

**The State Investment Corporation Limited**

**Financial statements**

**30 June 2003**

**The State Investment Corporation Limited**  
Financial statements  
30 June 2003

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## **Auditors' report to the shareholders of The State Investment Corporation Limited**

We have audited the financial statements of The State Investment Corporation Limited for the year ended 30 June 2003 set out on pages 3 to 32.

This report is made solely to the company's shareholders, as a body, in accordance with section 205 of the 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders, as a body, for our audit work, for this report, or for the opinion we have formed.

### **Directors' responsibilities**

The directors are responsible for the preparation of financial statements which comply with the Companies Act 2001. They are also responsible for safeguarding the assets of the group and 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 directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the group's and 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 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 group and the company other than in our capacity as auditors and tax advisors.

**Auditors' report to the shareholders of The State Investment Corporation Limited  
(continued)**

**Opinion**

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

In our opinion:

- proper accounting records have been kept by the group and the company as far as it appears from our examination of those records; and
- the financial statements give a true and fair view of the financial position of the group and the company as at 30 June 2003, and of the results of their operations and cash flows for the year then ended, and comply with the Companies Act 2001 and International Financial Reporting Standards.

**KPMG**

*Public Accountants*

Port Louis

Date:

## The State Investment Corporation Limited

### Balance sheet at 30 June 2003

	Note	The Group		The Company	
		2003 Rs'000	2002 Rs'000 (Restated)	2003 Rs '000	2002 Rs '000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	3	749,101	2,212,443	35,568	34,613
Intangible assets	4	370	249	370	-
Investment property	5	1,082,455	-	-	-
Long term investments	6	2,692,081	2,055,651	3,633,756	2,858,999
Investment in associates	7	432,172	387,810	-	-
Long term receivables	8	1,167,112	1,367,865	270	270
		-----	-----	-----	-----
			-		
<b>Total non-current assets</b>		<b>6,123,291</b>	6,024,018	<b>3,669,964</b>	2,893,882
		-----	-----	-----	-----
			-		
<b>Current assets</b>					
Current investments	6	5,116	12,051	2,116	12,051
Inventories	9	476,674	370,609	-	-
Trade and other receivables	10	622,055	597,387	183,272	133,679
Short term deposits		202,981	150,978	202,981	146,220
Cash and bank balances		395,917	438,186	11,255	91,179
		-----	-----	-----	-----
			-		
<b>Total current assets</b>		<b>1,702,743</b>	1,569,211	<b>399,624</b>	383,129
		-----	-----	-----	-----
			-		
<b>Total assets</b>		<b>7,826,034</b>	7,593,229	<b>4,069,588</b>	3,277,011
		=====	=====	=====	=====
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	11	100,000	100,000	100,000	100,000
Investment revaluation reserves	11	2,142,291	1,436,605	2,257,993	1,586,686
Property revaluation reserves	11	79,998	6,589	-	-
Revenue reserves	11	1,241,346	1,641,317	1,309,127	1,188,088
		-----	-----	-----	-----
			-		
<b>Total equity</b>		<b>3,563,635</b>	3,184,511	<b>3,667,120</b>	2,874,774
		-----	-----	-----	-----
			-		
<b>Capital grant</b>		<b>1,027</b>	-	-	-
		-----	-----	-----	-----
			-		
<b>Minority interest</b>		<b>1,133,136</b>	1,066,394	-	-
		-----	-----	-----	-----
			-		

The notes on pages 9 to 32 form part of these accounts.

## The State Investment Corporation Limited

### Balance sheet (continued)

at 30 June 2003

	Note	The Group		The Company	
		2003 Rs'000	2002 Rs'000 (Restated)	2003 Rs '000	2002 Rs '000
<b>Non-current liabilities</b>					
Interest-bearing borrowings	12	1,615,033	2,186,811	-	400,000
Retirement benefit obligations	14	267,027	260,576	770	1,080
Deferred taxation	15	749	815	169	169
		-----	-----	-----	-----
			-		
<b>Total non-current liabilities</b>		<b>1,882,809</b>	<b>2,448,202</b>	<b>939</b>	<b>401,249</b>
		-----	-----	-----	-----
			-		
<b>Current liabilities</b>					
Bank overdraft		46,504	100,036	-	-
Trade and other payables	16	376,527	423,556	1,529	988
Taxation		33,890	30,675	-	-
Dividend payable		8,487	14,520	-	-
Current portion of interest-bearing borrowings	12	780,019	325,335	400,000	-
		-----	-----	-----	-----
			-		
<b>Total current liabilities</b>		<b>1,245,427</b>	<b>894,122</b>	<b>401,529</b>	<b>988</b>
		-----	-----	-----	-----
			-		
<b>Total liabilities</b>		<b>3,128,236</b>	<b>3,342,324</b>	<b>402,468</b>	<b>402,237</b>
		-----	-----	-----	-----
			-		
<b>Total equity, minority interest and liabilities</b>		<b>7,826,034</b>	<b>7,593,229</b>	<b>4,069,588</b>	<b>3,277,011</b>
		=====	=====	=====	=====

Approved by the Board on .....

.....  
Director

.....  
Director

The notes on pages 9 to 32 form part of these accounts.

