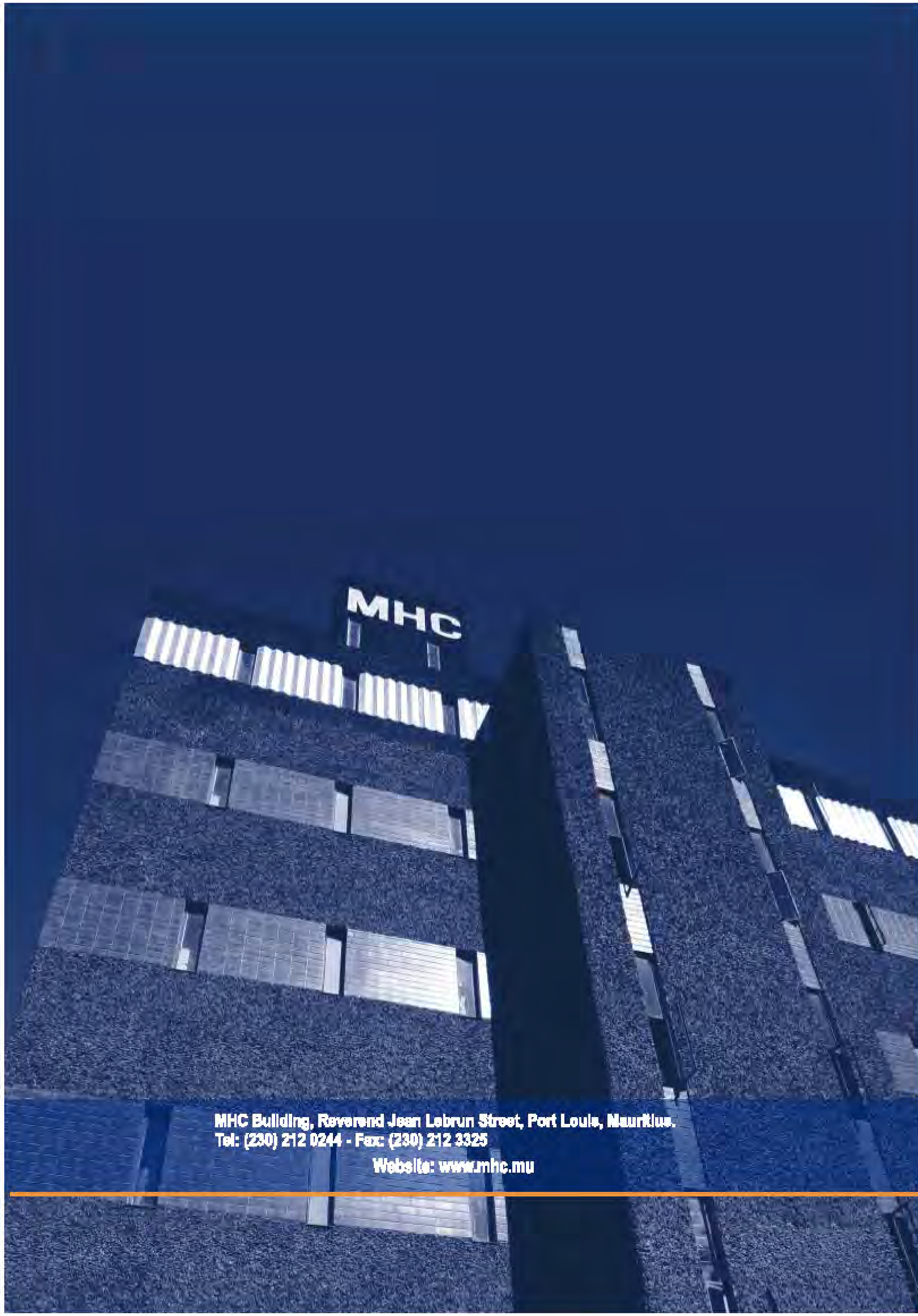

MHC Building, Reverend Jean Lebrun Street, Port Louis, Mauritius.
Tel: (230) 212 0244 - Fax: (230) 212 3325
Website: www.mhc.mu

MAURITIUS

Mauritius Housing Company Ltd

Annual Report 2005 2006

TOUT SOUS LE MÊME TOÎT

votre

one-stop shop

MAURITIUS HOUSING COMPANY LTD

faites un pas ...
... On fait le reste

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

Our Core Values

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


MHC
Ensemble pour mieux vous servir...

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Corporate Profile - Key events of FY 2005/06

- January 2006 - Introduction of new scheme to existing MHC clients
- April 2006 - Review of Home Loan conditions
- April 2006 - Relocation of the Central Flacq Branch Office

Registered Office

Mauritius Housing Company Ltd,
MHC Building,
P.O Box 478,
Reverend Jean Lebrun Street, Port Louis
Tel: 212 0244 - Fax: 212 3325

Our Network

Curepipe
Manhattan Heights, Lees Street,
Tel: 676 0245/46
Fax: 676 0248

Central Flacq
François Mitterand Street,
Tel: 413 5139/40
Fax: 413 5138

Goodlands
Corner Royal Road & Lall Bahadoor Shastri Street,
Tel: 282 1460/ 282 1442
Fax: 282 1461

Triolet
Royal Road, 8ème Mille
Tel/Fax: 261 7623

Bambous
Royal Road
Tel/ Fax: 452 0372

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

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

Financial Highlights

YEAR ENDED 30TH JUNE (in Rs million, except for ratios and growth figures)	2005/06	2004/05
Interest Income	614.1	591.4
Interest Expenses	390.4	377.1
Net Profit	119.9	110.8
Net Assets	5,990.7	5,917.8
Retained Earnings	982.9	904.7
Housing Loans Assets	6,023.1	5,810.9
Fixed Assets (Net of Depreciation)	242.5	242.6
Shareholders' Funds	1,809.6	1,672.8
Long Term Liabilities	4,181.1	4245.0
Capital Employed	5,990.7	5,917.8
PEL (Capital Deposited)	716.9	682.1
Gearing (times)	2.5	2.8
Interest Cover (times)	1.6	1.6
Current Ratio (times)	1.4	1.7
ROCE (%)	2.0	1.9
EPS (Rs)	11.99	11.08
Net Profit Margin (%)	18.0	16.9
Total Income to Capital Employed Ratio (%)	11.1	11.1

Evolution of Key Financial Figures

In Rs million except for EPS & Current Ratio	2005/06	2004/05 Restated	2003/04 Restated	2002/03 Restated	2001/02 Restated
Total Income	665	656	694	674.5	650.1
Net Profit	119.9	110.8	135.1	119.9	131.6
Net Assets	5,990.7	5,917.8	5,938.6	5,568.6	5,837.5
Net Housing Loans Assets	6,023.1	5,810.9	5,363.7	5,203.5	5,061
Fixed Assets	242.5	242.6	225.3	221.1	229.7
Reserves	1,709.6	1,572.8	1,452.7	1,365.1	1,222.6
Long Term Liabilities	4,181	4,245	4,386	4,101.5	4,514.9
EPS (Rs)	11.99	11.08	13.51	11.99	13.16
Current Ratio (%)	1.4	1.7	2.30	1.12	2.43

Chairman's Statement

Mr L. D. J. C. Armance - Chairman, Board of Directors

The Directors are pleased to submit the Annual Report with the audited accounts for the year ended 30th June 2006 to the shareholders.

Review of the year's performance

Despite the sluggish market and increased competition, the Company managed to generate sufficient volume of business to increase its profitability.

During the past year
- housing loan assets rose by 3.7% to reach Rs 6,023.1 million.
- net profit stood at Rs 119.9 million, registering a growth of 8.2%.
- cumulated PEL deposits rose to Rs 716.6 million with 100,419 PEL A/C holders.

Corporate Governance

The Board consists of a non-executive Chairman, a Managing Director and seven non-executive Directors from different business spheres. To reflect more transparency in the company's overall operations and especially to recognize the importance of employees as a stakeholder in the company, two staff members (representatives of the MHC Staff Association) are appointed as non-executive Directors of the Board.

The Board is fully committed to complying with the recommendations of the Code of Corporate Governance effective since July 2004. MHC is committed to a transparent governance process which gives its stakeholders assurance that the Company is being managed in line with best practice policies.

Adherence to corporate governance is an opportunity for the Company to introduce better internal controls as well as improve performance through firm set of guidelines.

Chairman's Statement

MHC will continue to maintain the spirit of corporate governance by adhering to the set of guidelines, meeting regulatory requirements and emphasizing integrity and transparency.The Board comprises the following sub-Committees:

- Audit Committee (reconstituted on 23.02.06)
- Corporate Governance & HR Committee (reconstituted on 23.02.06)
- Risk Committee (set up on 23.02.06)

During the past financial year, 8 Board meetings, 4 Audit Committees and 1 Corporate Governance & HR Committee were held.

Dividend

The Directors recommended the payment of dividend of Rs 23.99 million for the year ended 30th June 2006 as against Rs 22.15 million for the previous financial year.

Appreciation

The Board wishes to thank all staff members for their support and continued cooperation. The Board recognizes and appreciates the hard work and efforts of the employees despite the challenging environment. Our employees remain our most valuable asset and their dedication will enable the Company to continue to be at the forefront of the housing finance sector.

