

Market Overview

Pensions

Trends in asset allocation (%) amongst 5 of the major countries managing pensions asset

Table 2: Trends in Asset Allocation

| 1996 | Domestic Equities | International Equities | Domestic Bonds | International Bonds | Cash | Real Estate | Other |
|-------------|-------------------|------------------------|----------------|---------------------|------|-------------|-------|
| USA | 50 | 9 | 35 | 1 | 2 | 2 | 1 |
| JAPAN | 24 | 6 | 54 | 6 | 6 | 4 | - |
| UK | 53 | 22 | 11 | 3 | 6 | 5 | - |
| NETHERLANDS | 14 | 16 | 53 | 7 | 3 | 7 | - |
| AUSTRALIA | 39 | 26 | 14 | 5 | 7 | 9 | 6 |

| 2006 | Domestic Equities | International Equities | Domestic Bonds | International Bonds | Cash | Real Estate | Other |
|-------------|-------------------|------------------------|----------------|---------------------|------|-------------|-------|
| USA | 46 | 16 | 32 | 1 | 1 | 2 | 2 |
| JAPAN | 31 | 18 | 21 | 12 | 3 | 2 | 13 |
| UK | 32 | 32 | 21 | 3 | 5 | 7 | - |
| NETHERLANDS | 7 | 43 | 5 | 34 | 2 | 5 | 4 |
| AUSTRALIA | 33 | 26 | 14 | 5 | 7 | 9 | 6 |

Source: UBS Pension Fund Indicators

Market Overview

Pensions

Pension systems are subject to reform worldwide. The following factors are amongst the major driving forces:

Demographic trends

Increased longevity, falling birth rates and early retirement are amongst the major concerns in many countries that are facing an ageing population. One of the main challenges of the industry is to provide for an appropriate pension and social security systems for significantly older, non-working population.

Costs and inadequacies of state pension systems

State pension systems are largely funded on a pay-as-you-earn (PAYE) basis.

The impact of ageing populations and increased dependency has drawn attention to the rising cost of financing generous state pension systems on a PAYE basis which is unsustainable.

In many developing countries, economic growth and rising standards of living have highlighted the inadequacies of state

pension systems and their failure to meet the increasing aspirations of individuals for bigger income in retirement.

Deficits in occupational defined benefits schemes

Occupational defined benefit pension schemes in a number of countries are facing long-term deficits caused by a gap between assets and liabilities. Deficits of pension schemes have become clearly visible on the balance sheets of sponsoring companies as a result of the convergence of international accounting standards.

International policy responses

The prime response of governments throughout the world has been to implement policies that will increase the labour supply and to put in place new structures, including tax incentives and the supply of long-term investment, which will underpin pension provision in the public and private sectors over the long term.

Market Overview: Global Business



3.3 Global Business

3.3.1 Licensing

3.3.1.1 Management Companies

The conduct of business of Management Companies has been redefined under Part IV of the Financial Services Act 2007. The FSC has prescribed forms and licensing criteria for Management Companies under the Financial Services (Consolidated Licensing and Fees) Rules 2008. This will enable the applicant for a management licence to ascertain the relevant legal provisions, licensing requirements and fees applicable even before making an application for a management licence.

The FSC approved 12 applications for Management licences during the period 2007/2008 as compared to 8 applications in the previous financial year. Moreover, the applications received indicated the interest of international law firms, international banks of repute and other professional functionaries to enter the market.

3.3.1.2 Global Business Licence Holders

For the period under review, there has been an overall increase in the number of licences issued for Global Business Companies.

Category 1 Global Business Licences

During the year 2007/2008, the FSC has issued 1,872 licences for Category 1 Global Business Companies (GBC 1's). This represented an increase of 37% over the previous year.

Collective Investment Schemes

During the period under review, the total number of newly licensed GBC 1's included 156 Collective Investment Schemes ('CIS'), authorised by the FSC. The growth of the CIS is noteworthy since there has been an increase of around 79% in the number of CIS as compared to the previous financial year.

Market Overview

Global Business

Category 2 Global Business Companies

The number of Category 2 Global Business Companies (GBC 2's) licensed during the year under review, amounted to 2,071.

Table 3: Number of Licences issued

| Type of New Licences | 2007/2008 | 2006/2007 | 2005/2006 |
|----------------------|-----------|-----------|-----------|
| Management Licences | 12 | 8 | 5 |
| GBC 1's | 1,872 | 1,367 | 973 |
| (of which CIS) | 156 | 87 | 86 |
| GBC 2's | 2,071 | 2,410 | 2,118 |

3.3.2 Surveillance

3.3.2.1 Off-Site Supervision

Off-site supervision involves mainly the review of audited financial statements and statutory returns of Management Companies and GBC 1's submitted to the FSC.