## The State Investment Corporation Limited

### Income statement

for the year ended 30 June 2003

	Note	The Group		The Company	
		2003 Rs '000	2002 Rs '000 (Restated)	2003 Rs '000	2002 Rs '000
Revenue	18	1,904,418	1,888,526	-	-
Cost of sales		(947,162)	(1,023,276)	-	-
<b>Gross profit</b>		<b>957,256</b>	865,250	-	-
Dividend and interest income		87,505	131,322	181,947	205,460
Other income		128,303	63,581	5,825	33,056
Share of profit from associates		69,054	30,537	-	-
		<b>1,242,118</b>	1,090,690	<b>187,772</b>	238,516
Administrative expenses		(427,902)	(338,843)	(19,676)	(16,293)
Operating expenses		(155,907)	(137,727)	(7,740)	(22,461)
		<b>(583,809)</b>	(476,570)	<b>(27,416)</b>	(38,754)
<b>Profit from operations</b>		<b>658,309</b>	614,120	<b>160,356</b>	199,762
Finance costs		(55,737)	(66,546)	(39,317)	(39,067)
<b>Profit before taxation</b>	19	<b>602,572</b>	547,574	<b>121,039</b>	160,695
Gaming tax		(402,253)	(387,978)	-	-
		<b>200,319</b>	159,596	<b>121,039</b>	160,695
Income tax expense	20	(3,666)	(4,109)	-	17
<b>Profit after taxation</b>		<b>196,653</b>	155,487	<b>121,039</b>	160,712
Minority interest		(60,520)	(21,145)	-	-
<b>Profit available to shareholders</b>		<b>136,133</b>	134,342	<b>121,039</b>	160,712
Earnings per share (Rs)	21	<b>13.61</b>	13.43	<b>12.10</b>	16.07
Dividend per share (Rs)		-	3.00	-	3.00

The notes on pages 9 to 32 form part of these accounts.

## The State Investment Corporation Limited

### Statement of changes in equity

for the year ended 30 June 2003

#### The Group

	Share Capital	Investment Revaluation Reserves	Property Revaluation Reserves	Revenue Reserves	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at 1 July 2001	100,000	1,510,080	-	1,536,441	3,146,521
Effect of adopting IAS 38	-	-	-	(47,142)	(47,142)
Deferred taxation effect of adopting IAS 19	-	-	-	55,810	55,810
Share of minority interest relating to the above deferred taxation effect	-	-	-	(25,224)	(25,224)
Effect of prior year adjustments in the financial statements of associates	-	-	-	60,148	60,148
Restated as at 1 July 2001	100,000	1,510,080	-	1,580,033	3,190,113
Profit for the year	-	-	-	134,342	134,342
Dividend payable	-	-	-	(30,000)	(30,000)
Revaluation loss	-	(69,980)	-	-	(69,980)
Transfer from revaluation reserves to revenue reserves	-	(3,495)	-	3,495	-
Revaluation gain	-	-	6,589	-	6,589
Dividend received from associates	-	-	-	(45,581)	(45,581)
Loss on acquisition of new associates	-	-	-	(3,237)	(3,237)
Minority loss in subsidiary	-	-	-	2,265	2,265
Restated as at 30 June 2002	100,000	1,436,605	6,589	1,641,317	3,184,511
Effect of adopting IAS 40	-	-	-	(536,104)	(536,104)
Restated as at 1 July 2002	100,000	1,436,605	6,589	1,105,213	2,648,407
Profit for the year	-	-	-	136,133	136,133
Dividend payable	-	-	-	-	-
Revaluation surplus	-	705,686	73,409	-	779,095
<b>Balance at 30 June 2003</b>	<b>100,000</b>	<b>2,142,291</b>	<b>79,998</b>	<b>1,241,346</b>	<b>3,563,635</b>

#### The Company

	Share Capital	Investment Revaluation Reserves	Property Revaluation Reserves	Revenue Reserves	Total
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
Balance at 1 July 2001	100,000	1,650,077	-	1,057,376	2,807,453
Profit for the year	-	-	-	160,712	160,712
Dividend	-	-	-	(30,000)	(30,000)
Revaluation loss	-	(63,391)	-	-	(63,391)
Balance at 30 June 2002	100,000	1,586,686	-	1,188,088	2,874,774
Profit for the year	-	-	-	121,039	121,039
Dividend	-	-	-	-	-
Revaluation surplus	-	671,307	-	-	671,307
<b>Balance at 30 June 2003</b>	<b>100,000</b>	<b>2,257,993</b>	<b>-</b>	<b>1,309,127</b>	<b>3,667,120</b>

The notes on pages 9 to 32 form part of these accounts.

## The State Investment Corporation Limited

### Cash flow statement

for the year ended 30 June 2003

	The Group		The Company	
	2003 Rs'000	2002 Rs'000 (Restated)	2003 Rs '000	2002 Rs '000
<b>Cash flows from operating activities</b>				
Net profit before taxation	602,572	547,574	121,039	160,695
<b>Adjustments:</b>				
Amortisation	92	6,328	92	-
Depreciation	71,455	86,198	4,469	3,856
Interest receivable	(40,672)	(36,869)	(21,304)	(18,074)
Interest payable	55,737	63,763	39,103	39,000
Dividend income	(46,833)	(94,214)	(160,641)	(186,383)
Share of profit from associates	(69,054)	(30,537)	-	-
Loss/(profit) on disposal of investments	404	(30,963)	-	(30,963)
Loss/(profit) on disposal of fixed assets	927	(4,282)	-	(280)
(Increase)/decrease in value of current investments	(6,636)	2,845	(808)	2,845
Gain on exchange	(1,092)	-	-	-
Long term investment written off	536	7,487	536	7,415
Interest payable on finance lease	297	1,395	-	-
Amortisation of capital grant	(368)	-	-	-
Increase/(decrease) in retirement benefit obligations	6,451	20,509	(310)	70
Others	-	(1,793)	-	-
	573,816	537,441	(17,824)	(21,819)
(Increase)/decrease in stocks	(106,065)	185,190	-	-
Decrease/(increase) in long term receivable	20,573	(1,280)	-	-
Increase in accounts receivable	(24,668)	(125,419)	(49,593)	(18,961)
(Decrease)/increase in accounts payable	(47,029)	(29,446)	541	597
Increase in deferred expenditure	-	(38,962)	-	-
<b>Net cash flow from operating activities</b>	<b>416,627</b>	<b>527,524</b>	<b>(66,876)</b>	<b>(40,183)</b>
<b>Dividend received from associates</b>	<b>50,961</b>	<b>100,697</b>	<b>-</b>	<b>-</b>
<b>Taxation</b>				
Tax paid	(408,762)	(395,488)	-	-
	58,826	232,733	(66,876)	(40,183)
<b>Investing activities</b>				
Purchase of property, plant and equipment	(113,266)	(110,642)	(5,424)	(7,395)
Purchase of investments	(42,192)	(63,658)	(98,844)	(63,623)
Expenditure on intangible assets	(462)	(7,663)	(462)	-
Proceeds from sale of fixed assets	2,181	5,545	-	450
Proceeds from sale of investments	38,045	90,980	5,601	44,329
Interest received	40,672	36,869	21,304	18,074
Dividend received	46,833	94,214	160,641	186,383
Dividend paid to minority	(20,687)	(22,556)	-	-
<b>Net cash flow from investing activities</b>	<b>(48,876)</b>	<b>23,089</b>	<b>82,816</b>	<b>178,218</b>