I would also like to extend my appreciation to the Board members and the Management for their continued support and whose contribution has equally been significant to achieve the results of the year under review.

Mr L. D. J. C. Armance - Chairman, Board of Directors

Board of Directors

Mr. L. D. J. C. ARMANCE	-	Chairman	(w.e.f. 13.02.06)
Dr M. A. KODABACCUS	-	Chairman	(up to 14.07.05)
Mr. M. SEETOHUL	-	Managing Director	(w.e.f. 31.01.06)
Mr. L. D. UNMOLE	-	Managing Director	(up to 21.07.05)
Mr. A. SALAUROO	-	Director	(up to 28.09.05)
Mr. R. HOSANY	-	Director	(up to 28.12.05)
Mr. G. CHAPERON	-	Director	
Mrs. K. FONG WENG-POORUN	-	Director	(up to 12.07.05)
Mr. M. DHOORUNDHUR	-	Director	
Mrs A. D. I. RAMPHUL-PUNCHOO	-	Director	(w.e.f. 28.12.05)
Mr A. N. OOZEER	-	Director	(w.e.f. 28.12.05)
Mr R. C. GOPEE	-	Director	(w.e.f. 28.12.05)
Mr. B. NUCKCHEDDY	-	Director	
Mr. S. M. S. MAUDARUN	-	Director	

Mr. K. NARROO
Company Secretary

Board Committees

1. Audit Committee

Chairperson	: Mr M. Dhoorundhur, Principal Assistant Secretary - Ministry of Finance and Economic Development
Vice-Chairperson	: Mr G. Chaperon
Other members	: Mr A.N. Oozeer Mrs A.D. Ramphul-Punchoo

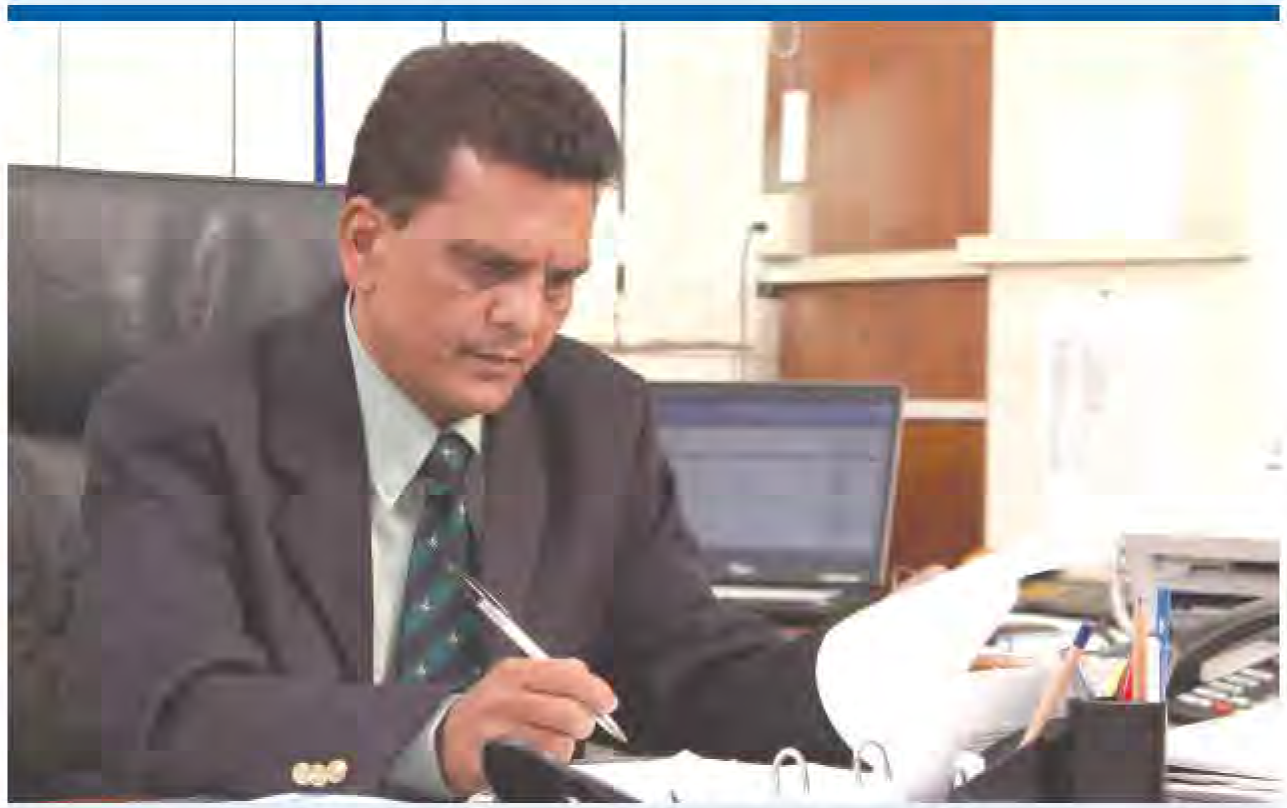
2. Corporate Governance & HR Committee

Chairperson	: Mr R. C. Gopee, Permanent Secretary - Ministry of Social Security, National Solidarity and Senior Citizens and Reform Institutions
Other members	: Mr M. Seetohul Mr S. M. Maudarun

3. Risk Committee

Chairperson	: Mr J. M. C. G. Chaperon, Senior Manager - SICOM Ltd (Compliance)
Other members	: Mr M. Seetohul Mrs A. D. I. Ramphul-Punchoo

Management



Mr. M. SEETOHUL	- Managing Director
Mr. R. K. MUDALIAR	- Officer in Charge, Finance Division
Mr. A. NOBAUB	- Manager, Information & Communications Technology Division
Mr. S. BADAL	- Manager, Corporate Planning & Development Division
Mr. S. A. SOOKHEE	- Manager, Commercial Division
Mrs. V. S. PAREEMAMUN	- Manager, Corporate Services Division
Mrs. S. D. RAMSEWAK	- Attorney
Mr. R. ABEELUCK	- Ag. Manager, Technical Division
Mr. J. MAYWAH	- Ag. Internal Auditor

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

Management Report

Annual Report 2005-2006

Management Report

Management is pleased to present to you the Audited Financial Statements and Annual Report for the year ended June 30, 2006.

Economic Review

The financial year under review has been characterized by inflationary pressures, sluggish investment and increased competition by financial institutions. While the GDP growth rate was about 4.7% in real terms in 2005, inflation stood at nearly 5%.

The construction sector grew by 5.5% in 2005 as compared to 5.8% in 2004. Real Estate, Renting and Business Activities registered growth to the tune of 6.9% in 2005 as compared to 7.1% in 2004. Owner-occupied dwellings rose by 4.8% as compared to 5.3% in 2004. Financial intermediation grew by 7.2% in 2005 as compared to 4.4% in 2004.

To contain inflationary pressures, help improve savings mobilization and enhance the attractiveness of rupee-denominated assets, the Bank of Mauritius resorted to 2 Lombard Rate reviews during the past financial year. In August 2005, the Bank of Mauritius raised the Lombard Rate by 50 basis points to 10.50% p.a., which was increased by a further 100 basis points to attain 11.50% p.a. in December 2005.

MHC's Performance

MHC recorded performance below its expectations in FY 2005/06 due to competitive packages offered by other financial institutions against a backdrop of excess liquidity. Following the two rises in the Lombard Rate MHC aligned its lending rate with market trend and MHC's interest rate was adjusted upwards in December 2005.

However, given the sluggish market, our business volume dropped. Management had to come up with innovative measures to boost up business. To avoid a drain from Loans Portfolio, as from January 2006 existing clients were offered the possibility to have their interest rate reviewed provided they availed of an additional loan.

In April 2006, the interest rate on Home Loan Scheme was reviewed downwards.

These 2 measures enabled business to slightly pick up. We managed to approve some Rs 702.8 million worth housing loans during the year.