In carrying out its off-site supervisory function, the FSC ensures the following:

- (i) Compliance with relevant laws, regulations and codes issued by the FSC;
- (ii) Compliance with licensing conditions as well as with International Financial Reporting Standards;
- (iii) Financial soundness and solvency of licensees particularly those engaged in financial services; and
- (iv) Ongoing assessment of the licensees' fitness and propriety.

3.3.2.2 Tax Residence Certificate (TRC)

Upon the recommendation of the FSC, TRCs are issued to GBC 1's by the Mauritius Revenue Authority. During the period under review, the FSC has recommended 4,820 applications for a TRC, out of which 1,687 were new applications and 3,133 were renewals.

In recommending an application for TRC, the FSC applied the following procedures:

- (i) Ensuring compliance with prevailing laws, licensing conditions and Circular Letter (CL011006) issued in October 2006; and
- (ii) Assessment of the applicant's good standing in terms of payment of licence fees and submission of audited financial statements.

The existing procedures for the application of a TRC were streamlined during the year under review and the industry was informed by way of a Circular Letter (CL-II/220408) dated 22 April 2008.

3.3.2.3 Inspections

Inspections are carried out to ensure that licensees are operating in compliance with the existing regulatory and legal framework. Inspections, along with the exercise of off-site supervisory functions, help to ensure that service providers (Management Companies) operate on a level playing field. Inspections also help the FSC to assess the conduct of business of the Management Companies as well as that of their client companies.

During the year under review, the FSC carried out inspections of Management Companies which have been licensed during the previous year.

The FSC also conducted additional on-site inspections of Management Companies, thus bringing the total number of Management Companies inspected since the beginning of the first inspection cycle to 79.

The implementation of the risk-based supervisory system will pave the way for the second cycle of inspections for all licensed Management Companies.

3.3.3 Policy Issues

With a view to achieving its strategic objective of consolidating the role of Mauritius as an International Financial Centre, the FSC has implemented a

number of decisions for business facilitation and streamlining of the application process for the global business sector.

During the year under review, the FSC considerably reduced the turnaround time for the licensing of a GBC 1 (other than a CIS) to 2 to 3 days and of a GBC 2 to one day.

The FSC has also changed its licensing procedures and issues Global Business Licences without end dates as from 02 April 2008.

The validity of the licence is subject to a receipt issued by the FSC acknowledging payment of the annual licence fees. Renewal of licences is subject to compliance by the Global Business Companies with prevailing legislations, regulations and rules as well as licensing conditions attached to the Global Business Licences.

A Global Business Licence is valid unless suspended, revoked or lapsed under the relevant sections of the Financial Services Act 2007. A Global Business Licence lapses if licence fees have not been settled within 12 months from the date payment was due and payable. A Global Business Company can apply for reinstatement within 12 months from the date on which the Global Business Licence lapsed.

Market Overview

Global Business

3.3.4 Market Trends

In view of the increasing number of global business licences issued during the period under review, the global business sector showed a continuous gain in momentum despite increased competition worldwide, in particular with the emergence of new financial services centres. Mauritius also continued to develop as a world class financial services centre, focusing on high levels of service and international standards within a business-friendly and professional environment.

During the period under review, the reported turnover from Management Companies was USD 90,844,822, representing an increase of 37% over the previous year. The turnover from the 10 leading Management Companies represented 65% of the total turnover.

The total reported profit before tax generated by Management Companies increased by 32% to reach USD 38,478,681 for the period under review, out of which 77% were accounted for by the 10 leading Management Companies.

Market Overview: Capital Markets



3.4 Capital Markets

3.4.1 Licensing

3.4.1.1 Financial Institutions under the Securities Act 2005

As at 30 June 2008, there were 12 stock broking companies which were previously licensed by the FSC under the repealed Stock Exchange Act 1989. During the year under review, the FSC has licensed one new investment dealer, thus bringing the total number of companies operating in the market to 13.

Furthermore, the FSC has licensed 52 Global Investment Advisers under the new Securities Act 2005.

As at 30 June 2008, there were 24 collective investment schemes, operating in the domestic market which were previously authorised mutual funds or unit trust schemes. Those schemes are subject to the transitional provisions in the Securities Act 2005.

3.4.1.2 Other Licensed Financial Institutions

Companies licensed under the repealed section 14 of the Financial Services

Development Act 2001 to undertake financial business activities are now licensed under financial business activities as specified under the Second Schedule of the Financial Services Act 2007. These activities are listed below:

- Assets Management
- Credit Finance
- Custodian Services (non-CIS)
- Distribution of Financial Products
- Factoring
- Leasing⁵
- Occupational Pension Scheme
- Pension Fund Administrators
- Pension Scheme Management
- Retirement Benefits Scheme
- Superannuation Funds
- Registrar and Transfer Agent
- Treasury Management
- Other Financial Business Activity

During the year under review, 6 new companies were granted a licence under the Financial Services Act 2007 to undertake financial business activities. As at 30 June 2008, the FSC has licensed 55 companies under the above range of activities.