The notes on pages 9 to 32 form part of these accounts.

## The State Investment Corporation Limited

### Cash flow statement (continued)

for the year ended 30 June 2003

	The Group		The Company	
	2003 Rs '000	2002 Rs'000 (Restated)	2003 Rs '000	2002 Rs '000
<b>Financing activities</b>				
Dividend paid	(6,033)	(27,500)	-	(30,000)
Interest paid	(55,737)	(63,763)	(39,103)	(39,000)
Interest on finance lease	(3,035)	(1,395)	-	-
Loan received	275,766	160,003	-	-
Repayment of loan	(158,672)	(270,912)	-	-
Capital grant	1,027	-	-	-
	-----	-----	-----	-----
<b>Net cash flow from financing activities</b>	<b>53,316</b>	<b>(203,567)</b>	<b>(39,103)</b>	<b>(69,000)</b>
	-----	-----	-----	-----
Net cash inflow	63,266	52,255	(23,163)	69,035
Cash and cash equivalents at 1 July	489,128	436,873	237,399	168,364
	-----	-----	-----	-----
Cash and cash equivalents at 30 June	552,394	489,128	214,236	237,399
	=====	=====	=====	=====
<b>Represented by:</b>				
Short term deposits	202,981	150,978	202,981	146,220
Cash and bank balances	395,917	438,186	11,255	91,179
Bank overdraft	(46,504)	(100,036)	-	-
	-----	-----	-----	-----
	552,394	489,128	214,236	237,399
	=====	=====	=====	=====

The notes on pages 9 to 32 form part of these accounts.

## **The State Investment Corporation Limited**

### **Notes to the financial statements**

*for the year ended 30 June 2003*

#### **1. General information**

##### *(a) Statutory information*

The State Investment Corporation Limited ('the company') was incorporated as a private company on 21 August 1984 and was converted into a public company on 7 April 1992. The address of the registered office is 15<sup>th</sup> Floor, Air Mauritius Centre, 6 President John Kennedy Street, Port Louis. The consolidated financial statements of the company for the year ended 30 June 2003 consist of the company and its subsidiaries (together referred to as the "group") and the group's interest in associates.

##### *(b) Business activity*

The State Investment Corporation Limited acts as the investment arm of the Government of Mauritius and provides funds for the realisation of high-growth entrepreneurial ventures and assisting businesses to industry leadership position. It also invests in quoted and unquoted securities.

The objective of the company is to provide funds, predominantly equity, for the realisation of projects in key economic sectors. Investments may be commercial, strategic or pioneering in nature. Commercial investments are selected on the basis of high financial and economic pay back rates. Strategic investments are important for the economic development of the country.

#### **2. Significant accounting policies**

##### *(a) Statement of compliance*

The consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). In prior years, the company prepared financial statements in accordance with Mauritius Accounting Standards (MAS). The adoption of IFRS has been applied in accordance with transitional provisions in the applicable IFRS. Opening retained earnings have been restated accordingly, as applicable. New disclosures required by IFRS have been given with comparative information where applicable and practicable.

##### *(b) Basis of preparation*

The financial statements are presented in Mauritian Rupees (Rs), rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investments held for trading, investments held as available-for-sale, investment property and freehold land and buildings included in property, plant and equipment.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 2. Significant accounting policies (continued)

##### (c) Basis of consolidation

###### (i) Subsidiaries

Subsidiaries are those enterprises controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

###### (ii) Associates

Associates are those enterprises in which the group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred obligations in respect of the associate.

###### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

###### (iv) Gaming tax

Gaming tax is charged in accordance with the Gaming Act 1973 at the rate of 50% of gaming wins and deducted from revenue in the individual accounts of five subsidiaries operating casinos. For consolidation purposes, the directors are of the opinion that this item be classified after 'profit before taxation' in the group accounts for the following reasons:

- the casino's revenue represents 42% of the group's total income; and
- these subsidiaries represent only 16% (6 out of 37 subsidiary and associate companies consolidated) of the group portfolio.