Outlook for the year 2006 - 2007

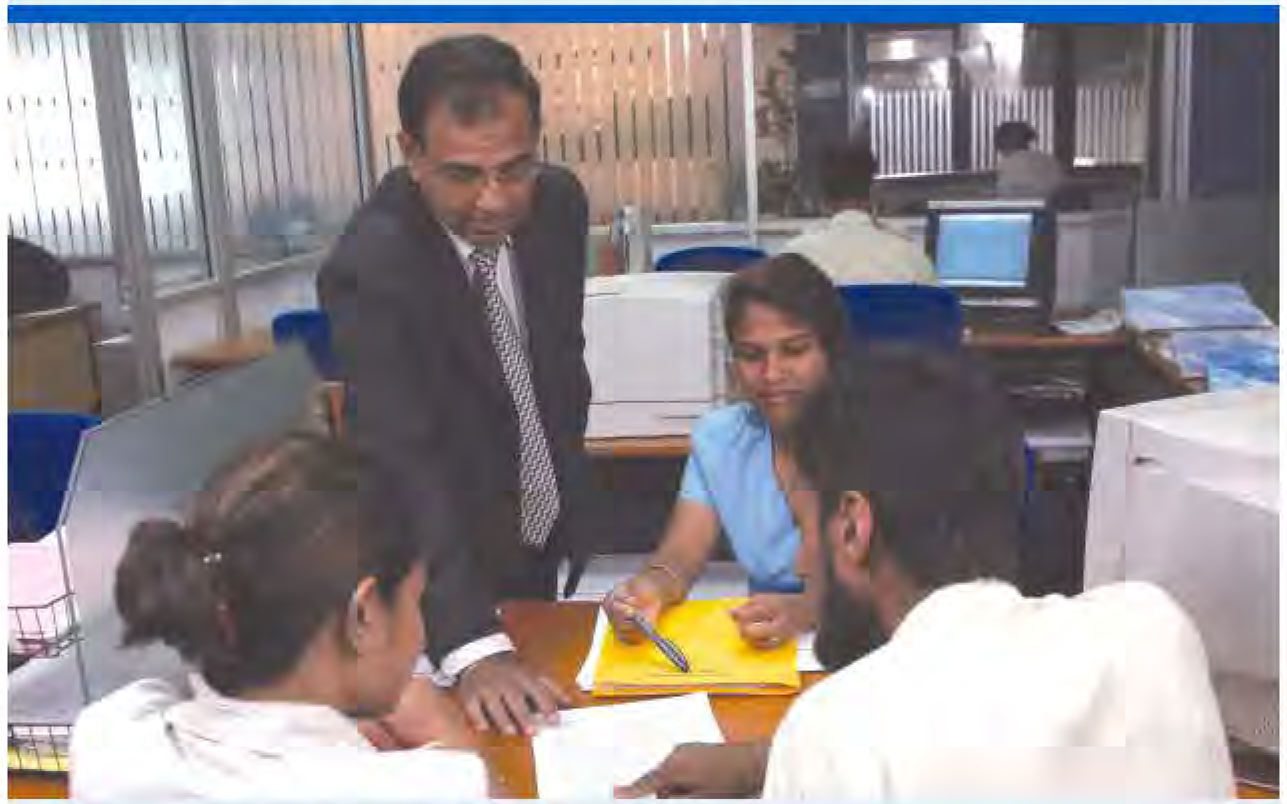
As a specialized player dedicated to housing finance, MHC is expected to have a competitive edge with its 43 years of experience. However, in the current environment of multiple players and a situation of excess liquidity, all competing for a share of the housing finance market, MHC needs to differentiate itself.

Furthermore, the scope of housing loan business has indirectly been restricted consequent to the Budget 2006-07 measure in that interest on housing loans will no longer be deductible for income tax purpose.

In the light of the above, to maintain as well as increase its market share, the Company will:

1. offer personalized services to its valued clientèle;
2. carry out well planned marketing campaign by going towards clients;
3. further enhance quality of services and invest in Information Technology; and
4. develop new business avenues.

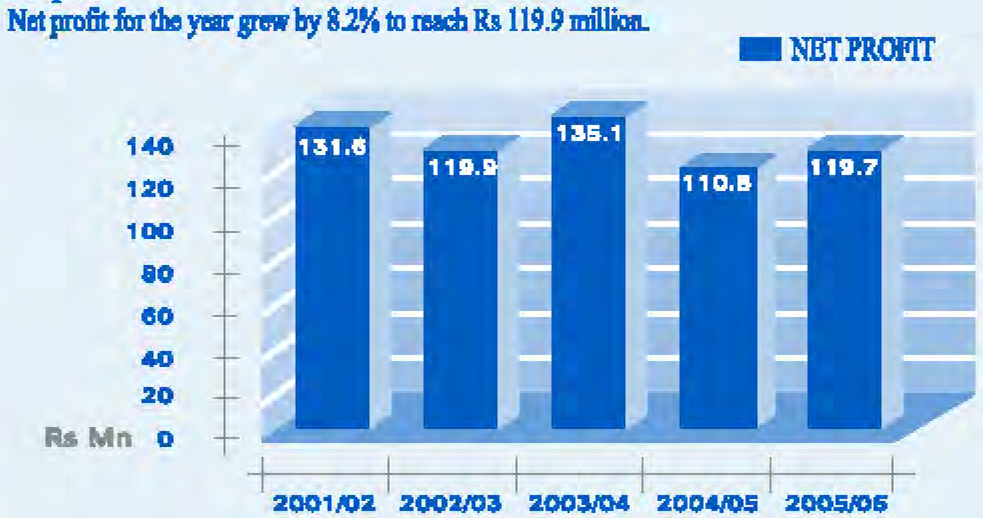
Management Report



REVIEW OF THE YEAR'S PERFORMANCE

Net profit

Net profit for the year grew by 8.2% to reach Rs 119.9 million.



Management Report

Interest Income
During the year under review, interest income rose by 3.8% from Rs 591.4 million in FY 2004/05 to Rs 614.1 million in FY 2005/06.

Interest Expense
Interest Expense rose by 3.5% to attain Rs 390.4 million during the FY 2005/06.

Interest Cover
Interest Cover remained at 1.6 for the FY 2005/06.

Current Ratio
The Current Ratio fell from 1.7 in FY 2004/05 to reach 1.4 FY 2005/06. This fall is mainly due to reclassification of part of HDC deposits into Current Liabilities.

Earnings per Share
During the year under review EPS rose from Rs 11.08 to Rs 11.99.

Return on Capital Employed (ROCE)
The Company's ROCE rose from 1.9 to reach 2.0 in FY 2005/06.

Gearing
MHC's Gearing position improved from 2.8 to 2.5 times during the year under review.

Management Report

Savings

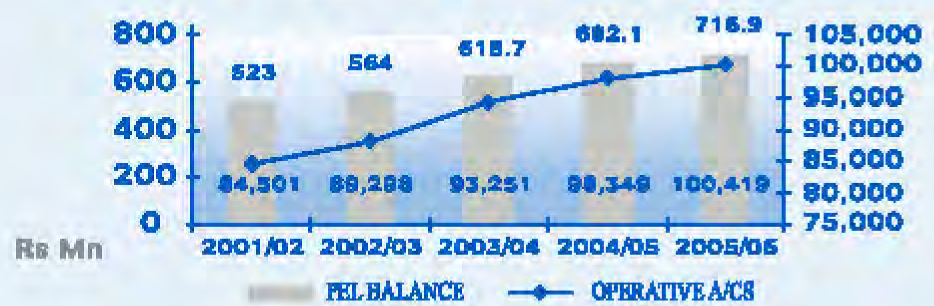
Plan Epargne Logement

During the past year the number of PEL A/C holders crossed the 100,000 mark. In fact, as at June 2006 the number of PEL A/C holders stood at 100,419 for a corresponding deposit amount of Rs 716.9 million. Cumulated PEL balance thus grew by 5.1% from Rs 682.1 million as at June 2005 to Rs 716.9 million as at June 2006.

Breakdown of cumulated PEL balance & operative accounts

As at	No. of operative A/Cs	Cumulated Balance - Rs million
30.06.03	89, 298	564.7
30.06.04	93, 351	618.7
30.06.05	98, 349	682.1
30.06.06	100, 419	716.9

CUMULATED PEL BALANCE & OPERATIVE A/Cs



Management Report

Housing Deposit Certificate

The HDC portfolio declined from Rs 1.1 billion in FY 2004/05 to Rs 983.8 million in FY 2005/06 as it was not used to mobilize funds.

Lending Operations

Loans Approved

During the year under review total amount of loans approved stood at Rs 702.1 million.

Housing Loans Approved (Rs million)

Financial Year	GSL Schemes	Private Promoters	Other Loans
03/04	21.2	24.5	535.2
04/05	6.2	55.2	1,083
05/06	0.4	-	701.6

Home Loan Scheme

Under the Home Loan Scheme the Land Loans and Normal Loans were offered at interest rate as low as 7.5% p.a. for the 1st year and repayment term up to 35 years.

New Scheme to existing clients

The scheme was launched in January 2006 to retain existing clients. The latter were offered the possibility to have the interest rates on their existing loans priced above 10.75% p.a. reviewed to the prevailing rate conditional to their availing of an additional loan. Under this scheme MHC approved 95 loans to the tune of Rs 17.4 million.

Management Report

Land Loans

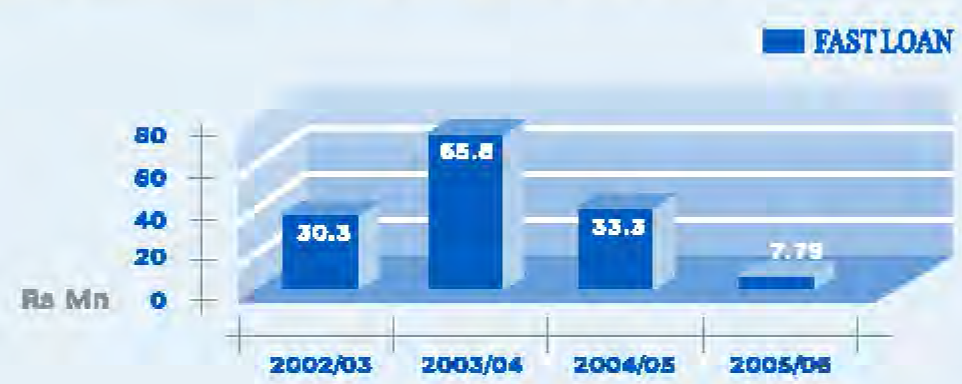
The financing of land acquisition remains one MHC's main source of business. During the FY 2005/06, the number of loans approved under the Land Loan Scheme stood at 362 at a corresponding amount of Rs 118.4 million.

