	189	180

9. GENERAL RESERVE

	2005 Rs'000	2004 Rs'000
At 01 July, as previously stated	119,661	99,389
Prior year adjustment (see Note 22)	(9,135)	-
At 01 July, as restated	110,526	99,389
Transfer from revenue (see Note 21)	73,631	20,272
At 30 June	184,157	119,661

In consistency with the Company's policy, 15% of the net profit and 1% of net secured loans have been transferred to a General Reserve Account.

10. EARNINGS PER SHARE

	2005 Rs'000	2004 Rs'000
Net profit for the year	110,753	135,147
Number of shares used in calculation	10,000,000	10,000,000
	Rs	Rs
Earnings per share	11.08	13.51

The effect of change in accounting policy on 2004 earnings per share is fully described in Note 22(ii)

MAURITIUS HOUSING COMPANY LTD

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Housing Estates	Improvement to Leasehold Property	Buildings	Furniture & Equipment	Motor Vehicles	Software	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
COST OR VALUATION								
At 1 July 2004								
Cost	-	4,854	185	-	71,078	8,528	211	84,856
Valuation	120,290	-	-	66,183	-	-	-	186,473
	120,290	4,854	185	66,183	71,078	8,528	211	271,329
Additions	-	-	-	2,766	4,879	2,880	-	10,525
Disposals	-	-	-	-	(42)	(1,899)	-	(1,941)
At 30 June 2005	**120,290**	**4,854**	**185**	**68,949**	**75,915**	**9,509**	**211**	**279,913**
Cost	-	4,854	185	2,766	75,915	9,509	211	93,440
Valuation	120,290	-	-	66,183	-	-	-	186,473
At 30 June 2005	**120,290**	**4,854**	**185**	**68,949**	**75,915**	**9,509**	**211**	**279,913**
DEPRECIATION								
At 1 July 2004	-	-	185	2,617	57,334	4,221	141	64,498
Charge for the year	-	-	-	1,324	4,329	1,531	70	7,254
Disposals adjustment	-	-	-	-	-	(1,520)	-	(1,520)
At 30 June 2005	-	-	**185**	**3,941**	**61,663**	**4,232**	**211**	**70,232**
NET BOOK VALUES								
At 30 June 2005	**120,290**	**4,854**	-	**65,008**	**14,252**	**5,277**	-	**209,681**
At 30 June 2004	120,290	4,854	-	63,566	13,744	4,307	70	206,831
Capital work in progress	-	-	-	5,888	-	-	-	5,888
At 30 June 2004	120,290	4,854	-	69,454	13,744	4,307	70	212,719

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

11. PROPERTY, PLANT AND EQUIPMENT (Contd)

(a) Revaluation of land and building

The Company's land and buildings were revalued in 1998/1999 and 2001/2002 respectively, on an open market existing use basis, by Mr P. Ramrekha, an independent Chartered Valuation Surveyor. The book values of the properties were adjusted to the revalued amounts and the resultant surplus was credited to revaluation reserve in shareholders' equity. If the land and buildings were stated on the historical cost basis, the net book values would be as follows:

	2005 Rs'000	2004 Rs'000
Cost	25,163	25,163
Accumulated depreciation	(4,996)	(4,742)
Net book values	20,167	20,421

12. INVESTMENT PROPERTY

	Freehold Land Rs'000	Buildings Rs'000	Total Rs'000
COST / VALUATION			
Valuation	4,115	8,816	12,931
Additions	-	20,478	20,478
At 30 June 2005	4,115	29,294	33,409
Cost	-	20,478	20,478
Valuation	4,115	8,816	12,931
At 30 June 2005	4,115	29,294	33,409
DEPRECIATION			
At 1 July 2004	-	353	353
Charge for the year	-	176	176
At 30 June 2005	-	529	529
NET BOOK VALUES			
Cost	-	20,478	20,478
Valuation	4,115	8,287	12,402
At 30 June 2005	4,115	28,765	32,880
At 30 June 2004	4,115	8,816	12,578

