

## THE NMF PROPERTY TRUST

### TRUST CONSTITUTION

The NMF PROPERTY TRUST is constituted under the NMF UNIT TRUST which is authorised under the Unit Trust Act 1989 and established by a Trust Deed dated 30 May 1990 and a supplemental deed dated 28 November 1990 made between the National Mutual Fund Ltd ("The Manager") and the State Bank of Mauritius ("The Trustee").

### TRUST OBJECTIVE

The aim of the NMF PROPERTY TRUST is to produce long term capital appreciation with average income distribution from a portfolio of prime properties in Mauritius. Furthermore, with a significant proportion of our assets invested overseas, the Trust remains well positioned to realize its objective.

## MANAGERS' REPORT

For the year ended 31 March 2006

### ECONOMIC REVIEW

Preliminary estimates indicate that in 2005, the Mauritian economy grew by 2.7% in real terms. As for the main sectors of economic activity, the agricultural sector contracted by 6.5% following a relatively poor sugar crop, while manufacturing also declined by 5% amid a 12.3% contraction in the EPZ sector. Similarly, the construction declined by 4.4% following waning investment by the public sector. On the other hand, the financial intermediation sector grew by 7.2% due to robust performances from the insurance and offshore activities. As for the tourism, the sector posted a growth rate of 5.6% following a significant increase in tourist arrivals.

Turning to the country's main economic fundamentals, during the year

under review, the investment rate fell to reach 21.4% of GDP. Furthermore, a look at consumer price inflation shows that for the calendar year 2005, it stood at 4.9% while, the unemployment rate also rose to 9.5%. As for the budget deficit, for the financial year 2004/05, it contracted to reach 4.9% of GDP.

On the external front, the balance of payments has posted a deficit of Rs 3.1 bn, while at the end of 2005, net international reserves were sufficiently strong to cover about 33 weeks of imports. Finally, on the monetary scene, the Lombard rate rose to 11.50%.

The economic prospects for 2006 seem to be brighter with the economy expected to grow by 4.7%. On a sectoral basis, both the agricultural sector and the manufacturing one

are expected to post significantly improved results amid an anticipated better sugar crop and stabilisation of the EPZ sector respectively. Similarly, the construction sector is expected to experience a marked improvement following the construction of new hotels and the implementation of IRS projects, while, the financial intermediation sector is also expected to register a solid performance on the back of continued buoyant activities in the offshore and insurance sectors. As for tourism, although the spread of Chikungunya has taken its toll on the number of tourist arrivals for the year, the sector is expected to maintain a reasonable growth rate.

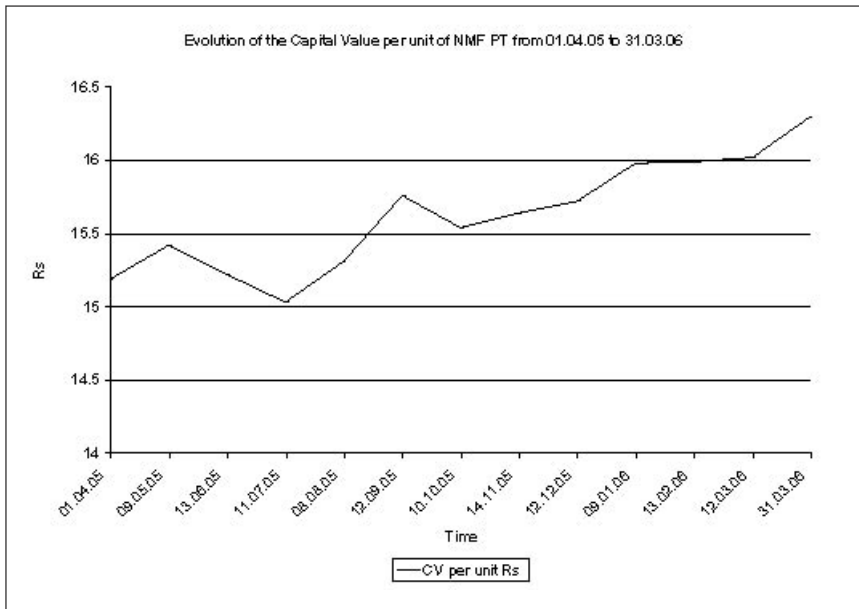
## PERFORMANCE REVIEW

### - Capital

The Trust's Capital Value per unit increased by 7.3 % during the financial year under review to reach Rs 16.30 on 31 March 2006 compared to Rs 15.19 a year earlier. Such a performance is mainly attributable to the positive results recorded on our investments in the Norwich Union Property Trust which appreciated by 14% (i.e., Rs 7.2m) in Rupee terms despite the negative impact of the 1.7% depreciation of the GBP against the local currency. As for our local portfolio, it remained mostly unchanged.