⁵ Following amendments made to the Banking Act and the Finance Act 2008, financial leasing activities of commercial banks, regulated by the BOM as well as the FSC, now fall under the purview of the BOM only.

Market Overview

Capital Markets

3.4.2 Surveillance

3.4.2.1 Off-Site Supervision

The FSC oversees trading on the market through the Automated Trading System ('ATS') which provides information on orders executed during trading hours. During the year under review the FSC held several working sessions with the CDS to fine-tune the ATS and to consider additional features such as real time alert, market replay and generation of new reports.

The off-site monitoring also includes review of statutory returns and audited financial statements as well as keeping track of public information available through the media, SEM's publications and CDS reports. During the year under review, no failed trades have been noted.

3.4.2.2 Inspections

As part of its on-site supervisory function, the FSC has started to review the methodology for on-site inspections to be in line with the new risk-based supervisory framework.

3.4.3 Policy Issues

The FSC, the CDS and the SEM worked on a proposal to implement turnaround trading and securities lending on the Stock Exchange of Mauritius. The objective of this proposal was to improve liquidity on the market and reduce the risk of trade failures.

Following the approval of the Board of the FSC and the amendments brought to the ATS Schedule of Procedures and the CDS Rules and Procedures, turnaround trading was introduced on the SEM on 11 April 2008.

3.4.4 Regulatory Actions

In March 2008, the FSC became aware that a company was conducting leasing business without being duly licensed under Section 14 of the FSA. Consequently, the FSC conducted an investigation at the business premises of the Company.

On 19 March 2008 the FSC applied to the Supreme Court for an order in the nature of an injunctive relief and locus (prohibiting the Company from operating unlawfully) and for an order for freezing of assets including bank accounts pertaining to the Company.

A press release was issued by the FSC on 20 March 2008, informing the public that the Company concerned was not licensed by the FSC to conduct leasing activities and that the Supreme Court had on 20 March 2008 issued an Order in the nature of an injunctive relief, preventing and prohibiting the Company from operating unlawfully and freezing the assets and bank accounts of that Company.

Market Overview

Capital Markets

The FSC acted promptly to enforce the law and safeguard public interest. The Commission carried out an on-site investigation, immediately after being informed of the unlawful conduct of business and the necessary orders were sought from the Court. The matter was reported to other authorities, including the Commissioner of Police, for necessary action.

3.4.5 Market Trends

Domestic Market Overview

The domestic capital market sector continued to move at a rapid pace as a result of strong macro-economic fundamentals, sustained growth, positive investment climate and a sound business outlook. This solid performance enabled Mauritius to be included on the list of 19 markets that MSCI Barra⁶ considered for inclusion on its MSCI Frontier Markets Indices that have been introduced since

November 2007. Moreover, Standard & Poor's (S&P), the world's leading index provider, announced in April 2008 the launching of three new benchmarks and investment indices – S&P Pan Africa, S&P Africa Frontier and S&P Africa 40. The SEM has been included in the list of African Markets tracked by the S&P Africa Index Series.

During the period under review, the SEM experienced a two-phased evolution. The second half of 2007 as well as the beginning of 2008 were marked by a buoyant market. All the indices registered comfortable gains. However, the market became rather volatile during the last quarter of the period.

The charts below provide a snapshot of the evolution of the indices of the two markets as at 30 June 2008.

⁶ A leading worldwide provider of investment decision support tools

Chart 5a: Evolution of SEMDEX and SEM-7 between July 2007 and June 2008

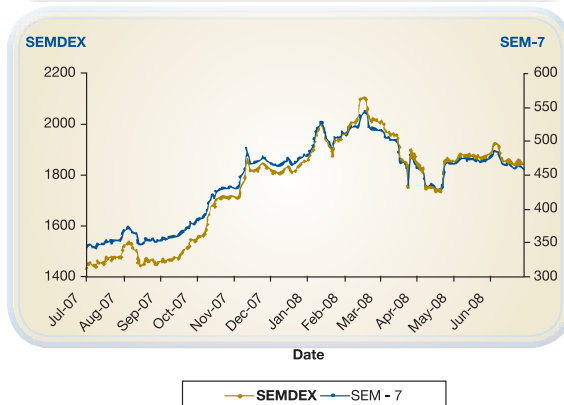
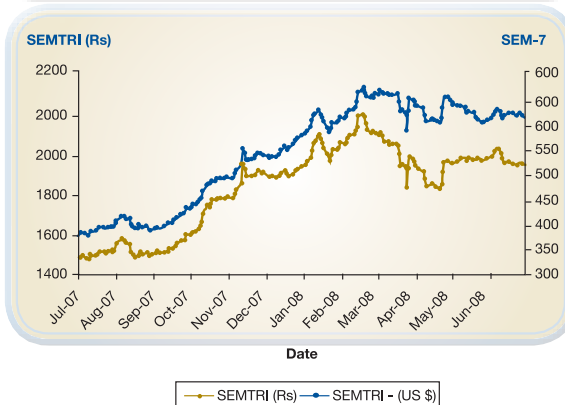