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

13. NON-CURRENT RECEIVABLES

		2005	2004
		Rs'000	Rs'000
(a)	**Secured loans**		
	Fast loans	73,539	68,382
	Secured loans	5,737,314	5,295,344
	Total loans advanced	5,810,853	5,363,726
	Provisions for doubtful debts (see Note (c) below)	(109,092)	(81,338)
	BPML Loan (Note 18)	(201,870)	(131,870)
		5,499,891	5,150,518
	Portion of loans receivable within one year shown under current assets (Note 17)	(508,143)	(308,397)
		4,991,748	4,842,121
(b)	**Grants**		
	Total grants receivable (see Note 17 (b))	134,892	158,483
	Portion of grants receivable within one year shown under current assets (Note 17)	(25,689)	(22,229)
		109,203	136,254
	Total non-current receivables	5,100,951	4,978,375

		Specific Provision	General provision	Total
		Rs'000	Rs'000	Rs'000
(c)	**Provision for doubtful debts**			
	At 1 July 2004	29,685	54,309	83,994
	Movement during the year	25,045	2,709	27,754
	At 30 June 2005	54,730	57,018	111,748
(i)	Provision pertaining to secured loans	52,074	57,018	109,092
(ii)	Provision pertaining to other debtors	2,656	-	2,656
		54,730	57,018	111,748

14. LIABILITY ARISING FROM LOANS REFINANCING

(a) On 28 June 2005, the Company has refinanced certain of its long-term loans from the 'NPF and NSF' of the Ministry of Social Security, National Solidarity & Senior Citizen Welfare and Reform Institutions, and which loans have become expensive given the fluctuations in the Lombard Rate and the prime lending rate offered by the local commercial banks.

Pursuant to the terms of loan agreement with NPF/NSF, the Company has an obligation to pay a penalty fee at the rate of 1% of the amount repaid in anticipation and this penalty has been established at Rs 87,955,295. It has agreed between both parties that the penalty fee of Rs 87,955,295 is repayable in equal annual instalments over a period of 6 years as from 28 June 2005 with an interest payable at the savings rate +2%.

The penalty fee of Rs 87,955,295 is being expensed to the income statement over a period of 6 years as from 01 July 2004.

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

14. LIABILITY ARISING FROM LOANS REFINANCING (Contd)

	2005 Rs'000
(b) Recognised in the balance sheet as financial asset and financial liability:	
Penalty fee	87,955
Repaid during the year (see Note (c) below)	(14,659)
	73,296
Current portion (see Note 17)	(14,659)
Non - Current portion	58,637

	2005 Rs'000
(c) Payment effected during the year analysed into:	
Penalty payment (see Note (b) above)	14,659
Interest payment	341
Included in interest expense (see Note 5)	15,000

15. ASSETS HELD FOR TRADING

	2005 Rs'000	2004 Rs'000
Foreclosed properties	26,326	19,477

The foreclosed properties represent houses acquired at bar on default of clients and these are stated at their acquisition costs, being their fair values.

16. PROPERTY DEVELOPMENT

This represents the share of costs incurred by the Company in relation to the BPML/MHC Cybercity Project.

Pursuant to a Memorandum of Understanding of February 2004 between Business Parks of Mauritius Ltd (BPML), a locally incorporated company, and the Company, it was agreed that both companies will undertake a joint project for the development of an integrated residential and recreational complex at Ebène Cybercity site.

The terms of this Memorandum of Understanding include, inter alia:

(i) the complex will be developed on a plot of land of 8.44 hectares belonging to BPML and with an estimated value of Rs 20M;
(ii) the financing and return shall be shared equally between the parties; and
(iii) after completion of the project, the Company will act as Estate Manager.

The project is already completed and arrangements are underway for the disposal of the houses. At 30 June 2005, included in trade and other payables is an amount of Rs 21M received as deposits from potential buyers.

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

16. PROPERTY DEVELOPMENT (Contd)

	2005 Rs'000	2004 Rs'000
Cost at 01 July 2004	260,918	179,757
Movement during the year	3,825	81,161
Fair value adjustment	(26,000)	-
Value at 30 June 2005	238,743	260,918

The recoverable amount has been determined by using discounted cash flow method and the difference between the cost and the recoverable amount is recognised in the income statement.