### - Income

For the financial year under consideration, the Trust's Net Income after Tax stood at Rs 3.6m compared to Rs 3.3m last year. Such a result is mainly attributable to the fact that the tax bill for the current financial year has come



up significantly lower than during the previous period (i.e, about Rs 0.4m). Furthermore, during the period under review, we have also received higher dividend income from our overseas investment (i.e, Rs 1.6m compared to Rs 1.5m in 2005). Against such a background, the Trust has been able to keep the dividend distributed to unitholders at more or less the same level as last year at Rs 0.53 per unit.

**- Total Return**

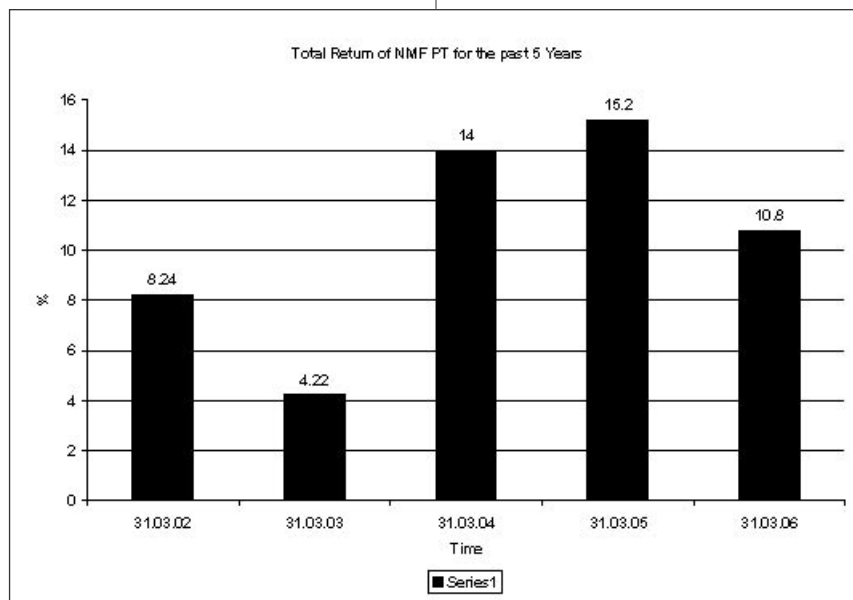
Combining both the capital value and the total income distributed during the financial year shows that at 31.03.06, the Net Asset Value per unit of the Trust reached Rs 16.83, i.e., an increase of 10.8%. Such a result compares favourably to the average returns achieved during the past five years as shown below:

**LOOKING AHEAD**

Over the medium term we remain cautiously optimistic on our ability to deliver added value to our unit-holders. We are reinforced in our views by the following considerations:

- We are currently looking for a new tenant to occupy the vacant premises situated at the Moorgate House. Any favourable response should have a positive impact on our monthly revenue stream.
- Our overseas investment in the Norwich Union Property Trust offers good medium-term prospects, as the U.K's commercial property market seems to be heading for further growth this year.

The National Mutual Fund Ltd



## REPORT OF THE AUDITORS TO THE UNITHOLDERS OF THE NMF PROPERTY TRUST (Constituted under the NMF Unit Trust)

WE HAVE AUDITED the financial statements of NMF Property Trust set out on pages 4 to 16.

### Respective responsibilities of Manager, Trustee and Auditors

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the financial statements comply with the Trust Deed and are prepared in accordance with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustee is required to take reasonable care to ensure compliance by the Manager with all relevant requirements. 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 Manager and the Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately dis-

closed.