Government Sponsored Loans 6.5% p.a.

The GSL scheme is offered since 1986. While the monthly household income threshold is Rs 7,500, grant amounts up to 20% of loan subject to ceiling of Rs 30,000. Rs 450,000 worth GSL were approved.

Fast Loan

The main purpose of this scheme was to enable MHC clients undertake renovation works in their houses. During the FY 2005/06, the Fast Loan Scheme attracted both existing and new clients who intended to undertake minor renovation works in their houses or to refinance housing loans contracted from other financial institutions. Rs 7.8 million worth Fast Loans were approved during the past financial year.



Management Report

Life & Building Insurance

MHC borrowers' lives are assured through the Decreasing Balance Life Assurance Scheme at very appealing premia to cover the assured's life against death and/or total and permanent disability during the loan period.

Houses are insured against fire, cyclones and allied perils under the House Insurance Scheme.

Architectural / Technical services

Value Added Services

MHC offers in-house architectural services to its clients since July 2001. These services include the drawing of architectural/ structural plans as per the requirements and specification of MHC's clients. MHC ensures that all plans prepared comply with all prevailing statutory regulations. MHC clients can thus have their house plans drawn at the Technical division against a nominal fee. During the year under review, plans were issued to 62 clients.

CyberVillage

Situated at Ebène, this integrated residential complex comprises:

- 56 two-bedroom apartments
- 100 three-bedroom apartments
- 54 bungalows
- An open-air amphitheatre
- Internal jogging track
- Underground cabling and secured premises

Sale of foreclosed properties

During the FY 2005/06, 8 foreclosed properties were sold and the deed of sale finalized for a total amount of Rs 4,441,414.

MHC equally approved the sale of 11 foreclosed properties, among which 9 of them have already been handed over to the clients, pending the finalization of the deed.

Innovation & Customer Relationship Management

MHC introduced a new scheme to its existing clients by offering them a lower interest rate on their loans provided they avail of an additional loan. The Home Loan scheme was reviewed in April 2006 with graduated interest rates.

The new Central Flacq office was inaugurated in April 2006. This strategic location will be beneficial in terms of increased proximity with our valued customers.

In its endeavour to better inform the public about its various products and services, MHC embarked on a series of outdoor sales activities. The Company equally provides a personalized service whereby MHC officers attend to prospects' requests at their place of work.

New Office location - Central Flacq

Risk Management Framework

Risk management has been on the forefront of MHC's corporate agenda. This commitment has been translated by the Board via the setting up of a Risk Committee which is responsible for developing the corporate risk strategy.

Combating Money Laundering

The Company adheres to the 'Guidance Notes on Anti-Money Laundering and Combating the Financing of Terrorism'. In its endeavor to improve money-laundering control, the Company has reviewed the documents relating to deposits to ensure compliance with the FIAMLA 2002. Regular compliance checks are carried out to monitor adherence to opening of account procedures, which have been updated with changes in the regulatory and mandatory framework.

Risk Management

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. In this vein, risks associated with our loan products, namely the Home Loan and the Fast loan were identified. The risk arising from the volatility of Lombard Rate is currently being addressed.

The Data Integrity Committee pursued with its task and tackled the operational risk relating to our loan clients' database. The system was reviewed in time to cater for new scenarios cropping up especially with the Home Loan. In addition new work methodologies were adopted.

The Credit policy of the Company has been reviewed from the risk perspective. A Credit Risk Manual is currently under process.

Training and Human Resource Management

Employee Training and Development

Continuous investment in training and development is essential for improving the performance of our workforce and enhancing the services we provide. In this respect, during the financial year 2005/2006, the MHC has sponsored various training programs and courses relevant to the Company's line of business. These include:

- Supervisory Development Program conducted for Senior Executive Assistants (6-months)
- Management Skills Development Program (3-months)
- Workshop on Forensic Accounting and Auditing
- Workshop on Compliance and Risk Management
- ICAC Seminar on Prevention and Education Campaigns against Corruption
- Code of Corporate Governance: Workshop on the "Guidance Notes for State-Owned Enterprise"
- Workshop on IAS/IRFS
- Seminar on "Using Key Performance Indicators to drive your Business"
- Workshop on Practical Approaches to implement and drive Performance Management System
- Team Building and Leadership
- Well Being and Productivity The Missing Link
- Business Cost Reduction Measures that work
- ACCA Continuous Professional Development
- Workshop on Practical Customer Service Skills for Frontline, Administration and Support Staff
- Corporate Governance Seminar
- First Aid Courses

Ranked among Ten Best Training Organisations

In recognition to our commitment to the upgrading of our personnel and to human resource development in general, the Mauritius Employers' Federation has ranked the Mauritius Housing Company among the ten best training organizations that have participated actively in their training programs. The Company was awarded a Certificate at the MEF Annual General Meeting in March 2006.

Appointments

During FY 2005/06, the staff appointments included:

- Mr Manilall Seetohul, Managing Director
- Ms Shyama Ramsewak, Attorney
- Ms Artee Ramsahaye, Public Relations Officer
- One Receptionist/Telephonist
- Executive Assistants

Mutually Agreeable Retirement Scheme (MARS)

During the financial year 2005/2006, four employees retired under the Mutually Agreeable Retirement Scheme (MARS):

1.Mr Mohamed CASSAM, Assistant Manager (Estates)
2.Ms Catherine PAZOT, Executive Assistant
3.Mr Goinsamy GOVINDEN, Executive Assistant
4.Mr Namasivayum RAMDOO, Head Office Attendant

Information & Communications Technology

The past financial year was marked by the implementation of new information technology systems. They are more user-friendly and are enabling us to provide a better service to our customers. The systems are integrated and will enable a fluid transfer of information across divisions. This will not only boost up performance and productivity but equally enhance the reconciliation process.

Our Rodrigues office is also benefiting from the implementation of new IT systems. This branch which was on manual operation until recently has been shifted onto a computerized platform. It is now online with the Head Office, and thus provides better service to the Rodriguan population.

MAURITIUS | HOUSING

Annual Report | 2005-2006

MAURITIUS HOUSING COMPANY LTD

MAURITIUS HOUSING

Financial Statements

30 June 2006

Annual Report 2005-2006

Corporate Information

DIRECTORS:	Mr Louis Désiré Jean-Claude Armance (Chairman)	(with effect from 13 February 2006)
	Dr Mahmad Aniff Kodabaccus (Chairman)	(up to 14 July 2005)
	Mr Manilall Seetohul (Managing Director)	(with effect from 31 January 2006)
	Mr Lobin Dayha Ummale (Managing Director)	(up to 21 July 2005)
	Mr Areff Salauroo	(up to 28 September 2006)
	Mr Reshad Hossany	(up to 28 December 2005)
	Mr Gilles Chaperon	
	Mrs Kanoye Fong Weng-Poorun	(up to 12 July 2005)
	Mr Mohit Dhoorundhur	
	Mr Betha Nuckcheddy	
	Mr Sheik Muhammad Shakeel Maudarun	
	Mrs Anishta Devi Indira Ramphul-Punchoo	(with effect from 28 December 2005)
	Mr Abdool Nooranee Oozeer	(with effect from 28 December 2005)
	Mr Ramesh Chandraduth Gopee	(with effect from 28 December 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

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 2006.

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 23,988,800 (2005: Rs 22,150,600) for the year under review as decided by the Board on 28 September 2006.

DIRECTORS

The present membership of the Board is set out on page 26.

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 Ummole 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".

Mr Manilall Seetohul, who was appointed as Managing Director of the Company with effect from 26 January 2006, has an employment contract of three years with the Company.

DIRECTORS' SHARE INTERESTS

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

Annual Report (Contd)

DIRECTORS' REMUNERATION

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

	2006	2005
	Rs	Rs
Executive Directors (both actual and former)	1,297,831	1,253,714
Non-executive Directors	661,000	813,255

SIGNIFICANT CONTRACTS

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

DONATIONS

The Company made no donations during the year (2005: Rs Nil).

AUDITORS

Fees (exclusive of VAT) payable to the auditors, Grant Thornton, for the year under review amounted to Rs 425,000 (2005: Rs 350,000) and are entirely for audit services provided.

Director   J. C. Armance
Director

Date: 27 OCT 2006

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 thereunder, 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 there from, such as their observations on the fairness of financial reporting and the adequacy of internal controls.

Director

J.C. Armance

Director

Date: 27 OCT 2006

Report from the Secretary to the 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) during the financial year ended 30 June 2006.

Mr. Kreshan Narroo
Secretary

Date: 26 OCT 2006

Auditors' Report

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 34 to 69 which have been prepared in accordance with the accounting policies set out on pages 42 to 48.

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 2006 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 thanin our capacity as auditors and arm's length dealings with the Company in the ordinary course of business.

Opinion

In forming our opinion we draw attention to the below mentioned matter:

As fully described in note 17 to the financial statements, the Company has incurred costs amounting to Rs 237M at 30 June 2006 in respect of the BPML/MHC Cybercity Project At the date of the presentation of these financial statements the Company is still in negotiation with potential buyers for the housing units. The directors are of the opinion that the disposable value of the housing units is not significantly different from the book value and therefore the said amount has not suffered any impairment.