17. TRADE AND OTHER RECEIVABLES

	2005 Rs'000	2004 Rs'000
Secured loans		
Trade receivables	70,651	104,474
Other debtors and prepayments (see Note (a) below)	49,308	61,956
Secured loans-short term receivables (Note 13(a))	508,143	308,397
Current portion of penalty fee (see Note 14 (b))	14,659	-
Grants (Note 13(b))	25,689	22,229
	668,450	497,056

		2005 Rs'000	2004 Rs'000
(a)	Other debtors and prepayments	51,964	64,612
	Provision for doubtful debts (Note 13 (c)(ii))	(2,656)	(2,656)
		49,308	61,956
(b)	**GRANTS – Government of Mauritius (see Note 13(b))**		
	At 1 July	158,483	176,505
	Subsidies granted during the year	1,080	1,992
	Grants received during the year	(24,671)	(20,014)
	At 30 June	134,892	158,483

18. LOANS - BPML

The Company has provided loans to Business Parks of Mauritius Ltd (BPML) of Rs 201,870,000 (2004: Rs 131,870,000) in order to enable the latter to meet its financial obligations under the joint venture agreement, as fully described in Note 16. The loans bear interest at rates varying from 6% to 11% per annum and repayment will be made out of proceeds arising from the housing units disposed.

The Government of Mauritius has covenanted to provide BPML all assistance to meet its obligations towards Mauritius Housing Company Ltd and in that respect a letter of comfort was issued by the Government through the Ministry of Finance and Economic Development.

Mauritius Housing Company Ltd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

19. SHARE CAPITAL

	2005 Rs'000	2004 Rs'000
Authorised		
25,000,000 ordinary shares of Rs 10 each	250,000	250,000
Issued and fully paid		
10,000,000 ordinary shares of Rs 10 each	100,000	100,000

20. REVALUATION AND OTHER RESERVES

	At 1 July 2004 (Restated) Rs'000		Movements during the year DR Rs'000		CR Rs'000		At 30 June 2005 Rs'000
Building Insurance Reserve	116,816		(552)		19,410	(a)	135,674
Life Assurance Reserve	129,911		(9,366)	(b)	28,092	(c)	148,637
Mortgage Insurance Reserve	1,513		(2,277)		1,035	(d)	271
Foreclosed Property Reserve	177		-		83		260
EDF Revolving Fund	12,067		-		-		12,067
Revaluation Reserves	187,059	(g)	-		-		187,059
General Reserve (note (f))	110,526		-		73,631	(e)	184,157
	558,069		(12,195)		122,251		668,125

(a) 90% of house insurance premiums received during the year is transferred to a reserve account.

(b) Secured loans to deceased customers written off during the year.

(c) 90% of life assurance contributions received during the year is transferred to a reserve account.

(d) 90% of mortgage insurance premiums received during the year is transferred to a reserve account.

(e) 15% of net profit for the year and 1% of net secured loan transferred to General Reserve during the year.

(f) Estates Equalisation Reserve and Gervaise Reserve have been reclassified as General Reserve.

(g) Revaluation reserves arising on revaluation of land and buildings.

21. REVENUE RESERVES

	2005 Rs'000	2004 Rs'000
At 01 July 2004 - as previously stated	919,339	831,493
Prior year adjustment (Note 22)	(51,765)	-
At 01 July 2004 - as restated	867,574	831,493
Profit for the year	110,753	135,147
Transfer to General Reserve (i) 15% profit for the year	(16,613)	(20,272)
(ii) 1% statutory provision on secured loan	(57,018)	-
Dividends (Note 23)	-	(27,029)
At 30 June 2005	904,696	919,339

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

22. PRIOR YEAR ADJUSTMENT

Effective from 01 July 2004, the Company has changed its accounting policy in respect of interest suspended arising from credit losses (see Note 2 (j)). In view of the change in accounting policy, the comparatives have been restated in accordance with International Accounting Standard (IAS) No. 8, Accounting Policies, Changes in Accounting Estimates and Errors.