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 reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or interests in, the Fund, other than in our capacities as auditors.

### Opinion

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

In our opinion:


- proper accounting records have been kept by the Fund as far as appears from our examination of those records; and
- the financial statements give a true and fair view of the state of the Fund as at 31 March 2006, and of its income and distribution statement and statement of movement in net assets and cash flows for the year then ended and have been properly prepared in compliance with the Trust Deed and in accordance with International Financial Reporting Standards.

**The NMF Property Trust**  
**STATEMENT OF ASSETS AND LIABILITIES**  
at 31 March 2006

	Note	2006 (Rs)	2005 (Rs)	% of Fund	
				2006	2005
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investment properties	6	30,077,591	30,077,591	28.76	30.06
Foreign securities	7	60,063,297	51,357,218	57.42	51.33
		<b>90,140,888</b>	<b>81,434,809</b>	<b>86.18</b>	<b>81.39</b>
<b>CURRENT ASSETS</b>					
Treasury bills	8	10,565,994	19,459,468	10.10	19.45
Trade and other receivables	9	1,143,233	212,057	1.09	0.21
Local bank deposit	10	5,469,687	1,667,145	5.23	1.67
		<b>17,178,914</b>	<b>21,338,670</b>	<b>16.42</b>	<b>21.33</b>
<b>TOTAL ASSETS</b>		<b>107,319,802</b>	<b>102,773,479</b>	<b>102.60</b>	<b>102.72</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Bank overdraft		68,248	29,611	0.06	0.03
Trade and other payables	11	778,041	782,576	0.74	0.78
Current tax liability	12	393,543	591,101	0.38	0.59
Dividend proposed		1,482,357	1,323,381	1.42	1.32
		<b>2,722,189</b>	<b>2,726,669</b>	<b>2.60</b>	<b>2.72</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>					
	13	<b>104,597,613</b>	<b>100,046,810</b>	<b>100.00</b>	<b>100.00</b>

Approved by the Manager of the NMF Property Trust on ... 2006.

The National Mutual Fund Ltd



**The NMF Property Trust**  
**INCOME AND DISTRIBUTION STATEMENT**  
for the year ended 31 March 2006

	Note	2006 Rs	2005 Rs
<b>GROSS INCOME</b>			
Dividend income		1,648,711	1,531,293
Interest income	14	1,112,982	1,467,929
Rental income		2,427,600	2,427,600
		<b>5,189,293</b>	<b>5,426,822</b>
<b>FUND EXPENSES</b>			
Manager's fees	15	998,138	959,348
Trustee's fees	16	71,296	68,529
Auditors' remuneration - audit fee		47,150	37,200
Maintenance of building and sewerage		317,310	267,543
Printing, postages and stationery		32,962	17,700
Municipal tax		104,604	104,604
Bank charges		4,633	31,226
		1,576,093	1,486,150
<b>NET INCOME FROM OPERATING ACTIVITIES</b>		<b>3,613,200</b>	<b>3,940,672</b>
<b>EQUALISATION</b>			
Income received on units created		20,633	37,319
Income paid on units liquidated		(45,227)	(50,264)
		(24,594)	(12,945)
<b>NET INCOME BEFORE TAXATION</b>		<b>3,588,606</b>	<b>3,927,727</b>
<b>TAXATION</b>	12	<b>(388,450)</b>	<b>(634,029)</b>
<b>NET INCOME AFTER TAXATION</b>		<b>3,200,156</b>	<b>3,293,698</b>
<b>FINANCE COSTS</b>			
Distributions to unitholders	17	(3,200,156)	(3,293,698)
<b>NET INCOME BEFORE NET GAINS ON INVESTMENTS</b>		-	-
<b>NET GAINS ON INVESTMENTS</b>			
Net increase in fair value of HFT investments		7,222,239	10,206,991
<b>NET INCOME AFTER NET GAINS ON INVESTMENTS</b>		<b>7,222,239</b>	<b>10,206,991</b>