Chart 5b: Evolution of SEMTRI (Rs) and SEMTRI (US \$) between July 2007 and June 2008



Source : SEM

Market Overview

Capital Markets

Chart 5c: Evolution of DEMEX between July 2007 and June 2008



Chart 5d: Evolution of DEMTRI (Rs) and DEMTRI (US \$) for period July 2007 to June 2008



Source : SEM

During the year under review, net foreign investment inflow on both the Official Market and the Development and Enterprise Market amounted to Rs 2.02 billion.

Official Market

As at 30 June 2008, there were 41 companies listed on the Official Market which are engaged in different activities including banking, insurance and other financial institutions as categorised under the official classification of SEM. Total market capitalisation reached Rs 170.56 billion, registering a gain of 28.1% on a year-to-date basis.

Development and Enterprise Market

This secondary market is in its second year of existence after the phasing out of the Over-the-Counter Market. As at 30 June 2008, there were 50 companies listed on the Development and Enterprise Market, which were engaged in different activities categorised as under the Official

Market. A volume of 70.6 million shares were exchanged for a value of Rs 1.3 billion during the period under review.

Commodity Exchange

A new milestone has been reached in the development of the capital markets in Mauritius. The FSC has actively supported the setting up of a Commodity Exchange in Mauritius.

The new Exchange, known as Global Board of Trade Ltd ("GBOT") was granted a licence on 20 February 2008. GBOT is planning to launch the Commodity Exchange as the first phase of a broader Multi Asset Class Exchange. Initially, trading will be carried out in precious metals, base metals, energy, green contracts and Agricultural Commodities. Different categories of intermediaries, from within Mauritius and abroad, will be allowed to trade through an electronic platform linking geographically dispersed buyers and sellers in real time.

GBOT promoters forecast that the Commodity Exchange based in Mauritius will help accelerate the integration of the African sub-continent within the world economy by leveraging the strategic location of Mauritius between the time zones of New York, London and Tokyo. This will also boost the image of Mauritius as a globally-integrated, leading financial centre in the region. The Exchange will facilitate links between commodity markets in the African region and global trading hubs, in accordance with principles of price transparency, trade efficiency and structured finance.

The company is expected to be operational in 2009.

International Overview

On the international front, capital markets experienced a rather volatile performance during the year under review, as compared to the previous year. Many global markets were severely hit by significant sell-outs with credit market worries and the sub-prime mortgage crisis in US, thus leaving investors very cautious.

Despite interventions by major central banks such as the interest rate cuts of the US Federal Reserve Bank and the Bank of England, the markets remained volatile and world indices followed a similar trend. In addition to the mortgage crisis, other factors such as rising oil prices and significant write-offs by big banks remain major concerns for investors.

Meanwhile, exchanges continued to strengthen their links globally by entering into strategic partnerships/alliances and by signing Memoranda of Understanding (MOUs). During the period under review, Regulators and Exchanges have focused on two key priorities, namely, investor education and technology which have contributed to an e-friendly atmosphere for investors.



International Relations

International Relations

4.1 Committee for Insurance, Securities and Non-Bank Financial Authorities (CISNA)

The FSC participated in the second bi-annual meeting of CISNA held in Tanzania, in November 2007. CISNA's main objective is to bring about the harmonisation of the different laws in force in the Member countries. The harmonisation programme focused mainly on issues such as Collective Investment Schemes legislations, prospectus requirements and professionals involved in the preparation of prospectus, regulations regarding investments dealers and other intermediaries in the capital market. CISNA member countries have closely collaborated in sharing of information through surveys and questionnaires so as to come forward with the minimum acceptable criteria applicable to the proxies used for the harmonization process.

The FSC also participated in the first bi-annual meeting of CISNA held in Gaborone, Botswana from 24 to 25 April 2008. The members pursued their deliberations with regard to the

harmonisation programme. Responses received through the survey were discussed and analysed and decisions were taken on the way forward.

4.2 International Organisation for Securities Commissions (IOSCO)

The FSC was represented at the 33rd Annual Conference of IOSCO held in Paris from 26 to 29 May 2008. The Conference, which was hosted by the Autorité des Marchés Financiers of France, brought together the world's securities regulators and members of the international financial community for a series of high level meetings and panel discussions focusing on the issues of the day. One of the main areas for discussion at the Conference was the implementation of the Objectives and Principles of IOSCO in member jurisdictions as well as the progress made by member regulators in view of the signing of the IOSCO Multilateral Memorandum of Understanding (MMOU) before the set deadline of 2010. The FSC submitted its application to become a signatory to the MMOU in November 2007.