(i) The effects of the change in accounting policy on the comparatives are as follows:

		2004 figures as previously stated	Effect of change in accounting policy	2004 figures as restated
		Rs'000	Rs'000	Rs'000
(a)	Net Profit for the year	135,147	(919)	134,228
(b)	Revenue reserves	909,339	(51,765)	867,574
(c)	General Reserve (15% x Rs 60,900,000)	567,204	(9,135)	558,069
(d)	Trade and other payables	68,446	60,900	129,346

(ii) The effect on earnings per share is as follows:

	2004 figure as previously stated	Effect of change in accounting policy	2004 figure as restated
	Rs	Rs	Rs
Earnings per share	13.51	(0.09)	13.42

23. DIVIDENDS PROPOSED

	2005	2004
	Rs'000	Rs'000
Dividends proposed	22,151	27,029
	Rs	Rs
Dividend per share	2.21	2.70

(a) A dividend of Rs 2.21 per share was proposed after 30 June 2005 but before the financial statements were authorised for issue. The dividend is treated as a non-adjusting event as the Company has adopted International Accounting Standard (IAS) 10 before its effective date (see Note 2(u)).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

24. BORROWINGS

	2005 Rs'000	2004 Rs'000
Current		
Bank overdrafts (Secured)	215,695	49,205
Debentures (see note (a) below)	92,784	92,785
Loan capital (see note (b) below)	48,102	70,316
Bank loans (see note (c) below)	145,000	150,000
	501,581	362,306
Non-current		
Debentures (see note (a) below)	342,358	435,142
Loan capital (see note (b) below)	433,626	484,270
Bank loans (see note (c) below)	1,155,000	1,300,000
Loan - Government of Mauritius (See Note (d) below)	11,162	41,780
	1,942,146	2,261,192
Total borrowings	2,443,727	2,623,498

(a) Debentures

		2005 Rs'000	2004 Rs'000
9% MHC, 29 November 2005	– BOM	-	150,000
9.5% MHC, 29 November 2008	– BOM	150,000	-
9.98% MHC, 06 April 2008	– SBM	67,500	90,000
9.75% MHC, 12 May 2005	– SICOM	-	7,142
10% MHC, 12 May 2008	– SICOM	15,000	20,000
8.5% MHC, 04 June 2008	– IOIB	25,500	34,000
9.75% MHC, 6 September 2005	– SICOM	7,142	14,285
10% MHC, 6 September 2008	– SICOM	20,000	25,000
9.65% MHC, 4 October 2008	– SBM	50,000	62,500
9.65% MHC, 11 October 2008	– SBM	100,000	125,000
		435,142	527,927
Less: Repayable within one year shown as short term loans		(92,784)	(92,785)
		342,358	435,142

The above debentures are guaranteed by the Government of Mauritius.

24. **See list on pages 56 and 57.**

24. (b) BORROWINGS (Contd) - LOAN CAPITAL

Rate of interest	Balance brought forward Lenders	Terms of repayment	Repayment period From-To		2005 Rs' 000	2004 Rs' 000
10 %	Government of Mauritius	Yearly	20.03.1980-20.11.2004	Nil	-	200
7.5 %	Government of Mauritius	Half Yearly	19.03.1992-19.09.2011	"	761	879
2.5 %	European Development Fund	Half Yearly	30.12.1991-30.06.2021	"	26,092	27,405
8.5 %	Cargo Handling Corporation	Yearly	30.06.1998-30.06.2017	Nil	3,793	4,066
8.5 %	Cargo Handling Corporation	Not yet finalised		"	2,000	2,000
5.8 %	National Pension Fund	Yearly	06.12.1984-06.12.2005	"	120	234
6.8 %	National Pension Fund	Yearly	04.05.1989-04.05.2008	"	2,685	3,469
8.8 %	National Pension Fund	Yearly	17.03.1987-17.03.2006	"	4	8
8.8 %	National Pension Fund	Yearly	19.12.1991-19.12.2010	"	1,948	2,188
10.8 %	National Pension Fund	Yearly	18.12.1991-18.12.2010	"	527	588
6.8 %	National Pension Fund	Yearly	09.07.2003-09.07.2023	"	446	504
9.5 %	National Pension Fund	Half Yearly	28.07.1993-28.01.2008	Guaranteed by Government of Mauritius	113,194	144,444
9.5 %	National Pension Fund	Half Yearly	29.10.1993-29.04.2008		32,341	41,270
	Balance carried forward				183,911	227,255