The financial statements do not include any adjustment that would result from any significant diminution in value of the housing units which may arise on disposal of the said units. Because of the significance of this matter, we consider that it should be brought to your attention but our opinion is not qualified in this respect.

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

Auditors' Report (Contd) to the Members of Mauritius Housing Company Ltd

Opinion

In our opinion:

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

(b) the financial statements on pages 34 to 69:

(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 2006 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: 27 OCT 2006

Port Louis, Mauritius

Income Statement
for the Year Ended 30 June 2006

	Notes	2006	2005
		Rs'000	Rs'000
Interest income	5	614,066	591,369
Interest suspended		(27,755)	(12,859)
		586,311	578,510
Interest expense	6	(390,359)	(377,093)
Net interest income		195,952	201,417
Other income	7	50,885	64,617
		246,837	266,034
Operating expenses	8	(89,857)	(96,402)
Operating profit on ordinary activities		156,980	169,632
Fair value adjustment on property development	17	(4,022)	(26,000)
Realised loss on foreclosed properties		(13,950)	(5,125)
Operating profit before provision	9	139,008	138,507
Provision for doubtful debts			
- Specific	14(c)	(21,077)	(25,045)
- General	14(c)	2,013	(2,709)
Net profit for the year		119,944	110,753
		Rs	Rs
Earnings per share	11	11.99	11.08

Balance Sheet - 30 June 2006

	Notes	2006	2005
		Rs'000	Rs'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	209,209	209,681
Investment property	13	33,274	32,880
Non-current receivables	14	5,294,090	5,100,951
Other receivables	15	43,978	58,637
		5,580,551	5,402,149
Current assets			
Assets held for trading	16	33,010	26,326
Property development	17	237,657	238,743
Trade and other receivables	18	678,953	668,450
Loans – BPML	19	176,870	201,870
Cash in hand and at bank		261,034	108,843
		1,387,524	1,244,232
Total assets		6,968,075	6,646,381
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	100,000	100,000
Revaluation and other reserves	21	726,718	668,125
Revenue reserves	22	982,890	904,696
		1,809,608	1,672,821
Non-current liabilities			
Borrowings	24	2,158,656	1,942,146
Retirement benefit obligations	25	24,540	24,649
PEL savings accounts	26 (a)	1,117,212	1,067,024
Housing deposits certificates- HDC	26 (b)	737,015	1,031,550
Loan NHDC	27	99,656	120,991
Other payables	15	43,978	58,637
		4,181,057	4,244,997
Current liabilities			
Borrowings	24	410,312	501,581
Housing deposits certificates- HDC	26 (b)	307,884	27,564
Loan – NHDC	27	21,335	21,335
Trade and other payables	28	237,879	178,083
		977,410	728,563
Total equity and liabilities		6,968,075	6,646,381

Approved by the Board of Directors on 25 OCT 2006 and signed on its behalf by:

Director   Director

The notes form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2006

	Share capital Rs'000	Revaluation and other reserves Rs'000	Revenue reserves Rs'000	Proposed dividends Rs'000	Total Rs'000
At 01 July 2004	100,000	558,069	867,574	27,029	1,552,672
Dividend paid for 2005	-	-	-	(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	-	36,425	-	-	36,425
At 30 June 2005	**100,000**	**668,125**	**904,696**	**-**	**1,672,821**
At 01 July 2005	100,000	668,125	904,696	-	1,672,821
Dividend paid (Note 23)	-	-	(22,151)	-	(22,151)
Profit for the year	-	-	119,944	-	119,944
Transfer to General Reserve:					
- 15% of profit for the year	-	17,992	(17,992)	-	-
- 1% of net secured loans	-	1,607	(1,607)	-	-
Movement on reserves (Note 21)	-	38,994	-	-	38,994
At 30 June 2006	**100,000**	**726,718**	**982,890**	**-**	**1,809,608**

The notes form an integral part of these financial statements.

Cash Flow Statement for the Year Ended 30 June 2006

	2006 Rs'000	2005 Rs'000
Operating activities		
Cash generated from operations (Note 29)	24,036	48,670
Interest received	546,191	530,832
Interest paid	(365,869)	(355,213)
Net cash from operating activities	204,358	224,289
Investing activities		
Purchase of property, plant and equipment	(8,365)	(10,525)
Purchase on investment property	(889)	(20,478)
Purchase of foreclosed properties	(6,684)	(6,849)
Proceeds from disposal of property, plant and equipment	1,025	251
Secured loans granted – net (see Note 29(c))	(237,833)	(442,044)
Property development	1,086	(3,825)
Net cash used in investing activities	(251,660)	(483,470)
Financing activities		
Grant and subsidies received	96,573	109,618
Housing deposits certificates (HDC)	(26,378)	20,895
Plan Epargne Logement Savings (PEL)	34,805	63,424
Repayment of debentures	(85,642)	(92,785)
Proceeds from long term borrowings	604,334	-
Payments on long term borrowings	(237,930)	(274,811)
Dividends paid	(32,963)	(16,217)
Net cash from/(used in) financing activities	352,799	(189,876)
Increase/(decrease) in cash and cash equivalents	305,497	(449,057)
Movement in cash and cash equivalents		
Cash and cash equivalents at start of year	(106,852)	342,205
Increase/(decrease) in cash and cash equivalents	305,497	(449,057)
Cash and cash equivalents at end of year (Note 29)	198,645	(106,852)

The notes form an integral part of these financial statements.

MAURITIUS | HOUSING

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Notes to the Financial Statements for the year ended 30 June 2006

MAURITIUS HOUSING

Annual Report 2005-2006

Notes to the Financial Statements for the Year Ended 30 June 2006

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 he 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. **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Certain new Standards, amendments and interpretations to existing Standards have been published that are mandatory for the Company's accounting periods beginning on or after 01 January 2006 or later periods but which the Company has not early adopted as follows:

IAS 19 (Amendment), Employee Benefits *(effective from 01 January 2006)*

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. This amendment is relevant to the Company's operations from annual periods beginning 01 July 2006.

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions *(effective from 01 January 2006)*

The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that:

(a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and

(b) the foreign currency risk will affect consolidated profit or loss.

This amendment is not relevant to the Company's operations as the Company does not form part of a group structure.

IAS 39 (Amendment), The Fair Value Option *(effective from 01 January 2006)*

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Company believes that this amendment should not have a significant impact on the classification of financial instruments. The Company will apply this amendment from annual periods beginning 01 July 2006.

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts *(effective from 01 January 2006)*

This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at fair value and subsequently measured at the higher of:

(a) the unamortised balance of the related fees received and deferred, and

(b) the expenditure required to settle the commitment at the balance sheet date.

Management has considered this amendment to IAS 39 and concluded that it is not relevant to the Company.

Notes to the Financial Statements for the Year Ended 30 June 2006

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Contd)

IFRS 1 (Amendment), First Time Adoption of International Financial Reporting standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources *(effective from 01 January 2006)*

These amendments are not relevant to the Company's operations as the Company is not a first-time adopter of IFRS and does not carry out exploration for and evaluation of mineral resources.

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures *(effective from 01 January 2007)*

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 01 July 2007.

IFRIC 4, Determining whether an arrangement contains a lease *(effective from 01 January 2006)*

IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether:

(a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

(b) the arrangements convey a right to use the asset.

IFRIC 4 is not relevant to the Company's operations.

IFRIC 5, Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds *(effective from 01 January 2006)*

IFRIC 5 is not relevant to the Company's operations.

IFRIC 6, Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment *(effective from 01 December 2005)*

IFRIC 6 is not relevant to the Company's operations.

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies *(effective from 01 March 2006)*

IFRIC 7 is not relevant to the Company's operations.

Notes to the Financial Statements for the Year Ended 30 June 2006

3. **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, are stated at historical cost/valuation less depreciation, except freehold land and housing estates which are not depreciated.

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

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.

Notes to the Financial Statements for the Year Ended 30 June 2006

3. **ACCOUNTING POLICIES (Contd)**

(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.

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

(e) **Investment property**

Investment property is property held to earn rental income and is stated at its revalued amount.

Depreciation is calculated at the rate of 2% per annum on the straight line method to write off the revalued amounts of the buildings to their residual values over their estimated useful lives.

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.

(f) **Deferred taxation**

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

(g) **Inventories**

All consumables and accessories are expensed in the year in which they have been purchased.

(h) **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.

Notes to the Financial Statements for the Year Ended 30 June 2006

3. **ACCOUNTING POLICIES (Contd)**

(h) **Financial assets (Contd)**

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.

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.

Notes to the Financial Statements for the Year Ended 30 June 2006

3. **ACCOUNTING POLICIES (Contd)**

(i) **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.

(j) **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 and 10% of the net secured loans are transferred annually to this reserve. Such reserve is not distributable.

(k) **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.

(l) **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.

(m) **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.

Notes to the Financial Statements for the Year Ended 30 June 2006

3. **ACCOUNTING POLICIES (Contd)**

(m) **Income recognition (Contd)**

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

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.

(n) **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.

(o) **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.

(ii) Building insurance premium is charged to those who have taken loans 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.

(p) **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.

Notes to the Financial Statements for the Year Ended 30 June 2006

3. ACCOUNTING POLICIES (Contd)

(q) 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.