International Relations

4.3 International Association of Insurance Supervisors (IAIS)

The FSC attended the 14th Annual Conference of IAIS held in Florida, USA in October 2007. Around 500 representatives from insurance supervisory authorities and the insurance industry across the world spent three days discussing and exchanging views on the theme “A Global Climate for Change – the Future of Insurance Supervision”. Three papers were presented during the conference:

- (i) A discussion paper on mutual recognition of reinsurance supervision;
- (ii) A position paper on the valuation of technical provisions; and
- (iii) An issues paper on regulation and supervision of microinsurance.

Jointly with the IAIS and the Financial Stability Institute (FSI), the FSC organised, in November 2007, the regional seminar for African insurance supervisors. This seminar was organised with the objective of disseminating sound supervisory standards and practices globally and assisting supervisors in implementing these standards and practices. Speakers from IAIS, FSI and FSC shared their experience with 33 delegates from regulatory organisations of the SADC region. Discussions focused on licensing process and criteria, corporate governance as well as risk-based supervision.

4.4 International Organisation for Pension Supervisors (IOPS)

In April 2008, the FSC attended the 4th Contractual Savings Conference on Supervisory and Regulatory Issues in Private Pensions and Life Insurance in Washington DC, USA. The conference was organised by the World Bank Group and IOPS. The areas of focus of the 3 days conference were:

- (i) Risk Based Supervision and Risk Management of Pension Funds;
- (ii) Development of Sound Annuity Markets; and
- (iii) Competition and Consumer Issues in the pensions industry

Over 150 representatives from pensions and insurance regulatory and supervisory authorities of more than 55 countries were present. OECD members and IOPS members discussed and exchanged views on the areas of focus. The conference shared the results of work which have been supported by the World Bank Group designed to assist countries in the development of more effective systems of supervision to facilitate pension system reform and to address problems hampering pension's market development. It also surveyed market developments and recent academic work and provided some practical policy options.

International Relations

4.5 Exchange of Information

During the period under review, the FSC has dealt with a total of 113 requests for exchange of information.

Out of these, 61 were with overseas regulators and related, inter-alia, to licensing issues, information requests regarding enforcement cases and fitness and propriety of entities.

At the national level, the FSC dealt mainly with institutions such as the Registrar of Companies, the Bank of Mauritius and the Financial Intelligence Unit.

4.6 Collecting and Disseminating Statistical Information

For the period under review, the FSC conducted quarterly and annual surveys pursuant to the powers conferred on it by Section 7(2) of the Financial Services Act 2007. Data for the Financial Services and Global Business Sectors will henceforth be published in the Annual Statistical bulletin.

The FSC also conducted surveys for International organisations and participated in the IMF Coordinated Portfolio Investment Survey (CPIS) and Information Framework Initiative.

Bilateral Cooperation

The FSC has signed several Memoranda of Understanding (MOUs) for the exchange of information with other local and international regulatory authorities. These MOUs aim at strengthening the cooperation between the FSC and its counterparts.

List of Counterparts to MOUs

1. Bank of Mauritius
2. Securities and Exchange Board of India
3. Committee for Insurance, Securities and Non-bank Financial Authorities
4. Financial Services Board of South Africa
5. Malta Financial Services Authority
6. Pensions and Insurance Authority of Zambia
7. Capital Markets Authority of Uganda
8. Namibia Financial Institutions Supervisory Authority
9. Securities and Exchange Commission of Zambia
10. Insurance Supervisory Department of Tanzania
11. Financial Intelligence Unit, Mauritius
12. Isle of Man's Financial Supervision Commission
13. Reserve Bank of Malawi
14. South Asian Securities Regulators Forum
15. Central Bank of Lesotho
16. Jersey Financial Services Commission

4.7 Attachment Programme

Officers from the Central Bank of Seychelles and the Insurance Supervisory Department of Tanzania were on attachment in April and May 2008 respectively.

Corporate Governance Committee Report

Corporate Governance Committee Report

Report of the Corporate Governance Committee to the Board of the Financial Services Commission

The Corporate Governance Committee is composed of three Board Directors namely Mr Raj Makoond (Chairman), Ms Mary Anne Phillips and Mr Oliver Lew Kew Lin. The Secretary to the Board, Mr Sokappadu, also acts as secretary to the Corporate Governance Committee.

The objective of the Corporate Governance Committee is to ensure that the Financial Services Commission complies as far as possible with the Code of Corporate Governance and ensure best practices in line with international principles within the framework of the Financial Services Act 2007. The Committee also ensures that all relevant disclosures are made by the Commission in its annual reports and make recommendations for the promotion and enhancement of corporate governance at the Commission. The Committee looks into the timely disclosures of information to all those concern.