**STATEMENT OF MOVEMENTS IN NET ASSETS  
ATTRIBUTABLE TO UNITHOLDERS**  
for the year ended 31 March 2006

	Investments Rs	Other Net Assets Rs	Total Rs
<b>Net assets attributable to unitholders at 1 April 2004</b>	96,880,889	(7,025,450)	89,855,439
<b>Movement in units</b>			
Cash received for units created	-	6,271,266	6,271,266
Cash paid for units liquidated	-	(6,286,886)	(6,286,886)
<b>Net cash from movement in units</b>	-	(15,620)	(15,620)
<b>Movement in investments</b>			
Cost of investments purchased	20,247,712	(20,247,712)	-
Proceeds of investments sold	(14,384,628)	14,384,628	-
<b>Net cash from movement in investments</b>	5,863,084	(5,863,084)	-
Net income after net gains on investments for the year	-	10,206,991	10,206,991
Transfer of net gains on investments	10,206,991	(10,206,991)	-
	10,206,991	-	10,206,991
<b>Net assets attributable to unitholders at 31 March 2005</b>	112,950,964	(12,904,154)	100,046,810
<b>Net assets attributable to unitholders at 1 April 2005</b>	112,950,964	(12,904,154)	100,046,810
<b>Movement in units</b>			
Cash received for units created	-	4,389,763	4,389,763
Cash paid for units liquidated	-	(7,061,199)	(7,061,199)
<b>Net cash from movement in units</b>	-	(2,671,436)	(2,671,436)
<b>Movement in investments</b>			
Cost of investments purchased	11,440,044	(11,440,044)	-
Proceeds of investments sold	(18,869,548)	18,869,548	-
<b>Net cash from movement in investments</b>	(7,429,504)	7,429,504	-
Net income after net gains on investments for the year	-	7,222,239	7,222,239
Transfer of net gains on investments	7,222,239	(7,222,239)	-
	7,222,239	-	7,222,239
<b>Net assets attributable to unitholders at 31 March 2006</b>	112,743,699	(8,146,086)	104,597,613

**The NMF Property Trust**  
**CASH FLOW STATEMENT**  
for the year ended 31 March 2006

	Note	2006 Rs	2005 Rs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Income before Taxation			
(after finance costs and net gains on investments)		7,610,689	10,841,020
Adjustments for:			
Adjustment to foreign securities		(164,871)	(153,129)
Net Increase in Fair Value of HFT Investments		(7,222,239)	(10,206,991)
Finance Costs - Distributions to Unitholders		3,200,156	3,293,698
<b>Operating profit before working capital changes</b>		<b>3,423,735</b>	<b>3,774,598</b>
(Increase)/decrease in trade and other receivables		(951,046)	116,339
Decrease in trade and other payables		(4,535)	(63,453)
<b>CASH GENERATED FROM OPERATIONS</b>		<b>2,468,154</b>	<b>3,827,484</b>
Tax Paid		(421,137)	(434,871)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>2,047,017</b>	<b>3,392,613</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of Investments		(11,440,044)	(20,247,712)
Proceeds on Disposal or Maturity of Investments		18,869,548	14,384,628
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>7,429,504</b>	<b>(5,863,084)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net Proceeds on Movement in Units		(2,671,436)	(15,620)
Distributions to Unitholders		(3,041,180)	(3,546,717)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(5,712,616)</b>	<b>(3,562,337)</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>3,763,905</b>	<b>(6,032,808)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 APRIL</b>	18	<b>1,637,534</b>	<b>7,670,342</b>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	18	<b>5,401,439</b>	<b>1,637,534</b>

**The NMF Property Trust**  
**NOTES TO THE ACCOUNTS**  
 for the year ended 31 March 2006

**1. GENERAL INFORMATION**

The NMF Property Trust ("The Fund") was established as a Unit Trust by a Trust Deed dated 28 November 1990 between The National Mutual Fund Ltd ("The Manager") and The State Bank of Mauritius Ltd ("The Trustee").

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

In the current period, the Fund has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Fund's accounting policies that have affected the amounts reported for the current or prior years.