MAURITIUS HOUSING COMPANY LTD

24. (b) BORROWINGS (Contd) - LOAN CAPITAL

Rate of interest	Lenders	Terms of repayment	Repayment period From-To	Security	2005 Rs' 000	2004 Rs' 000
	Balance brought forward				183,911	227,255
9.5 %	Government of Mauritius /USAID	Yearly	30.11.1991-30.11.2010	"	16,524	19,278
7.5 %	Government of Mauritius/USAID	Half Yearly	29.05.1991-29.11.2010	"	4,263	5,037
12 %	Sugar Insurance Fund Board	Yearly	20.03.1980-20.11.2014	Guaranteed by the Govt of Mauritius	72,000	80,000
6 %	Mauritius Marine Authority	Yearly	29.12.1990-29.12.2009	"	3,980	4,577
6 %	Mauritius Marine Authority	Yearly	30.04.1995-28.02.2014	"	5,930	6,417
6 %	Mauritius Marine Authority	Yearly	29.12.1996-29.12.2015	Nil	1,375	1,462
6 %	Mauritius Marine Authority	Yearly	11.09.1998-11.07.2017	Nil	3,859	4,052
5 %	Mauritius Marine Authority	Yearly	28.07.1999-28.07.2018	"	1,191	1,203
5 %	Mauritius Marine Authority	Yearly	23.02.2001-23.02.2020	"	4,164	4,348
5 %	Mauritius Marine Authority	Yearly	03.05.2002-03.05.2021	Nil	4,783	4,975
5 %	Mauritius Marine Authority	Yearly	09.07.2003-09.07.2023	Nil	2,327	2,400
5 %	Mauritius Marine Authority	Yearly	20.05.2002-20.05.2022	Nil	2,443	2,532
5 %	Mauritius Marine Authority	Yearly	Part of loan disbursed	Nil	930	930
8 %	The National Savings Fund	Half Yearly	31.03.2000-30.09.2014	"	50,667	56,000
9 %	The National Savings Fund	Half Yearly	30.06.2001-31.12.2015	Guaranteed by the Govt of Mauritius	65,835	- 69,484
7.5 %	Government Sponsored Loan	Half Yearly	21.06.1991-31.01.2012	"	18,500	21,500
7.5 %	Government Sponsored Loan	Half Yearly	31.07.1992-31.01.2012	"	7,000	8,000
2.5 %	Government of Mauritius	Yearly	17.10.1978-18.06.2024	"	10,396	10,953
3 %	Bank of Mauritius	No Fixed repayment terms		"	21,650	24,183
					481,728	554,586
Less repayable within one year shown as short term loans					(48,102)	(70,316)
					433,626	484,270
Repayable by instalments						
- after one year and before five years					201,341	270,208
- after five years					207,705	187,879
Repayable terms not yet finalised					2,930	2,000
Repayable other than by instalments					21,650	24,183
					433,626	484,270

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

24. **BORROWINGS (Contd)**

(c) **Bank loans**

	2005 Rs'000	2004 Rs'000
8.0 % - 8.25% bank loans repayable by monthly instalments and guaranteed by the Government of Mauritius	**1,300,000**	1,450,000
Current		
Portion repayable within one year	**145,000**	150,000
Non-current		
Portion repayable after one year and before five years	**580,000**	600,000
Portion repayable after five years	**575,000**	700,000
	1,155,000	1,300,000
Total	**1,300,000**	1,450,000

(d) **Loan - Government of Mauritius**

Interest free loan from Government of Mauritius and with no fixed repayment terms.

25. **RETIREMENT BENEFIT OBLIGATIONS**

Retirement benefit obligations comprise of the Company's staff pension fund and of other post retirement benefits.

The pension scheme is a defined benefit plan and the assets of the plan are held separately from those of the Company and are administered by the State Insurance Company of Mauritius Limited.