The treatment of Gaming Tax is consistent with that of last year.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 2. Significant accounting policies (continued)

##### (d) Property, plant and equipment

###### (i) Owned assets

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

The company and the group revalue their freehold land and buildings by professionally qualified valuers on an open market value basis.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

###### (ii) Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

###### (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

###### (iv) Depreciation

Depreciation is calculated to write off the cost or valuation of the assets on a straight line basis over the expected useful lives of such assets. Additions during the year bear a due proportion of the annual depreciation charge. The annual depreciation rates used for the purpose are as follows:

Buildings	-	2% - 5%
Plant, machinery and equipment	-	10% - 33.33%
Office furniture and fittings	-	10% - 20%
Motor vehicles	-	20% - 25%

No depreciation has been charged on land and development work in progress.

Gains and losses on disposal of property, plant and equipment are determined by reference to their net book value and are included in determining operating profit.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 2. Significant accounting policies (continued)

##### (e) Intangible assets

###### (i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. In respect of associates the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

###### (ii) Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and impairment losses.

###### (iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is amortised from the date of initial recognition, other intangible assets are amortised from the date they are available for sale. The estimated useful lives are as follows:

Goodwill	-	5 years
Computer software	-	5 years

Goodwill arising on acquisition has been fully amortised.

##### (f) Long term investments

###### (i) Investments in equity securities

Investments are classified as available-for-sale. Investments are initially recognised at cost, including transactions cost.

Quoted investments are subsequently fair valued based on quoted bid prices. Unquoted investments are subsequently fair valued at net assets value, price earnings ratio, dividend yield as considered appropriate by the directors. Gains and losses arising from changes in the fair value of investments are recognised in equity.

## **The State Investment Corporation Limited**

### **Notes to the financial statements**

*for the year ended 30 June 2003*

#### **2. Significant accounting policies (continued)**

##### *(f) Long term investments (continued)*

###### *(i) Investments in equity securities (continued)*

The company has adopted a Valuation Policy which sets out best practices where investments are reported at fair value at the reporting date. The policy establishes a framework for the measurement of financial assets at fair value in compliance with International Financial Reporting Standards. In estimating fair value for an investment, an appropriate methodology is applied in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Reasonable assumptions and estimates are used. The appropriate methodology incorporates available information about the business, market conditions and all other factors that are likely to affect the fair value of an investment materially. Methodologies are applied consistently from period to period.

###### *(ii) Investment property*

Investment property is stated at fair value determined annually by an independent registered valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement. Upon first time application of IAS 40, any gain or loss arising from revaluation is accounted as an adjustment to opening balance of retained earnings.

##### *(g) Current investments*

Current investments are classified as held for trading and are stated at fair value, with any resultant gain or loss recognised in the income statement. Where the group has the positive intent and ability to hold government bonds to maturity, they are stated at amortised cost less impairment losses.

##### *(h) Inventories*

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

##### *(i) Trade and other receivables*

Trade and other receivables are stated at their cost less impairment losses.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 2. Significant accounting policies (continued)

##### (j) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the cash flow statement.

##### (k) *Interest-bearing borrowings*

Interest-bearing borrowings are initially recognised at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on effective interest basis.

##### (l) *Employee benefits*

###### (i) *Defined benefit plan*

The group and the company participate in a defined benefit pension plan. The group's and the company's net obligation in respect of defined benefit pension plan is calculated by estimating its proportionate share of the amount of future benefit that its employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine the present value, and its proportionate share of the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight - line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the group's and the company's obligation in respect of the plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the group and the company, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 2. Significant accounting policies (continued)

##### (l) *Employee benefits (continued)*

##### (ii) *Defined contribution plan*

Payments to the defined contribution retirement plan are charged as an expense as they fall due.

##### (iii) *Other post retirement benefits*

Other post retirement benefits comprise of end-of-contract gratuities, accumulated sick leave benefits, Labour Act gratuities and medical benefits for employees. The present value of benefits payable is calculated by a qualified actuary and provided for. The obligation arising under this item is partly funded.

##### (m) *Trade and other payables*

Trade and other payables are stated at their cost.

##### (n) *Impairment*

The carrying amounts of the group's and the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement in the period in which the impairment is identified.

##### (o) *Related parties*

For the purposes of these financial statements, parties are considered to be related to the group and/or the company if they have the ability, directly or indirectly, to control the group and/or the company or exercise significant influence over the group and/or the company in making financial and operating decisions, or vice versa, or where the group and/or the company are subject to common control or common significant influence. Related parties may be individuals or other entities.

##### (p) *Provisions*

A provision is recognised in the balance sheet when the group and the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## **The State Investment Corporation Limited**

### **Notes to the financial statements**

*for the year ended 30 June 2003*

#### **2. Significant accounting policies (continued)**

##### *(q) Revenue recognition*

Revenue represents sale of goods, net of discounts, Value Added Tax, returns and allowances and is recognised in the income statement when significant risks and rewards of ownership have been transferred to the buyer. Revenue for services rendered are recognised at the time they are rendered to customers. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognised in the income statement as accrued.

Dividends are recognised as income on the dates the securities are first quoted “ex-dividend” to the extent that information thereon is reasonably available to the group and the company.

##### *(r) Net finance costs*

Net finance costs of the group comprise interest expense, interest income and dividend income.

##### *(s) Taxation*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 2. Significant accounting policies (continued)

##### (t) Foreign currencies

Transactions in foreign currencies are translated to Mauritian rupee at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and gains or losses on translation are recognised in the income statement.

##### (u) Comparative information

Comparative information has been restated or reclassified, as necessary, to conform to the current year's presentation.