(r) 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 values.
- **Deposits**
  Deposits are stated at their fair values.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the Financial Statements for the Year Ended 30 June 2006

3. **ACCOUNTING POLICIES (Contd)**

(s) **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.

(t) **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders.

(u) **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 and operating policy decisions.

(v) **Debt issued**

Debt issued is initially measured at cost, which is the fair value of the consideration received, net of transactions costs incurred.

(w) **Comparatives**

Where necessary, comparative figures have been adjusted toconform with changes in presentation in the current year.

4. **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.

Notes to the Financial Statements for the Year Ended 30 June 2006

4. **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 (MUR).

(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 2006

5. INTEREST INCOME

	2006 Rs'000	2005 Rs'000
Interest on secured housing loans	562,071	526,570
Refund of interest differential from Government	10,492	12,641
Interest generated from Government grants	11,124	13,023
Housing deposits bonus from Government	17,407	17,709
Interest on bank deposits	9,802	13,043
Other interests	3,170	8,383
	614,066	591,369

6. INTEREST EXPENSE

	2006 Rs'000	2005 Rs'000
Interest expense on:		
- Bank overdrafts	3,975	1,615
- Bank and other loans repayable by instalments	171,497	150,823
- Debentures	37,583	46,522
- Exceptional Savings Scheme	32	47
- Plan Epargne Logement (PEL)	48,983	46,022
- NHDC loans	10,667	12,463
- Penalty for early repayment of loans (Note 15)	16,670	15,000
- Housing Deposit Certificates (HDC)	100,952	104,601
	390,359	377,093

7. OTHER INCOME

	2006 Rs'000	2005 Rs'000
Administration cover	13,774	25,801
Other commissions	27,649	31,086
Rental income	6,035	2,601
Profit on disposal of property, plant and equipment	-	170
Policy fees and charges on loans	2,753	3,434
Others	674	1,525
	50,885	64,617

Notes to the Financial Statements for the Year Ended 30 June 2006

8. OPERATING EXPENSES

	2006	2005
	Rs'000	Rs'000
Salaries	46,103	46,760
Retirement benefits (Voluntary Early Retirement)	1,274	2,773
Depreciation	7,524	7,430
Staff pension contributions	5,711	9,364
Maintenance and repairs	3,272	2,669
Travelling and transport	5,325	4,921
Staff welfare, training and study schemes	4,070	3,493
General expenses	1,075	858
Electricity charges	2,298	2,013
Passage benefits	1,634	1,582
Printing and stationery	860	1,559
Telephone charges	1,847	1,597
Motor vehicles running expenses	595	611
Directors' emoluments	1,958	2,067
Audit fees	425	403
Professional fees	468	737
'Family Protection Scheme' contribution	458	471
Entertainment expenses	353	384
Software maintenance costs	-	96
Rental of properties	1,544	1,320
Advertising	1,395	3,234
Overseas mission expenses	87	530
Postages	488	348
Legal fees and expenses	96	87
Bank charges	214	199
Loss on disposal of property, plant and equipment	783	-
Share of expenses on MHC/BPML joint venture project	-	896
	89,857	96,402

9. OPERATING PROFIT BEFORE PROVISION

	2006	2005
	Rs'000	Rs'000
Operating profit before provision is arrived at after charging/ (crediting):		
Charging:		
Depreciation on property, plant and equipment and investment property	7,524	7,430
Directors' emoluments (Note (a) below)	1,958	2,067
Auditors' remuneration	425	350
Interest payable (Note 6)	390,359	377,093
Staff costs (Note (b) below)	53,546	59,088
Loss on foreclosed properties	13,950	5,125

	2006	2005
Crediting:	Rs'000	Rs'000
Rental income from investment property	(3,556)	(2,304)
Interest income (Note 5)	(614,066)	(591,369)

Notes to the Financial Statements for the Year Ended 30 June 2006

9. OPERATING PROFIT BEFORE PROVISION (Contd)

(a) Directors' emoluments

	2006 Rs'000	2005 Rs'000
- Full time directors (both actual and former)	1,297	1,254
- Part time directors	661	813
	1,958	2,067

(b) Analysis of staff costs

	2006 Rs'000	2005 Rs'000
Wages and salaries	46,103	46,760
Pension costs and other contributions	6,169	9,555
Retirement benefits (Voluntary Early Retirement)	1,274	2,773
	53,546	59,088

The number of employees at the end of the year was:		
- Permanent	170	167
- On contract	7	7
- Temporary	13	15
	190	189

10. GENERAL RESERVE

	2006 Rs'000	2005 Rs'000
At 01 July	184,157	110,526
Transfer from revenue reserves (Note 22)	19,599	73,631
At 30 June	203,756	184,157

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.

11. EARNINGS PER SHARE

	2006 Rs'000	2005 Rs'000
Net profit for the year	119,944	110,753
Number of shares used in calculation	10,000,000	10,000,000
	Rs	Rs
Earnings per share	11.99	11.08

Notes to the Financial Statements for the Year Ended 30 June 2006

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land Rs'000	Housing Estates Rs'000	Improvement to Leasehold Property Rs'000	Buildings Rs'000	Furniture & Equipment Rs'000	Motor Vehicles Rs'000	Software Rs'000	Total Rs'000
COST OR VALUATION								
At 1 July 2005								
Cost	-	4,854	185	2,766	75,915	9,509	211	93,440
Valuation	120,290	-	-	66,183	-	-	-	186,473
	120,290	4,854	185	68,949	75,915	9,509	211	279,913
Additions	-	1,958	-	-	2,484	3,720	203	8,365
Disposals	-	-	-	-	(103)	(2,985)	-	(3,088)
At 30 June 2006	**120,290**	**6,812**	**185**	**68,949**	**78,296**	**10,244**	**414**	**285,190**
Cost	-	6,812	185	2,766	78,296	10,244	414	98,717
Valuation	120,290	-	-	66,183	-	-	-	186,473
At 30 June 2006	**120,290**	**6,812**	**185**	**68,949**	**78,296**	**10,244**	**414**	**285,190**
DEPRECIATION								
At 1 July 2005	-	-	185	3,941	61,663	4,232	211	70,232
Charge for the year	-	-	-	1,037	3,944	2,048	-	7,029
Disposals adjustment	-	-	-	-	(103)	(1,177)	-	(1,280)
At 30 June 2006	**-**	**-**	**185**	**4,978**	**65,504**	**5,103**	**211**	**75,981**
NET BOOK VALUES								
At 30 June 2006	**120,290**	**6,812**	**-**	**63,971**	**12,792**	**5,141**	**203**	**209,209**
At 30 June 2005	120,290	4,854	-	65,008	14,252	5,277	-	209,681

Notes to the Financial Statements for the Year Ended 30 June 2006

12. 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:

	2006 Rs'000	2005 Rs'000
Cost	25,163	25,163
Accumulated depreciation	(5,250)	(4,996)
Net book values	19,913	20,167

13. INVESTMENT PROPERTY

	Freehold Land Rs'000	Buildings Rs'000	Total Rs'000
COST/VALUATION			
Cost	-	20,478	20,478
Valuation	4,115	8,816	12,931
Additions	-	889	889
At 30 June 2006	4,115	30,183	34,298
Cost	-	21,367	21,367
Valuation	4,115	8,816	12,931
At 30 June 2006	4,115	30,183	34,298
DEPRECIATION			
At 1 July 2005	-	529	529
Charge for the year	-	495	495
At 30 June 2006	-	1,024	1,024
NET BOOK VALUES			
Cost	-	21,049	21,049
Valuation	4,115	8,110	12,225
At 30 June 2006	4,115	29,159	33,274
At 30 June 2005	4,115	28,765	32,880

Notes to the Financial Statements for the Year Ended 30 June 2006

14. NON-CURRENT RECEIVABLES

		2006	2005
		Rs'000	Rs'000
(a)	**Secured loans**		
	Fast loans	50,937	73,539
	Secured loans	5,972,180	5,737,314
	Total loans advanced	6,023,117	5,810,853
	Provisions for doubtful debts (Note (c) below)	(128,156)	(109,092)
	BPML Loan (Note 19)	(176,870)	(201,870)
		5,718,091	5,499,891
	Portion of loans receivable within one year shown under current assets (Note 18)	(508,143)	(508,143)
		5,209,948	4,991,748
(b)	**Grants**		
	Total grants receivable (Note 18 (b))	109,637	134,892
	Portion of grants receivable within one year shown under current assets (Note 18)	(25,495)	(25,689)
		84,142	109,203
	Total non-current receivables	5,294,090	5,100,951

		Specific Provision	General provision	Total
		Rs'000	Rs'000	Rs'000
(c)	**Provision for doubtful debts**			
	At 1 July 2005	54,730	57,018	111,748
	Movement during the year	21,077	(2,013)	19,064
	At 30 June 2006	75,807	55,005	130,812
(i)	Provision pertaining to secured loans	73,151	55,005	128,156
(ii)	Provision pertaining to other debtors	2,656	-	2,656
		75,807	55,005	130,812

15. LIABILITY ARISING FROM LOANS REFINANCING

(a) On 28 June 2004, 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 2004 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.