The Directors of the Board of the Financial Services Commission is independent of management and all of them are independent and non-executive Directors. The Board has set up the following sub-committees to assist it in discharging its functions namely:

- Corporate Governance Committee
- Audit Committee
- Staff Committee
- Investment Committee

Adhoc sub-committees are set up as and when required to look into specific issues. The Corporate Governance Committee is satisfied that necessary disclosures are being made by the Commission.

At the request of the Corporate Governance Committee, the Commission is finalising a Code of Ethics for its Board of Directors and Employees.



Raj Makoond
Chairman



Mr. Oliver Lew Kew Lin
Board Director



Ms Mary Anne Phillips
Board Director

Audit Committee Report

Audit Committee Report

Report from the Audit Committee to the Board of the Financial Services Commission

The Financial Services Commission's Audit Committee comprises of three Non-Executive Board Directors namely: Mr. Oliver Lew Kew Lin (Chairman), Mr Radhakrishna Chellapermal and Mr Sanjay Gopaul. Mr R.Sokappadu, Secretary to the Board, acted as Secretary to the Audit Committee.

The Audit Committee was appointed by the Board to assist the Board in fulfilling its responsibilities under the Financial Services Act 2007.

Duties of the Committee include:


- ensuring the integrity of the Commission's financial accounting process and compliance with the IFRS standards;
- monitoring and reviewing the systems of internal controls regarding finance, accounting and use of assets to ensure objectivity and ;
- ensuring the independence of the external auditors;
- overseeing the operation of the policies on conflicts of interest;
- reviewing with the management and external auditors, the adequacy and compliance of internal control systems.

During the financial year under review the Audit Committee met on five occasions and has, amongst others, considered and examined the following:

- examination of the management accounts submitted to the Board and made queries with management where necessary
- implementation of the payment of licence fees through a commercial bank
- consideration of comments made by the internal and external auditors on the accounts and internal procedures
- implementation of the management information system
- procurement procedures and risk analysis of the different clusters at the Commission.



Oliver Lew Kew Lin
Chairman



R. Chellapermal
Board Director



Sanjay Gopaul
Board Director

Financial Statements

Financial Statements

Board's Report

The Board of the Commission presents its report and the audited financial statements of the Commission for the year ended 30 June 2008.

Review of activities

The Commission is an independent regulatory authority deemed to be established under the Financial Services Act 2007 to regulate the financial services sector, other than banking and global business. The Commission licenses, regulates, monitors and supervises the conduct of business activities in the said sectors.

Statement of Board's responsibilities in respect of the financial statements

The Board of the Commission is responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs and income and expenditure account of the Commission.

In preparing those financial statements, the Board is required to:

- ☐ select suitable accounting policies and then apply them consistently;
- ☐ make judgments and estimates that are reasonable and prudent;
- ☐ state whether applicable accounting standards i.e. the International Financial Reporting Standards (IFRS) have been followed, subject to any material departures and explained in the financial statements; and
- ☐ prepare the financial statements on the going concern basis.

The Board confirms that they have complied with the above requirements in preparing the financial statements.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of the Commission on 17 September 2008.



S. Lalloo
Chairman



S. Boolell
Vice Chairman



J.N. Meetarbhan
Chief Executive

Financial Statements

Auditor's Report

BANSAL & CO.
Chartered Accountants

**Report of the independent auditors to
The Chairman of the Board of Financial Services Commission
(Under Section 8 of the Statutory Bodies (Accounts & Audit) Act 1972 as amended),
the Act**

We have audited the attached Balance Sheet of the Financial Services Commission (The Commission) as at 30 June 2008, and also the Income statement and the Cash Flow Statement of the commission for the year ended on that date annexed thereto. These financial statements have been prepared under the historical cost convention, on the Basis of the accounting policies annexed in the notes to the financial statements and comply with the International Financial Reporting Standards (IFRS).

Responsibilities of the Board of the Commission

The Board of the Commission is responsible for the preparation of the financial statements and safeguarding the assets of the Commission and hence taking reasonable steps for the prevention of fraud and other irregularities.

Responsibilities of the Auditors

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 the International Standards on Auditing. An audit includes an 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 Board of the Commission in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances 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 evaluate the overall adequacy of the presentation of the information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

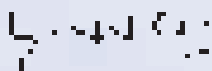
Financial Statements

We have no relationship with or interests in the Commission other than in our capacity as auditors.