#### 3. Property, plant and equipment The Group

	Land and Buildings	Plant and Machinery	Office Furniture and Fittings	Motor Vehicles	Development Work in Progress	Total
	Rs '000	Rs'000	Rs'000	Rs'000	Rs '000	Rs'000
<i>Cost/valuation</i>						
At 1 July 2002	1,802,734	405,082	240,487	59,941	183,569	2,691,813
Additions	52,191	37,009	66,234	6,761	-	162,195
Disposal	-	-	(52,472)	(3,319)	-	(55,791)
Transfers	1,015	-	(1,015)	-	-	-
Transfer to investment						
Property (Note 5)	(1,434,990)	-	-	-	(183,569)	(1,618,559)
Surplus on revaluation	52,464	-	-	-	-	52,464
Other adjustment	(1,804)	-	-	-	-	(1,804)
At 30 June 2003	471,610	442,091	253,234	63,383	-	1,230,318
<i>Depreciation</i>						
At 1 July 2002	66,145	198,110	178,520	36,595	-	479,370
Charge for the year	10,147	34,180	18,073	9,055	-	71,455
Disposal	-	-	(45,891)	(2,887)	-	(48,778)
Transfers	152	-	(152)	-	-	-
Adjustment on Revaluation	(20,945)	-	115	-	-	(20,830)
At 30 June 2003	55,499	232,290	150,665	42,763	-	481,217
<i>Net book value</i>						
<b>At 30 June 2003</b>	<b>416,111</b>	<b>209,801</b>	<b>102,569</b>	<b>20,620</b>	<b>-</b>	<b>749,101</b>
At 30 June 2002	1,736,589	206,972	61,967	23,346	183,569	2,212,443

The group has reclassified certain assets previously recognised under property, plant and equipment to investment property. These items are now accounted for under IAS 40 (Investment property) and the assets have been revalued accordingly.

The net book value of motor vehicles held under finance lease amounted to Rs 3,677,755 as at 30 June 2003 (2002 : Rs 6,516,712).

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 3. Property, plant and equipment (continued)

##### The Group (continued)

A professional valuation of the group's freehold land and buildings was carried out based on open market value by Mr N. Dilmohamed, BSc (APPI) Val, Dip L.S. FAPI, Certified Practising Valuer.

At 30 June 2003, the value of freehold land and buildings, at cost less accumulated depreciation, was Rs 178,388,630 (2002 – Rs 179,081,888).

##### The Company

	<b>Land and Buildings</b>	<b>Office Furniture and Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
	----- <b>Rs'000</b>	----- <b>Rs'000</b>	----- <b>Rs'000</b>	----- <b>Rs'000</b>
<i>Cost</i>				
At 1 July 2002	25,122	13,475	10,952	49,549
Additions	-	1,033	4,391	5,424
	-----	-----	-----	-----
At 30 June 2003	25,122	14,508	15,343	54,973
	-----	-----	-----	-----
<i>Depreciation</i>				
At 1 July 2002	3,515	6,712	4,709	14,936
Charge for the year	502	1,822	2,145	4,469
	-----	-----	-----	-----
At 30 June 2003	4,017	8,534	6,854	19,405
	-----	-----	-----	-----
<i>Net book value</i>				
<b>At 30 June 2003</b>	<b>21,105</b>	<b>5,974</b>	<b>8,489</b>	<b>35,568</b>
	=====	=====	=====	=====
At 30 June 2002	21,607	6,763	6,243	34,613
	=====	=====	=====	=====

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

4. Intangible assets	The Group Rs '000	The Company Rs '000
<i>Cost</i>		
At 1 July 2002	69,324	-
Effect of adopting IAS 38	(45,349)	-
	-----	-----
As restated 1 July 2002	23,975	-
Addition	13,225	462
Deferred loss written off	(13,012)	-
	-----	-----
At 30 June 2003	24,188	462
	-----	-----
<i>Amortisation</i>		
At 1 July 2002	23,726	-
Charge for the year	92	92
	-----	-----
At 30 June 2003	23,818	92
	-----	-----
<i>Net book value</i>		
<b>At 30 June 2003</b>	<b>370</b>	<b>370</b>
	=====	=====
As restated 30 June 2002	249	-
	=====	=====
5. Investment property	The Group Rs '000	The Company Rs '000
At 1 July 2002	-	-
Reclassified from property, plant and equipment (see note 3)	1,618,559	-
Impairment	(536,104)	-
	-----	-----
<b>At 30 June 2003</b>	<b>1,082,455</b>	<b>-</b>
	=====	=====

A professional valuation of the group's investment property was carried out based on open market value by Mr N. Dilmohamed, BSc (Appl) Val, Dip L.S. FAPI, Certified Practising Valuer. The loss arising was recognised as an adjustment to opening retained earnings 2002.

## The State Investment Corporation Limited

### Notes to the financial statements for the year ended 30 June 2003

#### 6. Investments

*Long term investments (equity securities available-for-sale)*

##### The Group

	Quoted ----- Rs'000	Unquoted ----- Rs'000	Total ----- Rs'000
<b>At 30 June 2003</b>	<b>537,515</b> =====	<b>2,154,566</b> =====	<b>2,692,081</b> =====
At 30 June 2002	438,773 =====	1,616,878 =====	2,055,651 =====

##### The Company

	Subsidiaries ----- Rs'000	Quoted ----- Rs'000	Unquoted ----- Rs'000	Total ----- Rs'000
<b>At 30 June 2003</b>	<b>1,349,450</b> =====	<b>541,847</b> =====	<b>1,742,459</b> =====	<b>3,633,756</b> =====
At 30 June 2002	881,853 =====	448,537 =====	1,528,609 =====	2,858,999 =====

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 6. Investments (continued)

##### Subsidiaries

All subsidiaries were incorporated in Mauritius.