Notes to the Financial Statements for the Year Ended 30 June 2006

15. LIABILITY ARISING FROM LOANS REFINANCING (Contd)

	2006 Rs'000	2005 Rs'000
(b) Recognised in the balance sheet as financial asset and financial liability:		
Penalty fee	73,296	87,955
Repaid during the year (Note (c) below)	(14,659)	(14,659)
	58,637	73,296
Current portion (Note 18)	(14,659)	(14,659)
Non- Current portion	43,978	58,637

	2006 Rs'000	2005 Rs'000
(c) Payment effected during the year analysed into:		
Penalty payment	14,659	14,659
Interest payment	2,011	341
Included in interest expense (Note 6)	16,670	15,000

16. ASSETS HELD FOR TRADING

	2006 Rs'000	2005 Rs'000
Foreclosed properties	33,810	26,326

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

17. 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 2006, included in trade and other payables is an amount of Rs 54m (2005: Rs 21m) received as deposits from potential buyers. The deeds of sale of 18 housing units were finalised after the year end.

The Company has received offers from two potential buyers for 163 housing units. Negotiations with these potential buyers are still in process.

Notes to the Financial Statements for the Year Ended 30 June 2006

17. PROPERTY DEVELOPMENT (Contd)

	2006 Rs'000	2005 Rs'000
Value at 01 July	238,743	260,918
Movement during the year	2,936	3,825
Fair value adjustment	(4,022)	(26,000)
Value at 30 June	237,657	238,743

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. The directors consider the amount of Rs 237,657,000 to be a reflection of the fair value.

18. TRADE AND OTHER RECEIVABLES

	2006 Rs'000	2005 Rs'000
Trade receivables	79,104	70,651
Other debtors and prepayments (Note (a) below)	51,552	49,308
Secured loans-short term receivables (Note 14(a))	508,143	508,143
Current portion of penalty fee (Note 15(b))	14,659	14,659
Grants (Note 14(b))	25,495	25,689
	678,953	668,450

		2006 Rs'000	2005 Rs'000
(a)	Other debtors and prepayments	54,208	51,964
	Provision for doubtful debts (Note 14(c)(ii))	(2,656)	(2,656)
		51,552	49,308
(b)	GRANTS – Government of Mauritius (see Note 14(b))		
	At 1 July	134,892	158,483
	Subsidies granted during the year	240	1,080
	Grants received during the year	(25,495)	(24,671)
	At 30 June	109,637	134,892

19. LOANS - BPML

The Company has provided loans to Business Parks of Mauritius Ltd (BPML) of Rs 176,870,000 (2005: Rs 201,870,000) in order to enable the latter to meet its financial obligations under the joint venture agreement, as fully described in Note 17. 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.

Notes to the Financial Statements for the Year Ended 30 June 2006

20. SHARE CAPITAL

	2006 Rs'000	2005 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

21. REVALUATION AND OTHER RESERVES

	At 1 July 2005		Movements during the year DR		CR		At 30 June 2006
	Rs'000		Rs'000		Rs'000		Rs'000
Building Insurance Reserve	135,674		(173)		20,641	(a)	156,142
Life Assurance Reserve	148,637		(13,235)	(b)	31,204	(c)	166,606
Mortgage Insurance Reserve	271		-		557	(d)	828
Foreclosed Property Reserve	260		-		-		260
EDF Revolving Fund	12,067		-		-		12,067
Revaluation Reserves	187,059	(g)	-		-		187,059
General Reserve (Note (f))	184,157		-		19,599	(e)	203,756
	668,125		(13,408)		72,001		726,718

(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. At 30 June 2006, General Reserve includes Rs 58,625 in respect of 1% statutory provision on net secured loans.

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

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

22. REVENUE RESERVES

	2006 Rs'000	2005 Rs'000
At 01 July	904,696	867,574
Profit for the year	119,944	110,753
Transfer to General Reserve (i) 15% profit for the year	(17,992)	(16,613)
(ii) 1% statutory provision on net secured loans	(1,607)	(57,018)
Dividends (Note 23)	(22,151)	-
At 30 June	982,890	904,696

Notes to the Financial Statements for the Year Ended 30 June 2006

23. DIVIDENDS PROPOSED

	2006 Rs'000	2005 Rs'000
Dividends proposed	23,989	22,151
	Rs	Rs
Dividend per share	2.40	2.21

(a) A dividend of Rs 2.21 per share was proposed after 30 June 2005 but before the 2005 financial statements were authorised for issue. The dividend was treated as a non-adjusting event in the financial statements for the year ended 30 June 2005 as the Company has adopted International Accounting Standard (IAS) 10 before its effective date (see Note 3(t)). This dividend was accounted for in the financial statements for the year ended 30 June 2006.

(b) A dividend of Rs 2.40 per share was proposed after 30 June 2006 but before the financial statements were authorised for issue. This dividend is treated as a non-adjusting event in accordance with the Company's accounting policy.

24. BORROWINGS

	2006 Rs'000	2005 Rs'000
Current		
Bank overdrafts (Secured)	62,389	215,695
Debentures (Note (a) below)	78,500	92,784
Loan capital (Note (b) below)	79,423	48,102
Bank loans (Note (c) below)	190,000	145,000
	410,312	501,581
Non-current		
Debentures (Note (a) below)	271,000	342,358
Loan capital (Note (b) below)	329,828	433,626
Bank loans (Note (c) below)	1,546,666	1,155,000
Loan – Government of Mauritius (Note (d) below)	11,162	11,162
	2,158,656	1,942,146
Total borrowings	2,568,968	2,443,727

(a) **Debentures**

	2006 Rs'000	2005 Rs'000
9.5% MHC, 29 November 2008 – BOM	150,000	150,000
9.98% MHC, 06 April 2008 – SBM	45,000	67,500
10% MHC, 12 May 2008 – SICOM	10,000	15,000
8.5% MHC, 04 June 2008 – IOIB	17,000	25,500
9.75% MHC, 6 September 2005 – SICOM	-	7,142
10% MHC, 6 September 2008 – SICOM	15,000	20,000
9.65% MHC, 4 October 2008 – SBM	37,500	50,000
9.65% MHC, 11 October 2008 – SBM	75,000	100,000
	349,500	435,142
Less: Repayable within one year shown as short term loans	(78,500)	(92,784)
	271,000	342,358

The above debentures of guaranteed by the government.

24 (b) BORROWINGS (Contd) - LOAN CAPITAL

Rate of interest	Balance brought forward Lenders	Terms of repayment	Repayment period From-To		2006 Rs' 000	2005 Rs' 000
7.5 %	Government of Mauritius	Half Yearly	19.03.1992-19.09.2011	Nil	644	761
2.5 %	European Development Fund	Half Yearly	30.12.1991-30.06.2021	"	24,746	26,092
8.5 %	Cargo Handling Corporation	Yearly	30.06.1998-30.06.2017	"	3,686	3,793
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
6.8 %	National Pension Fund	Yearly	04.05.1989-04.05.2008	"	1,848	2,685
8.8 %	National Pension Fund	Yearly	17.03.1987-17.03.2006	"	-	4
8.8 %	National Pension Fund	Yearly	19.12.1991-19.12.2010	"	1,688	1,948
10.8 %	National Pension Fund	Yearly	18.12.1991-18.12.2010	"	460	527
6.8 %	National Pension Fund	Yearly	09.07.2003-09.07.2023	"	383	446
9.5 %	National Pension Fund	Half Yearly	28.07.1993-28.01.2008	Guaranteed by Government of Mauritius	78,906	113,194
9.5 %	National Pension Fund	Half Yearly	29.10.1993-29.04.2008		22,536	32,341
	Balance carried forward				136,897	183,911

Notes to the Financial Statements for the Year Ended 30 June 2006

24 (b) BORROWINGS (Contd) - LOAN CAPITAL

Rate of Interest		Lenders	Terms of repayment	Repayment period From-To	Security	2006 Rs' 000	2005 Rs' 000
		Balance brought forward				136,897	183,911
9.5	%	Government of Mauritius /USAID	Yearly	30.11.1991-30.11.2010	Guaranteed by the	13,770	16,524
7.5	%	Government of Mauritius/USAID	Half Yearly	29.05.1991-29.11.2010	Govt of Mauritius	3,488	4,263
12	%	Sugar Insurance Fund Board	Yearly	20.03.1980-20.11.2014	"	64,000	72,000
6	%	Mauritius Marine Authority	Yearly	29.12.1990-29.12.2009	"	3,348	3,980
6	%	Mauritius Marine Authority	Yearly	30.04.1995-28.02.2014	"	5,414	5,930
6	%	Mauritius Marine Authority	Yearly	29.12.1996-29.12.2015	Nil	1,284	1,375
6	%	Mauritius Marine Authority	Yearly	11.09.1998-11.07.2017	"	3,654	3,859
5	%	Mauritius Marine Authority	Yearly	28.07.1999-28.07.2018	"	1,131	1,191
5	%	Mauritius Marine Authority	Yearly	23.02.2001-23.02.2020	"	3,971	4,164
5	%	Mauritius Marine Authority	Yearly	03.05.2002-03.05.2021	"	4,581	4,783
5	%	Mauritius Marine Authority	Yearly	09.07.2003-09.07.2023	"	2,250	2,327
5	%	Mauritius Marine Authority	Yearly	20.05.2002-20.05.2022	"	2,340	2,443
'	%	Mauritius Marine Authority	Yearly	Part of loan disbursed	"	4,265	-
5	%	Mauritius Marine Authority	Yearly	Part of loan disbursed	"	1,000	930
8	%	The National Savings Fund	Half Yearly	31.03.2000-30.09.2014	"	45,333	50,667
9	%	The National Savings Fund	Half Yearly	30.06.2001-31.12.2015	Guaranteed by the Govt of Mauritius	61,850	65,835
7.5	%	Government Sponsored Loan	Half Yearly	21.06.1991-31.01.2012	"	15,500	18,500
7.5	%	Government Sponsored Loan	Half Yearly	31.07.1992-31.01.2012	"	6,000	7,000
2.5	%	Government of Mauritius	Yearly	17.10.1978-18.06.2024	"	9,825	10,396
3	%	Bank of Mauritius	No Fixed repayment terms		"	19,342	21,650
						409,251	481,728
Less repayable within one year shown as short term loans						(79,423)	(48,102)
						329,828	433,626
Repayable by instalments							
- after one year and before five years						181,194	201,341
- after five years						127,293	207,705
Repayable terms not yet finalised						2,000	2,930
Repayable other than by instalments						19,342	21,650
						329,829	433,626