Opinion

- ❑ We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;
- ❑ Proper books of account have been kept by the Commission as far as appears from our examination of those books;
- ❑ The balance sheet and the statement of income and expenditure of the Commission are in agreement with the books of account;
- ❑ The financial statements give a true and fair view of the income and expenditure for the year and of the state of affairs, of the Commission, as at 30 June 2008;
- ❑ In relation to the accounts, the Act has been complied with and no directions have been received from the Minister; and
- ❑ As far as could be ascertained from our examination of the accounts and relying on Board representation that no expenditure of an extravagant or wasteful nature judged by normal commercial practice and prudence.

For BANSAL & CO.
Chartered Accountants



Rajender Sharma
Partner

17 September 2008
Ebene Mauritius

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Financial Statements

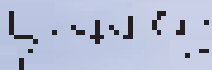
BALANCE SHEET AS AT 30 JUNE 2008

| | NOTE | 2008 Rs | 2007 Rs |
|------------------------------------|-------|----------------------|---------------------|
| ASSETS | | | |
| Non Current Assets | | | |
| Property, plant and equipment | 5 | 237,895,690 | 6,378,533 |
| Intangible assets | 6 | 1,871,194 | 6,195,008 |
| Defined benefit asset | 7, 22 | 1,297,130 | 717,820* |
| Receivables | 8 | 15,623,971 | 16,595,518 |
| | | 256,687,985 | 29,886,879 |
| Current assets | | | |
| Debtors and prepayments | 9, 22 | 22,687,419 | 26,636,832* |
| Treasury bills | | - | 103,165,735 |
| Bank and cash balances | 10 | 114,114,261 | 13,471,728 |
| Bank deposits | | 650,814,740 | 716,666,308 |
| | | 787,616,420 | 859,940,603 |
| TOTAL ASSETS | | 1,044,304,405 | 889,827,482 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Creditors and payables | 11 | 177,940,078 | 128,661,005 |
| TOTAL LIABILITIES | | 177,940,078 | 128,661,005 |
| NET ASSETS | 22 | 866,364,327 | 761,166,477* |
| REPRESENTED BY GENERAL FUND | | 866,364,327 | 761,166,477 |

This is the Balance Sheet referred to, in our report of even date

For Bansal & Co
Chartered Accountants

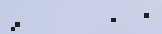
Approved by the Board of the Commission on
17 September 2008
Signed on their behalf



Rajendra Sharma
Partner



S. Lalloo
Chairman



S. Boolell
Vice Chairman



J.N. Meetarban
Chief Executive

The accounting policies on pages 69 to 72 and the notes on pages 73 to 80 form an integral part of these financial statements

Financial Statements

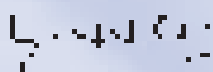
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

| | NOTE | 2008 Rs | 2007 Rs |
|---|------|--------------------|--------------------|
| INCOME | | | |
| Fees | | 409,788,917 | 315,543,842 |
| Interest | 12 | 53,218,993 | 49,141,831 |
| | | 463,007,910 | 364,685,673 |
| EXPENDITURE | | | |
| Salaries and allowances | 13 | 75,039,773 | 69,371,907 |
| Training and seminars | 14 | 7,183,419 | 5,745,786 |
| Legal and professional fees | | 6,293,016 | 2,404,540 |
| Office and administrative | 15 | 32,565,816 | 31,581,477 |
| Depreciation and amortisation | 5, 6 | 7,776,523 | 10,043,099 |
| | | 128,858,547 | 119,146,809 |
| SURPLUS OF INCOME OVER EXPENDITURE | | 334,149,363 | 245,538,864 |
| Exchange fluctuation (loss)/ gain | 20 | (112,059,077) | 81,817,722 |
| SURPLUS FOR THE YEAR | | 222,090,286 | 327,356,586 |

This is the Income Statement referred to, in our report of even date

For Bansal & Co
Chartered Accountants

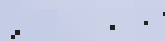
Approved by the Board of the Commission on
17 September 2008
Signed on their behalf



Rajendra Sharma
Partner



S. Lalloo
Chairman



S. Boolell
Vice Chairman



J.N. Meentarbhan
Chief Executive

The accounting policies on pages 69 to 72 and the notes on pages 73 to 80 form an integral part of these financial statements

Financial Statements

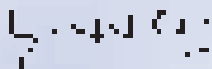
STATEMENT OF CHANGES IN GENERAL FUND FOR THE YEAR ENDED 30 JUNE 2008

| | NOTE | 2008 Rs | 2007 Rs |
|--|-----------|--------------------|---------------------|
| At 1 July | | 761,166,477 | 444,081,403 |
| Adjustment to staff loan at fair value | 22 | 3,107,564 | (3,107,564)* |
| Surplus for the year | | 222,090,286 | 330,464,150 |
| Prior year adjustments | | | |
| Retirement benefits obligation | 16 (a) | - | 3,465,752 |
| Licence fees relating to previous year and accounted as prepaid licence | 16 (b) | - | 76,262,736 |
| Contribution to capital budget | | (120,000,000) | (90,000,000) |
| At 30 June | 22 | 866,364,327 | 761,166,477* |