	Class of shares -----	% Holding -----
SIC Management Services Company Limited	Ordinary	100
Capital Asset Management Limited	Ordinary	100
SIC Corporate Services Limited	Ordinary	100
Rodrigues Boatyard	Ordinary	100
Lakepoint Limited	Ordinary	90
Gamelink Ltd	Ordinary	80
State Investment Finance Corporation Limited	Ordinary	80
Prime Real Estate Limited	Ordinary	80
Le Grand Casino Du Domaine Limited	Ordinary	75
Mauritius Jute and Textiles Industries Limited	Ordinary	75
Guibies Holdings Ltd	Ordinary	72
Guibies Properties Ltd	Ordinary	72
Compagnie Mauricienne Hippodromes Ltée	Ordinary	72
Le Val Development Limited	Ordinary	70
Domaine Les Pailles Ltée	Ordinary	67
Domaine Les Pailles Training Centre Ltd	Ordinary	67
National Housing Development Company Limited	Ordinary	60
Cargo Handling Corporation Limited	Ordinary	54
Sitrac Limited	Ordinary	53
Beach Casinos Limited	Ordinary	51
Casino de Maurice Limited	Ordinary	51
Sun Casinos Limited	Ordinary	51
Le Caudan Waterfront Casino Limited	Ordinary	51

*Current investments (equity securities held-for-trading)*

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>Rs '000</b>	Rs '000	<b>Rs '000</b>	Rs '000
<b>At 30 June</b>	<b>5,116</b>	12,051	<b>2,116</b>	12,051
	=====	=====	=====	=====

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 6. Investments (continued)

Companies in which the corporation holds more than 10% of the issued share capital are:

	Class of shares	% Holding
	-----	-----
Air Mauritius Holdings Limited	Ordinary	15
Casino Limited	Ordinary	15
Development Bank of Mauritius Ltd	Ordinary	15
Med Point Limited	Ordinary	15
Bychemex Limited	Ordinary	14
Mauritius Housing Company Limited	Ordinary	13
State Insurance Company of Mauritius Limited	Ordinary	12
Marina Village Hotel Ltd	Ordinary	12
First Republic Fund	Ordinary	11

#### 7. Investment in associates

	Class of shares	% Holding
	-----	-----
Rodrigues Venture Capital and leasing Fund Ltd	Ordinary	50
SME Credit Guarantee Fund Ltd	Ordinary	50
SME Equity Participation Fund Ltd	Ordinary	50
SME Fund Management Co Ltd	Ordinary	49
Editions de l'Océan Indien Limitée	Ordinary	48
Mauritius Shopping Paradise Limited	Ordinary	43
Port Louis Fund Ltd	Ordinary	41
The Bagged Sugar Storage and Distribution Co Ltd	Ordinary	37
Ajanta Pharma (Mauritius) Ltd	Ordinary	33
Mauritius Printing Specialists Co Limited	Ordinary	30
Pointe Coton Resort Hotels Co Limited	Ordinary	28
National Equity Fund Limited	Ordinary	25
Splendid Housing Co Ltd	Ordinary	25
The National Mutual Fund Limited	Ordinary	25
State Informatics Limited	Ordinary	20
Mauritius Duty Free Paradise Co Ltd	Ordinary	20

## The State Investment Corporation Limited

### Notes to the financial statements for the year ended 30 June 2003

#### 8. Long term receivables

	The Group		The Company	
	2003 Rs '000	2002 Rs '000 (Restated)	2003 Rs '000	2002 Rs '000
Mortgage debtors	<b>681,538</b>	632,151	-	-
Amount due by government on foreign loans taken for infrastructure	<b>38,657</b>	77,304	-	-
Exchange differences on foreign loans	<b>200,147</b>	347,863	-	-
Amount due from Mauritius Housing Company Ltd	<b>181,514</b>	250,286	-	-
Car Loan	<b>2,809</b>	1,256	-	-
	<b>1,104,665</b>	1,308,860	-	-
<i>Deferred taxation asset</i>				
At 1 July	<b>59,005</b>	1,380	<b>270</b>	253
Effect of adopting IAS 19	<b>55,810</b>	55,810	-	-
As restated 1 July	<b>59,005</b>	57,190	<b>270</b>	253
Movement during the year (see note 20)	<b>3,442</b>	1,815	-	17
	<b>62,447</b>	59,005	<b>270</b>	270
<b>At 30 June</b>	<b>1,167,112</b>	1,367,865	<b>270</b>	270

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 9. Inventories

	The Group		The Company	
	2003	2002	2003	2002
	Rs '000	Rs '000	Rs '000	Rs '000
Raw materials and consumables	19,048	12,804	-	-
Finished goods	2,517	5,033	-	-
Spare parts	3,056	870	-	-
Work in progress	448,533	341,033	-	-
Beverages and foodstuffs	1,665	2,519	-	-
Sundries	1,855	8,350	-	-
	-----	-----	-----	-----
	<b>476,674</b>	370,609	-	-
	=====	=====	=====	=====

Inventories are stated at cost.

#### 10. Trade and other receivables

	The Group		The Company	
	2003	2002	2003	2002
	Rs '000	Rs '000	Rs '000	Rs '000
Trade receivables	188,895	180,041	97,599	85,985
Other receivables	301,372	297,507	35,285	16,783
Prepayments	131,788	119,839	190	183
Loans to related companies	-	-	50,198	30,728
	-----	-----	-----	-----
	<b>622,055</b>	597,387	<b>183,272</b>	133,679
	=====	=====	=====	=====

#### 11. Share capital and reserves

##### (a) Share capital

	The Group & The Company	
	2003	2002
	Rs '000	Rs '000
<i>Authorised, issued and fully paid</i>		
10,000,010 Ordinary shares of Rs 10 each	<b>100,000</b>	100,000
	=====	=====

##### (b) Revaluation reserves

###### (i) Investment revaluation reserves

Investment revaluation reserves relate to the fair valuation of investments.