Notes to the Financial Statements for the Year Ended 30 June 2006

24. BORROWINGS (Contd)

24. See list on pages 60 and 61.

(c) Bank loans

	2006 Rs'000	2005 Rs'000
7.5% - 9.50% per annum bank loans repayable by monthly instalments and guaranteed by the Government of Mauritius	1,736,666	1,300,000
Current		
Portion repayable within one year	190,000	145,000
Non-current		
Portion repayable after one year and before five years	701,666	580,000
Portion repayable after five years	845,000	575,000
	1,546,666	1,155,000
Total	1,736,666	1,300,000

(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:

	2006 Rs'000	2005 Rs'000
Net liability on funded obligations (Note (a) below)	14,031	14,311
Adjustment for staff costs	(51)	(222)
Funds kept within the Company	10,560	10,560
	24,540	24,649

Notes to the Financial Statements for the Year Ended 30 June 2006

25. RETIREMENT BENEFIT OBLIGATIONS (Contd)

	2006 Rs'000	2005 Rs'000
(a) Funded obligations		
Present value of funded obligations	148,676	136,996
Present value of unfunded obligations	1,256	-
Fair value of plan assets	(140,672)	(123,994)
	9,260	13,002
Unrecognised actuarial loss	4,771	1,309
Net liability	14,031	14,311

The amounts recognised in the income statement are as follows:

	2006 Rs'000	2005 Rs'000
Current service cost	4,977	4,798
Interest cost	14,385	15,748
Expected return on plan assets	(13,651)	(11,777)
Actuarial loss recognised	-	595
Total included in staff costs	5,711	9,364
Actual return on plan assets	16,470	12,142

Movement in the liability recognised in the balance sheet:

	2006 Rs'000	2005 Rs'000
At 1 July	14,311	10,613
Total expenses as above	5,711	9,364
Contributions paid	(5,991)	(5,666)
At 30 June	14,301	14,311

	2006	2005
Main assumptions:		
Discount rate	10.5%	10.5%
Expected return	11.0%	11.0%
Pension increase	6.5%	7.5%
Salary increase	8.5%	8.5%

Notes to the Financial Statements for the Year Ended 30 June 2006

26. FEL SAVINGS ACCOUNTS AND HOUSING DEPOSITS

	2006 Rs'000	2005 Rs'000
(a) FEL and other savings accounts		
Capital	716,861	682,056
Interest payable	398,763	383,415
Other savings accounts	1,588	1,553
	1,117,212	1,067,024
(b) Housing Deposits Certificates- HDC		
Capital	983,755	1,010,133
Interest payable	61,144	48,981
	1,044,899	1,059,114
Portion repayable within one year	(307,884)	(27,564)
Portion repayable after one year	737,015	1,031,550

27. LOAN – NHDC

	2006 Rs'000	2005 Rs'000
At 1 July	142,326	163,661
Repayment of capital	(21,335)	(21,335)
At 30 June	120,991	142,326
Portion repayable within one year	(21,335)	(21,335)
Portion repayable after one year	99,656	120,991

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

28. TRADE AND OTHER PAYABLES

	2006 Rs'000	2005 Rs'000
Trade payables	84,662	48,575
Other creditors and accruals	12,106	5,340
Unpaid dividend	-	10,812
Current portion of penalty fee (Note 15(b))	14,659	14,659
Interest suspended	126,452	98,697
	237,879	178,083

Notes to the Financial Statements for the Year Ended 30 June 2006

29. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

	2006 Rs'000	2005 Rs'000
Net profit	119,944	110,753
Adjustments for items not involving the movements of funds:		
Depreciation	7,524	7,430
Fair value adjustment	-	26,000
Provision for bad debts	19,064	27,754
Interest suspended	27,755	12,859
Profit on sale of property, plant and equipment	783	(170)
Retirement benefits obligations	(280)	3,698
Loss on sale of foreclosed properties	13,950	5,125
Interest expense	390,359	377,093
Interest income	(575,043)	(547,996)
Grants and subsidies	(52,797)	(69,450)
Changes in working capital:		
- trade and other receivables	(11,596)	37,012
- trade and other payables	45,379	22,137
- other reserves	38,994	36,425
Cash generated from operations	24,036	48,670

(b) Cash and cash equivalents

	2006 Rs'000	2005 Rs'000
Cash at bank and in hand	261,034	108,843
Bank overdrafts	(62,389)	(215,695)
	198,645	(106,852)

(i) 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 (Note 25).

(ii) A fixed deposit of Rs 50m has been given as guarantee for banking facilities availed to the Company

(c) Secured loans granted – net

	2006 Rs'000	2005 Rs'000
Loans disbursed during the year	692,501	866,564
Repayment of loans by customers	(454,668)	(424,520)
	237,833	442,044

Notes to the Financial Statements for the Year Ended 30 June 2006

30. COMMITMENTS

	2006 Rs'000	2005 Rs'000
(a) Loans		
Loans approved but not yet disbursed to individuals	103,818	319,791
Loans to NHDC but not yet disbursed	450,000	450,000
	553,818	769,791

(b) Capital commitments

The Company does not have any commitments authorised and contracted at the balance sheet date.

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

	2006 Rs'000	2005 Rs'000
Minimum lease payment receivable under operating lease recognised in income statement	3,556	2,304

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

	2006 Rs'000	2005 Rs'000
Within one year	4,331	2,304
Between 2 and 5 years	14,527	13,245
After more than 5 years	3,454	5,758
	22,312	21,307

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.

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

	2006 Rs'000	2005 Rs'000
Minimum lease payment under operating lease recognised in income statement	1,274	1,343

Notes to the Financial Statements for the Year Ended 30 June 2006

30. COMMITMENTS (Contd)

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

	2006 Rs'000	2005 Rs'000
Within one year	1,274	1,274
Between 2 and 5 years	605	1,879
	1,879	3,153

Operating lease payments represent rental for office buildings. The leases are negotiated for an average term of 3-5 years and rentals 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 2006 is:

	2006 Rs'000	2005 Rs'000
Net amount due by the Government at 01 July	17,004	33,246
Amounts claimed during the year:		
Interest differential	10,492	12,641
Grants	36,978	36,949
Administration cover	13,774	25,801
Housing deposit bonus	17,407	17,709
PEL bonus	336	276
	95,991	126,622
Amount received from the Government during the year	(96,573)	(109,618)
Net amount (due to)/by the Government at 30 June	(582)	17,004

The net amount (due to)/by the Government is included in other debtors and prepayments in Note 18.

Notes to the Financial Statements for the Year Ended 30 June 2006

33. RELATED PARTIES TRANSACTIONS

For the year ended 30 June 2006, the Company had transactions with related parties. The volume and balances of these transactions are as follows:

	Nature of Transactions	Volume of transactions Rs'000	(Credit)/ debit balances at 30 June 2006 Rs'000	(Credit)/ debit balances at 30 June 2005 Rs'000
SICOM	Debentures	17,142	(25,000)	(42,142)
	Interest	3,150	-	-
National Pension Fund	Loans	45,326	(105,821)	(151,147)
	Interest	16,887	(3,644)	(5,132)
Government of Mauritius	Loans	9,562	(73,974)	(83,536)
	Interest	5,087	(550)	(641)
Directors and key management personnel	Emoluments	6,136	-	-
	Deposits	365	(2,043)	(2,408)
	Loans	2,501	5,460	7,961

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

	2006 Rs'000	2005 Rs'000	2004 Rs'000	2003 Rs'000	2002 Rs'000
Share capital	100,000	100,000	100,000	100,000	100,000
Net profit	119,944	110,753	135,147	119,936	131,554
Revenue reserves	982,890	904,696	867,574	831,493	756,544
Revaluation and other reserves	726,718	668,125	558,069	517,956	466,058
Dividends	23,989	22,151	27,029	15,591	17,102

35. CONTINGENCIES

At 30 June 2006, the Company has no material litigation or claims outstanding, pending or threatened against it, which would have a material adverse effect on its financial position or financial results.

Notes to the Financial Statements for the Year Ended 30 June 2006

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

Except for 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 2006 financial statements.