The amounts recognised in the balance sheet are as follows:

	2005 Rs'000	2004 Rs'000
Net liability on funded obligations (note (a) below)	**14,311**	10,613
Adjustment for staff costs	**(222)**	(19)
Funds kept within the Company	**10,560**	10,560
	24,649	21,154

(a) **Funded obligations**

	2005 Rs'000	2004 Rs'000
Present value of funded obligations	**136,996**	149,978
Fair value of plan assets	**(123,994)**	(112,463)
	13,002	37,515
Unrecognised actuarial loss	**1,309**	(26,902)
Net liability	**14,311**	10,613

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

25. RETIREMENT BENEFIT OBLIGATIONS (Contd)

The amounts recognised in the income statement are as follows:

	2005	2004
	Rs'000	Rs'000
Current service cost	4,798	5,089
Interest cost	15,748	12,914
Expected return on plan assets	(11,777)	(10,893)
Actuarial loss recognised	595	500
Total included in staff costs	9,364	7,610
Actual return on plan assets	12,142	12,229

Movement in the liability recognised in the balance sheet:

	2005	2004
	Rs'000	Rs'000
At 1 July	10,613	7,872
Total expenses as above	9,364	7,610
Contributions paid	(5,666)	(4,869)
At 30 June	14,311	10,613

	2005 & 2004
Main assumptions:	
Discount rate	10.5%
Expected return	11.0%
Pension increase	7.5%
Salary increase	8.5%

26. PEL SAVINGS ACCOUNTS AND HOUSING DEPOSITS

	2005	2004
	Rs'000	Rs'000
(a) PEL and other savings accounts		
Capital	682,056	618,664
Interest payable	383,415	367,002
Other savings accounts	1,553	1,521
	1,067,024	987,187
(b) Housing Deposits Certificates - HDC		
Capital	1,010,133	989,238
Interest payable	48,981	37,647
	1,059,114	1,026,885
Portion repayable within one year	(27,564)	(52,771)
Portion repayable after one year	1,031,550	974,114

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

27. LOAN - NHDC

	2005 Rs'000	2004 Rs'000
At 1 July	163,661	184,996
Repayment of capital	(21,335)	(21,335)
At 30 June	142,326	163,661
Portion repayable within one year	(21,335)	(21,335)
Portion repayable after one year	120,991	142,326

The NHDC loan is unsecured, carries interest at the rate of 8.5% per annum and repayable by 2011.

28. TRADE AND OTHER PAYABLES

	2005 Rs'000	Restated 2004 Rs'000
Trade payables	48,575	26,838
Other creditors and accruals	5,340	16,670
Unpaid dividend	10,812	-
Current portion of penalty fee (see Note 14(b))	14,659	-
Interest suspended	98,697	85,838
	178,083	129,346

29. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

	2005 Rs'000	2004 Rs'000
Net profit	110,753	135,147
Adjustments for items not involving the movements of funds:		
Depreciation	7,430	7,464
Fair value adjustment	26,000	-
Provision for bad debts	27,754	7,239
Interest suspended	12,859	24,938
Profit on sale of property, plant and equipment	(170)	(800)
Retirement benefits obligations	3,698	2,741
Loss on sale of foreclosed properties	5,125	9,928
Profit on disposal of housing estates	-	(1,310)
Interest expense	377,093	434,223
Interest income	(547,996)	(557,516)
Grants and subsidies	(69,450)	(104,411)
Changes in working capital:		
- trade and other receivables	37,012	(71,612)
- trade and other payables	22,137	(46,405)
- other reserves	36,425	31,062
Cash generated from operations	48,670	(129,312)

(b) Cash and cash equivalents

	2005 Rs'000	2004 Rs'000
Cash at bank and in hand	108,843	391,410
Bank overdrafts	(215,695)	(49,205)
Cash and cash equivalents	(106,852)	342,205

Mauritius Housing Company Ltd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

29. NOTES TO THE CASH FLOW STATEMENT (Contd)

(b) Cash and cash equivalents (Contd)

There is a restriction on the use of cash at bank and in hand up to Rs 10,560,000 relating to funds kept by the Company in respect of retirement benefit obligations (see Note 25).