## The State Investment Corporation Limited

### Notes to and forming part of the financial statements for the year ended 30 June 2003

#### 11. Share capital and reserves (continued)

##### (b) Revaluation reserves (continued)

##### (ii) *Property revaluation reserves*

Property revaluation reserves relate to the revaluation of the group's buildings, freehold land, roads and improvements to land.

##### (c) Revenue reserves

Revenue reserves relate to profit and loss carried forward at year end.

#### 12. Interest-bearing borrowings

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs '000	2002 Rs '000
<i>Repayable by instalments</i>				
Bank loan falling due after one year	<b>1,970,395</b>	2,101,605	-	-
Finance lease (see note 13)	<b>7,410</b>	10,541	-	-
9.75% debentures (redeemable in September 2003)	<b>400,000</b>	400,000	<b>400,000</b>	400,000
Others	<b>17,247</b>	-	-	-
	<b>2,395,052</b>	2,512,146	<b>400,000</b>	400,000

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 12. Interest-bearing borrowings (continued)

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs '000	2002 Rs '000
Less: amount repayable within one year				
Bank loan	(359,574)	(322,457)	-	-
Finance lease (see note 13) 9.75% debentures	(3,198)	(2,878)	-	-
(redeemable September 2003)	(400,000)	-	(400,000)	-
Others	(17,247)	-	-	-
	<u>(780,019)</u>	<u>(325,335)</u>	<u>(400,000)</u>	<u>-</u>
Amount repayable after one year but within five years	<u>1,615,033</u>	<u>2,186,811</u>	<u>-</u>	<u>400,000</u>

#### 13. Obligations under finance lease

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs '000	2002 Rs '000
<i>Within one year</i>				
Minimum lease payable	4,042	4,101	-	-
Finance charges allocated to future periods	(844)	(1,223)	-	-
	<u>3,198</u>	<u>2,878</u>	<u>-</u>	<u>-</u>
(see note 12)				
<i>After one year and within five years</i>				
Minimum lease payable	4,772	9,014	-	-
Finance charges allocated to future periods	(560)	(1,351)	-	-
	<u>4,212</u>	<u>7,663</u>	<u>-</u>	<u>-</u>
(see note 12)	<u>7,410</u>	<u>10,541</u>	<u>-</u>	<u>-</u>

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 14. Retirement benefit obligations

The pension plan of the company is a final salary defined benefit plan for senior employees and is wholly funded. It provides for a pension at retirement and a benefit on death or disablement in service before retirement.

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs '000	2002 Rs '000
<i>Amount recognised in the balance sheet</i>				
Pension plan	<b>267,027</b>	260,576	<b>770</b>	1,080
Present value of funded obligations	<b>439,588</b>	325,873	<b>20,870</b>	13,810
Present value of unfunded obligations	<b>37,599</b>	35,959	-	-
Fair value of plan assets	<b>(173,210)</b>	(122,496)	<b>(19,290)</b>	(16,700)
Unrecognised transitional liability/(asset)	<b>303,977</b>	239,336	<b>1,580</b>	(2,890)
Unrecognised actuarial gain	<b>(36,950)</b>	21,240	<b>(810)</b>	3,970
Net liability in balance sheet	<b>267,027</b>	260,576	<b>770</b>	1,080
<i>Amount recognised in the income statement</i>				
Current service cost	<b>23,668</b>	17,287	<b>640</b>	720
Interest cost	<b>39,656</b>	31,724	<b>1,440</b>	1,740
Expected return	<b>(16,070)</b>	(10,970)	<b>(1,880)</b>	(1,740)
Curtailment or settlement loss	<b>1,850</b>	446	<b>580</b>	-
Total amount included in staff costs	<b>49,104</b>	38,487	<b>780</b>	720
<i>Movement in the liability recognised in the balance sheet</i>				
At 1 July	<b>260,576</b>	240,067	<b>1,080</b>	1,010
Total expenses as above	<b>49,104</b>	38,487	<b>780</b>	720
Less contribution paid	<b>(42,653)</b>	(17,978)	<b>(1,090)</b>	(650)
Net liability at 30 June	<b>267,027</b>	260,576	<b>770</b>	1,080
Actual return	<b>8,100</b>	5,574	-	-
	%	%	%	%
Discount rate	<b>10.50 - 11.50</b>	10.50 - 11.50	<b>10.50</b>	10.50
Expected return on plan assets	<b>7.00 - 11.50</b>	7.00 - 11.50	<b>11.00</b>	11.00
Expected salary escalation	<b>7.50 - 9.50</b>	7.50 - 9.50	<b>7.50</b>	7.50
Future pension increases	<b>6.00 - 7.50</b>	6.00 - 7.50	<b>7.50</b>	7.50

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 15. Deferred taxation

	The Group		The Company	
	2003	2002	2003	2002
	Rs '000	Rs '000	Rs '000	Rs '000
At 1 July	815	878	169	169
Movement during the year (see note 20)	(66)	(63)	-	-
At 30 June	749	815	169	169

#### 16. Trade and other payables

	The Group		The Company	
	2003	2002	2003	2002
	Rs '000	Rs '000	Rs '000	Rs '000
Trade creditors	74,886	39,787	-	-
Other creditors	82,792	140,361	-	-
Accruals	218,849	243,408	1,529	988
	376,527	423,556	1,529	988

#### 17. Changes in accounting policy

- (a) The adoption of IAS 38 (Intangible assets) has resulted in the group writing off preliminary and pre-operational expenses in the income statement. These were previously capitalised under intangible assets. This change has been accounted for by restating comparatives and adjusting the opening balance of retained earnings at July 2001.
- (b) The deferred tax effect of adopting IAS 19 (Employee Benefits) in one of its subsidiaries has been accounted for by restating comparatives and adjusting the opening balance of retained earnings at July 2001.
- (c) The group has reclassified certain assets previously recognised under property, plant and equipment to investment property. These items are now accounted for under IAS 40 (Investment property) and the assets have been revalued accordingly. The adoption of IAS 40 has been accounted for by adjusting the opening balance of retained earnings as July 2002. Comparatives have not been restated.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 18. Revenue

Revenue represents amounts invoiced with respect to goods sold and services rendered during the year excluding value added tax and discounts.