Specifically, IAS 32 (Revised 2003) and IAS 39 (Revised 2003) as well as the early adoption of the "Amendment to IAS 39 - The Fair Value Option" permit the Fund to designate any financial asset or financial liability as at fair value with changes in fair value recognised through profit or loss ("at FVTPL") provided that the financial asset or financial liability satisfies certain conditions.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not

- yet effective:
- IAS 19 (Revised 2004) Employee Benefits
  - IFRS 6 Exploration for and Evaluation of Mineral Resources
  - IFRS 7 Financial Instruments: Disclosure
  - IFRIC 4 Determining whether an Arrangement contains a Lease
  - IFRIC 5 Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
  - IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
  - IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
  - IFRIC 8 Scope of IFRS 2
  - IFRIC 9 Reassessment of Embedded Derivatives

The Manager and the Trustee anticipate that the adoption of the relevant Standards and Interpretations in future periods will not have a material impact on the financial statements of the Fund.

**3. ACCOUNTING POLICIES**

The principal accounting policies adopted by the Fund are as follows:

**(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments including investment properties, and in accordance with International Financial Reporting Standards ("IFRS").

**(b) Income recognition**

- (i) Dividend income is recognised on the ex-dividend date.
- (ii) Interest is accounted for on an accrual basis.
- (iii) Rent on properties are credited to the Income and Distribution Statement on a receivable basis.

**(c) Investment properties**

Properties held to earn rentals and/or capital appreciation, are stated at their fair value at the balance sheet date. Fair value is determined periodically by independent valuers and as reassessed by the manager based on current rental value.

Increases and decreases in the carrying amount arising from revaluation of investment properties are recognised in the Income and Distribution Statement in the period in which they arise.

**(d) Financial instruments**

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

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out as follows:

**(i) Investments**

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, investments classified as held-to-maturity ("HTM") or loans-and-receivables ("L&R") are measured at amortised cost, less any impairment loss. Investments other than HTM and L&R securities are classified as either held-for-trading ("HFT"), which is a subset of the fair-value-through-profit-or-loss ("FVTPL") Category, or available-for-sale ("AFS") and are normally measured at subsequent reporting dates at fair value. However, AFS investments which do not have a quoted market price and whose fair value cannot be reliably measured are subsequently measured at amortised cost or cost, depending on whether they have a fixed maturity or not, less any impairment loss.

For FVTPL (including HFT) assets and liabilities, unrealised gains and losses are included in the Income and Distribution Statement. For AFS investments, unrealised gains and losses are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity in respect of that security is included in the Income and Distribution Statement.

The Fund has the possibility to designate any financial asset or financial liability as at FVTPL, i.e. at fair value with changes in fair value recognised through profit or loss provided that the financial asset or financial liability satisfies certain conditions.

The gains and losses on disposal of HFT and AFS investments are recognised in the Income and Distribution Statement.

Management determines the appropriate classification of the Fund's investments and re-evaluates such classification on a regular basis.

**(ii) Units**

Units of the Fund, which are redeemable at any time at the option of the unitholder for cash, do not have a par value and an unlimited number of units may be issued. The units are financial liabilities and therefore the net assets attributable to unitholders are classified within liabilities in the Statement of Assets and Liabilities and distributions to unitholders are included as finance costs in the Income and Distribution Statement.

**(iii) Receivables**

Receivables are stated at their nominal value, as reduced by appropriate allowances for irrecoverable amounts.

**(iv) Payables**

Payables are stated at their nominal value.

**(e) Equalisation**

Accrued income included in the issue and repayment prices of units are dealt with in the Income and Distribution Statement.

**(f) Foreign currency translation**

Foreign currency transactions are converted into rupees at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the accounting period are translated into rupees at the rate of exchange ruling at that date. Resulting exchange differences are recognised in the Income and Distribution Statement.

**(g) Impairment**

The carrying amounts of assets are assessed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the Fund estimates the recoverable amount of the asset, being the higher of the asset's net selling

price and its value in use, and reduces the carrying amount of the asset to its recoverable amount.

**(h) Provisions**

A provision is recognised when and only when there is a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**(i) Deferred taxation**

Deferred taxation is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

**(j) Cash and cash equivalents**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are measured at fair value, based on the relevant exchange rates at balance sheet date.