(c) Secured loans granted – net

	2005 Rs'000	2004 Rs'000
Loans disbursed during the year	866,564	458,890
Repayment of loans by customers	(424,520)	(379,685)
	442,044	79,205

30. COMMITMENTS

	2005 Rs'000	2004 Rs'000
(a) Loans		
Loans approved but not yet disbursed to individuals	319,791	101,362
Loans to NHDC but not yet disbursed	450,000	-
	769,791	101,362

(b) Capital commitments

Capital commitments authorised and not yet contracted amounted to Rs 4.6M at the balance sheet date.

(c) Loan finance to clients of SPDL

The Company has a commitment to finance prospective clients for the purchase of residential land from SIT Property Development Ltd (SPDL) to the tune of Rs 340M and giving priority to the Option Certificate Holders. However, the prospective buyers have no obligations to contract loan facilities from the Company although all SPDL clients have been asked to borrow from the Company.

(d) Operating lease arrangement where the Company is a lessor

	2005 Rs'000	2004 Rs'000
Minimum lease payment receivable under operating lease recognised in income statement	2,304	2,304

At the balance sheet date, the Company had outstanding commitments under non-cancelleable operating leases which fall due as follows:

	2005 Rs'000	2004 Rs'000
Within one year	2,304	2,304
Between 2 and 5 years	13,245	12,656
After more than 5 years	5,758	8,651
	21,307	23,611

Operating lease represents rental income from premises rented to outside parties. The lease is negotiated for an average term of ten years and rentals are fixed for an average of five years.

MAURITIUS HOUSING COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

30. COMMITMENTS (Contd)

(e) Operating lease arrangement where the Company is a lessee

	2005 Rs'000	2004 Rs'000
Minimum lease payment under operating lease recognised in income statement	1,343	1,151

At the balance sheet date, the Company had outstanding commitments under non - cancelleable operating leases which fall due as follows:

	2005 Rs'000	2004 Rs'000
Within one year	1,274	1,026
Between 2 and 5 years	1,879	2,388
	3,153	3,414

Operating lease payments represent rental for office buildings. The leases are negociated for an average term of 3-5 years and rental are fixed for an average of 3-5 years.

31. TAXATION

Further to The Mauritius Housing Corporation (Transfer of Undertaking) Act 1989, all rights and privileges of the Mauritius Housing Corporation have been transferred to Mauritius Housing Company Ltd. The provisions of this Act have also dispensed the Company from any income tax liability.

No deferred tax asset or liability has been provided in the financial statements due to the exempt income tax status of the Company.

32. CLAIM FOR INTEREST DIFFERENTIAL TO GOVERNMENT

The final claim for the subsidy scheme on Government Sponsored Loans and grants at 30 June 2005 is:

	2005 Rs'000	2004 Rs'000
Net amount due by the Government at 01 July	33,246	10,230
Amounts claimed during the year:		
Interest differential	12,641	50,370
Grants	36,949	40,041
Administration cover	25,801	20,171
Housing deposit bonus	17,709	12,192
PEL bonus	276	242
	126,622	133,246
Amount received from the Government during the year	(109,618)	(100,000)
Net amount due by the Government at 30 June	17,004	33,246

The net amount due by the Government is included in other debtors and prepayments in Note 17.

Mauritius Housing Company Ltd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

33. RELATED PARTIES TRANSACTIONS

For the year ended 30 June 2005, the Company had transactions with related parties. The volume and balances of these transactions are as follows:

	Nature of Transactions	Volume of Transactions	(Credit)/ debit balances at 30 June 2005	(Credit)/ debit balances at 30 June 2004
		Rs'000	Rs'000	Rs'000
SICOM	Debentures	24,285	(42,142)	(66,427)
	Interest	5,440	-	-
National Pension Fund	Loans	41,150	(151,147)	(192,657)
	Interest	17,251	(5,132)	(6,637)
Government of Mauritius	Loans	32,091	(83,536)	(107,627)
	Interest	5,233	(641)	(512)
Directors and key management personnel	Emoluments	11,131	-	-
	Deposits	1,639	(2,408)	(769)
	Loans	4,180	7,961	3,781

The transactions with the related parties were carried out at arm's length and on commercial terms except for the loans granted to the directors and key management personnel on preferential rates and which rates are in accordance with their conditions of employment.