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs '000	2002 Rs '000
Sale of goods	424,771	549,930	-	-
Sale of services	1,479,647	1,338,596	-	-
	-----	-----	-----	-----
	<b>1,904,418</b>	1,888,526	-	-
	=====	=====	=====	=====

#### 19. Profit before taxation

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs '000	2002 Rs '000
<i>Profit before taxation is stated after charging:-</i>				
Amortisation	92	6,328	92	-
Depreciation	71,455	86,198	4,469	3,856
Interest payable on borrowings	56,054	66,546	39,103	39,000
Loss on sale of fixed assets	927	-	-	-
Loss on disposal of investments	404	-	-	-
Staff costs	273,451	230,677	11,624	8,139
	=====	=====	=====	=====
	<b>Rs '000</b>	<b>Rs '000</b>	<b>Rs '000</b>	<b>Rs '000</b>
<i>and after crediting:-</i>				
Dividend income	46,833	94,214	160,641	186,383
Interest income	40,672	37,108	21,304	18,074
Profit on sale of investments	-	30,963	-	30,963
Profit on sale of fixed assets	-	4,282	-	280
Net foreign exchange gain	1,092	364	1,028	1,812
Other income	128,303	32,618	5,825	2,093
	=====	=====	=====	=====
Average number of staff employed	3,047	3,090	25	23
	=====	=====	=====	=====

## The State Investment Corporation Limited

### Notes to the financial statements for the year ended 30 June 2003

#### 20. Income tax expense

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs '000	2002 Rs '000
Current tax charge	7,169	5,847	-	-
Underprovision of income tax in previous year	5	140	-	-
Deferred taxation (see note 15)	(66)	(63)	-	-
Deferred taxation asset (see note 8)	(3,442)	(1,815)	-	(17)
	-----	-----	-----	-----
Income tax in income statement	3,666	4,109	-	(17)
	=====	=====	=====	=====
<i>Tax reconciliation</i>				
Profit before taxation (but after Gaming Tax) as per income statement	200,319	159,596	121,039	160,695
	=====	=====	=====	=====
Income tax at 15% - 25%	50,079	39,732	30,259	40,173
Non-deductible expenses	15,419	25,322	1,832	6,579
Tax incentives not recognised in income statement	(27,495)	(20,190)	(1,186)	(911)
Exempt income	(27,154)	(55,032)	(31,669)	(54,505)
Loss carried forward	-	16,734	764	8,664
Loss utilised	(3,680)	(719)	-	-
Under provision of income tax	5	140	-	-
Deferred taxation	(66)	(63)	-	-
Deferred taxation asset	(3,442)	(1,815)	-	(17)
	-----	-----	-----	-----
	3,666	4,109	-	(17)
	=====	=====	=====	=====

#### 21. Earnings per share

	The Group		The Company	
	2003 Rs '000	2002 Rs '000	2003 Rs'000	2002 Rs'000
<i>Earnings per share is based on:</i>				
Profit for the year	136,133	134,342	121,039	160,712
	=====	=====	=====	=====
No. of equity shares in issue	10,000,010	10,000,010	10,000,010	10,000,010
	=====	=====	=====	=====

## **The State Investment Corporation Limited**

### **Notes to the financial statements**

*for the year ended 30 June 2003*

#### **22. Financial instruments and associated risks**

##### **Fair value**

Investments are carried at fair value. The carrying amounts of the group's and the company's other financial assets and liabilities approximate their fair values.

##### **Associated risks**

The group's and the company's activities expose them to various types of risk in the normal course of their business. The following summary is not intended to be comprehensive summary of all risks.

##### *Foreign exchange risk*

The group and the company are exposed to foreign exchange risk arising from currency exposures. The group and the company have no defined policy for hedging against foreign exchange risk.

##### *Credit risk*

The group's and the company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net allowances for doubtful receivables, estimated by the group's and the company's management based on prior experience and the current economic environment.

##### *Interest rate risk*

The group's and the company's income and operating cash flows are substantially independent of changes in market interest rates. The group's and the company's only significant interest-bearing financial assets and liabilities are cash at bank and bank overdraft and borrowings. Interest income and expense may fluctuate in amount, in particular due to changes in interest rates.

##### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the available of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group and the company aim at maintaining flexibility in funding by keeping committed credit lines available.

#### **23. Related party transactions**

As the company and the group are state-controlled enterprises, they have taken advantage of the exemption of IAS 24 with respect to disclosure of transactions with other state-controlled enterprises qualifying as related parties.

## The State Investment Corporation Limited

### Notes to the financial statements

for the year ended 30 June 2003

#### 24. Capital commitments

Capital commitments at 30 June are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Rs '000</b>	<b>Rs '000</b>	<b>Rs'000</b>	<b>Rs'000</b>
Expenditure contracted for but not incurred	16,763	-	-	-
	=====	=====	=====	=====
Expenditure approved but not contracted for	<b>383,000</b>	71,700	-	-
	=====	=====	=====	=====

#### 25. Contingencies

At 30 June 2003 contingencies outstanding or pending against the group and the company for which no provision has been made in the accounts amount to Rs73,860,345 for the group and Rs20,595,000 for the company.