#### 4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The

actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 5. UNITS

	No. of units	Rs
<b>(a) Movement in units during the period</b>		
At 1 April 2004	<b>6,573,689.78</b>	<b>89,855,439</b>
Units created	442,270.88	6,271,266
Units liquidated	(437,549.00)	(6,286,886)
Income and distribution account for the year	-	10,206,991
At 31 March 2005	<b>6,578,411.66</b>	<b>100,046,810</b>
At 1 April 2005	<b>6,578,411.66</b>	<b>100,046,810</b>
Units created	284,547.74	4,389,763
Units liquidated	(457,457.11)	(7,061,199)
Income and distribution account for the year	-	7,222,239
At 31 March 2006	<b>6,405,502.29</b>	<b>104,597,613</b>
	<b>2006 (Rs)</b>	<b>2005 (Rs)</b>
<b>(b) Net asset value per unit</b>	16.33	15.21
<b>(c) Prices per unit</b>		
Issue price	16.39	15.26
Repayment price	15.98	14.88

#### 6. INVESTMENT PROPERTIES

(a) At fair value

	Freehold land and building (Rs)
At 1 April 2005 and 31 March 2006	<b>30,077,591</b>

The fair value of the freehold land and buildings was reassessed by the Manager at the balance sheet date.

(b) Rental income earned and direct operating expenses incurred by the Fund in respect of investment properties are as follows:

	2006 (Rs)	2005 (Rs)
Rental income	2,427,600	2,427,600
Direct operating expenses	421,914	372,147

(c) The portfolio of properties shown in the balance sheet is detailed as follows:

Property	Type/Description	Tenant	Lease Term
5th Floor Moorgate House Sir William Newton Street Port Louis	Freehold One floor of office accommodation containing 476.37m <sup>2</sup> (i) 297.36m <sup>2</sup>  (ii) 179.01m <sup>2</sup>	The National Mutual Fund Ltd  Vacant	Lease of 3 years from 1 August 1997
2nd Floor Moorgate House Sir William Newton Street Port Louis	Freehold One floor of office accommodation containing 444.39m <sup>2</sup>	Ministry of Housing and Lands	Lease of 3 years from September 2002

## 7. FOREIGN SECURITIES

2005	At 1 April		Net increase	At 31 March
Rs	Additions	in fair value	2006	Rs
	Rs	Rs		
Held-for-trading investments	51,357,218	1,483,840	7,222,239	60,063,297

## 8. TREASURY BILLS

	Rate	2006	2005
		Rs	Rs
728 Days Treasury bills expiring 27 April 2007	6.90%	9,956,204	-
359 Days Treasury bills expiring 20 January 2006	6.05%	-	3,964,128
260 Days Treasury bills expiring 22 April 2005	5.06%	-	14,905,420
		<b>9,956,204</b>	<b>18,869,548</b>
Interest receivable		609,790	589,920
		<b>10,565,994</b>	<b>19,459,468</b>

Treasury bills are classified as L&R and are stated at amortised cost.

## 9. TRADE AND OTHER RECEIVABLES

	2006 (Rs)	2005 (Rs)
Interest receivable	77,992	-
Prepayments	26,158	119,255
Others	1,039,083	92,802
	<b>1,143,233</b>	<b>212,057</b>

## 10. LOCAL BANK DEPOSIT

The local bank deposit of Rs 5,469,687 (2005: Rs1,667,145) is at call and bears interest at 6.0% (2005: 4.50%) per annum.

## 11. TRADE AND OTHER PAYABLES

	2006 (Rs)	2005 (Rs)
Manager's fees	136,317	126,809
Trustee's fees	38,391	36,869
Auditors' remuneration	41,400	35,650
Entry and exit fee	16,871	14,887
Amount due to customers in respect of units repurchased	178,766	76,522
Dividend payable	358,536	479,678
Other payables	7,760	12,161
	<b>778,041</b>	<b>782,576</b>

## 12. TAXATION

### (i) INCOME TAX

Income tax has been charged on the net income of the Trust Fund, adjusted for tax purposes, at the rate of 15%.