34. FIVE YEAR FINANCIAL SUMMARY

	2005	Restated 2004	Restated 2003	Restated 2002	Restated 2001
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Share capital	100,000	100,000	100,000	100,000	100,000
Net profit	110,753	135,147	119,936	131,554	119,838
Revenue reserves	904,696	867,574	831,493	756,544	634,622
Revaluation and other reserves	668,125	558,069	517,956	466,058	320,269
Dividends	22,151	27,029	15,591	17,102	15,000

35. CONTINGENCIES

At 30 June 2005, the Company has no material litigation or claims outstanding, pending or threatened against it, which would have a material adverse effect on the Company's financial position or financial results.

36. REPORTING CURRENCY

The financial statements are presented in thousands of Mauritian Rupees since this is the currency in which the majority of the Company's transactions are denominated.

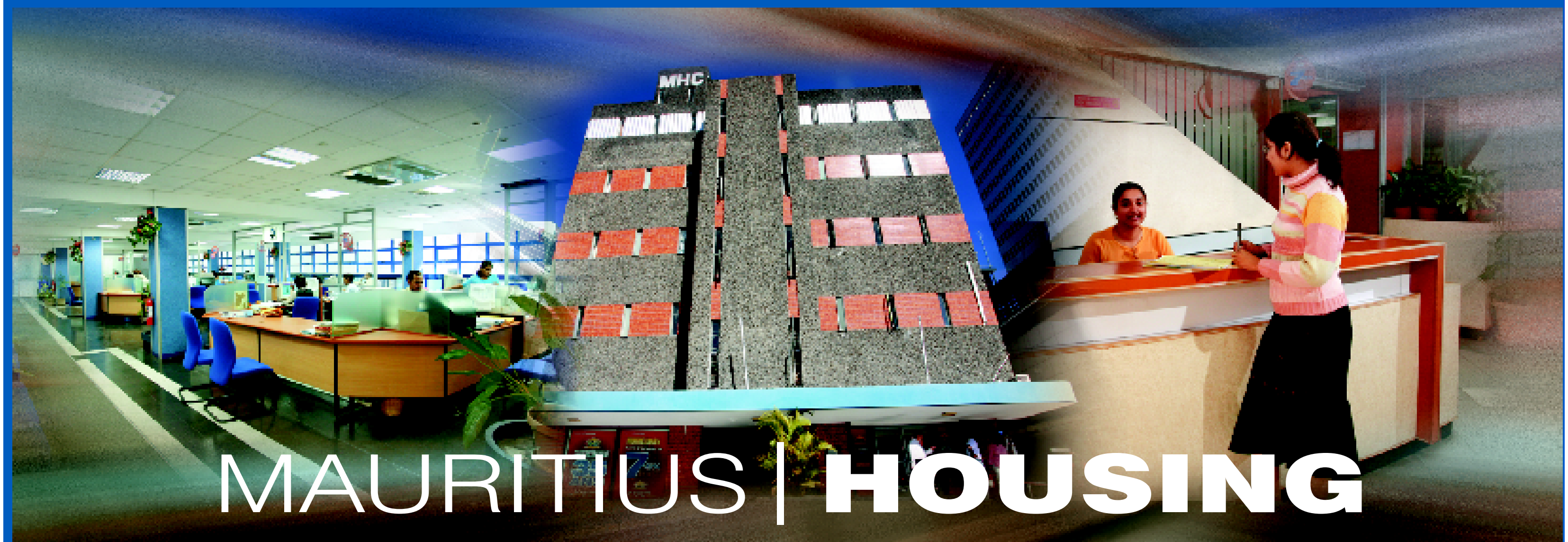
37. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Company has successfully contracted a bank loan of Rs 400M repayable over a period of 15 years. The bank loan is guaranteed by the Government of Mauritius.

Except for the above and the dividends declared after the year end (see Note 23), there have been no material post-balance sheet events which would require disclosure or adjustment to the 30 June 2005 financial statements.

MAURITIUS HOUSING COMPANY LTD

TOUT SOUS LE MÊME TOÎT



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MHC Building, Reverend Jean Lebrun Street, Port Louis, Mauritius.
Tel: (230) 212 0244 - Fax: (230) 212 3325

Email: mhc@mhc.mu
Website: www.mhc.mu

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