(a) Tax Expense	2006 (Rs)	2005 (Rs)
<b>Accounting profit</b>	<b>7,610,689</b>	<b>10,841,020</b>
Tax on accounting profit at the tax rate of 15%	1,141,603	1,626,153
Tax effects of:		
- Non-allowable expenditure	483,713	495,997
- Exempt income	(1,083,336)	(1,531,049)
Overprovision for last year	(153,530)	(110,201)
Tax withheld	164,871	153,129
Tax credit	(164,871)	-
<b>Tax expense for the year</b>	<b>388,450</b>	<b>634,029</b>

(b) Current tax liability	2005 (Rs)	2004 (Rs)
<b>At 1 April</b>	<b>591,101</b>	<b>545,072</b>
Paid during year	(421,137)	(434,871)
	<b>169,964</b>	<b>110,201</b>
Overprovision for last year	(153,530)	(110,201)
Current tax provision	377,109	591,101
<b>At 31 March</b>	<b>393,543</b>	<b>591,101</b>

### (ii) DEFERRED TAX

The fund had no deferred tax liability at 31 March 2006.

### 13. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The net assets attributable to unitholders can be analysed as follows:

	2006 (Rs)	2005 (Rs)
Capital value	79,329,697	82,001,133
Accumulated net income:-		
- Income and distribution brought forward	18,045,677	7,838,686
- Income and distribution for the year	7,222,239	10,206,991
	25,267,916	18,045,677
Net assets attributable to unitholders	<b>104,597,613</b>	<b>100,046,810</b>

### 14. INTEREST INCOME

	2006 (Rs)	2005 (Rs)
Interest from treasury bills	850,322	861,363
Interest on bank balances and local deposit	262,660	242,612
Interest on loan asset	-	363,954
	<b>1,112,982</b>	<b>1,467,929</b>

### 15. MANAGER'S FEES

Manager's fees are paid to National Mutual Fund Ltd based on 1% of Net Asset Value of the Fund.

### 16. TRUSTEE'S FEES

Trustee's fees are paid to State Bank of Mauritius Ltd, based on 1/14 of manager's fees.

### 17. FINANCE COSTS - DISTRIBUTIONS TO UNITHOLDERS

	2006 (Rs)	2005 (Rs)
Interim distribution of Re 0.29 (2005: Re 0.29) per unit	1,717,799	1,970,317
Final distribution of Re 0.23 (2005: Re 0.20) per unit	1,482,357	1,323,381
	<b>3,200,156</b>	<b>3,293,698</b>

The final distribution is recognised as a liability and as an expense in the year to which it relates because in terms of the Trust Deed, the Fund has to distribute all its net income for the year (excluding capital gains, both realised and unrealised).

### 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following balance sheet amounts:

	2006 (Rs)	2005 (Rs)
Local bank deposit	5,469,687	1,667,145
Bank overdraft	(68,248)	(29,611)
	<b>5,401,439</b>	<b>1,637,534</b>

## 19. ENTRY FEE AND EXIT FEE

On the issue of units, an entry fee of 0.5% of the capital and income values of the units and is paid by the unitholder to the Fund and, on the repurchase of units, an exit fee of 2% of the capital and income values of the units is paid by the unitholder to the Fund. The sums collected are then remitted to the Manager.

## 20. RELATED PARTY TRANSACTIONS

	2006 (Rs)	2005 (Rs)
<b>(a) Manager</b>		
(i) Manager's fees	998,138	959,348
(ii) Rental income	1,045,200	1,045,200
(iii) Outstanding balance payable	153,188	141,696
(iv) Outstanding balance receivable	87,100	87,100
<b>(b) Trustee</b>		
(i) Trustee's fees	71,296	68,529
(ii) Bank charges	4,633	31,226
(iii) Interest income	262,660	242,612
(iv) Bank balances	5,401,439	1,637,534
(v) Outstanding balance payable	38,391	36,869
(vi) Outstanding balance receivable	77,992	44,333

## 21. FINANCIAL INSTRUMENTS

### Fair values

Except where stated elsewhere, the carrying amounts of the Fund's financial instruments approximate their fair values.

### Credit risk

The Fund does not have any significant concentrations of credit risk.

### Currency risk

At the balance sheet date, the Fund held foreign investments denominated in Great Britain Pound. The Fund, therefore, is exposed to foreign currency fluctuations.

### Interest rate risk

The Fund is exposed to interest rate fluctuations on the domestic market. The Manager monitors closely interest rate trends and related impact on investment income for performance evaluation and better fund management.