This is the Statement of Changes in General Fund referred to, in our report of even date

For Bansal & Co
Chartered Accountants

Approved by the Board of the Commission on
17 September 2008
Signed on their behalf



Rajendra Sharma
Partner



S. Lalloo
Chairman



S. Boolell
Vice Chairman



J.N. Meentarbhan
Chief Executive

The accounting policies on pages 69 to 72 and the notes on pages 73 to 80 form an integral part of these financial statements

Financial Statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

| | NOTE | 2008 Rs | 2007 Rs |
|---|------|----------------------|---------------------|
| Cash flows from operating activities | 17 | 242,834,412 | 310,012,548 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (205,481,456) | (1,137,306) |
| Purchase of intangible assets | | (59,685) | - |
| Net cash used in investing activities | | (205,541,141) | (1,137,306) |
| Cash flows from financing activities | | | |
| Contribution paid against retirement benefit obligation | | (579,311) | (992,068) |
| Contribution to capital budget | | (120,000,000) | (90,000,000) |
| Net cash used in financing activities | | (120,579,311) | (90,992,068) |
| Net (decrease)/increase in cash and cash equivalents | | (83,286,040) | 217,883,174 |
| Cash and cash equivalents at 1 July | | 833,303,771 | 549,081,300 |
| Cash and cash equivalents at 30 June | | 750,017,731 | 766,964,474 |

Cash and cash equivalents consist of cash in hand, balances with the bank in saving accounts, fixed deposits and investment in treasury bills.

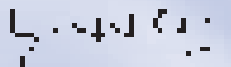
Cash and cash equivalents included in the Cash Flow Statement comprise of

| | | |
|---------------------------|--------------------|--------------------|
| Bank and cash balances | 114,114,261 | 13,471,728 |
| Bank deposits | 650,814,740 | 716,666,308 |
| Treasury bills | - | 103,165,735 |
| | 764,929,001 | 833,303,771 |
| Unrealised exchange gains | (14,911,270) | (66,339,297) |
| | 750,017,731 | 766,964,474 |


This is the Cash Flow Statement referred to, in our report of even date


For Bansal & Co
Chartered Accountants

Approved by the Board of the Commission on
17 September 2008
Signed on their behalf


Rajendra Sharma
Partner


S. Lalloo
Chairman


S. Boolell
Vice Chairman


J.N. Meentarbhan
Chief Executive

The accounting policies on pages 69 to 72 and the notes on pages 73 to 80 form an integral part of these financial statements

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

1. CONSTITUTION AND FUNCTION OF THE COMMISSION

1.1 Constitution

The Financial Services Commission was established under the Financial Services Development Act 2001 on 1 August 2001. With enactment of the Financial Services Act 2007, the Commission is deemed to have been established under this Act.

1.2 Function

The Commission is an independent regulatory authority established under the Financial Services Development Act 2001 to regulate the non-banking financial services sector.

2. ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The financial statements have been prepared on accrual basis and are in accordance with International Financial Reporting Standards adopted by the International Accounting Standard Board (IASB) and interpretations issued by the Standing Interpretations Committee of the IASB. The presentation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount and disclosures in the financial statements. Actual results could differ from those estimates.

2.2 Revenue

Revenues arising from processing, annual licence, registration and brokerage fee, where no significant uncertainty as to its collectibility exists, have been accounted on accrual basis and those with significant uncertainty are accrued as and when realised.

Interest on bank deposits and treasury bills have been accounted for, on an accrual basis.

2.3 Expenditure

All expenses / outflows have been accounted on accrual basis.

Office rental payments termed operating lease are charged off on straight line basis over the lease period.

2.4 Employee Entitlements

The Commission contributes to a defined benefit plan for non-contractual employees, the assets of which are held independently and administered by an insurance company, taking account of the recommendations of independent qualified actuaries as per IAS 19, Employee Benefits.

Pension is payable to eligible employees upon retirement / death of employees as per Section 7 of the Regulations 2000 to the Statutory Bodies Pension Fund Act 1978 (as amended).

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

2. ACCOUNTING POLICIES *(continued)*

For defined pension benefit plans, the pension costs are assessed using the projected unit credit method. The costs of providing pension are charged to the Income Statement so as to spread the regular cost over the service lives of employees in accordance with advice of the actuaries who carry out a full valuation of the plans. The pension obligation is measured as the present value of the estimated future cash outflow using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of the employees.

2.5 Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange ruling at the dates of the transactions (transactions are occurred on the date of recording).

Assets and liabilities denominated in foreign currencies are translated to Mauritian Rupee (Rs) at the rate of exchange ruling at the end of the financial year.

Gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the Income Statement.

2.6 Property, Plant and Equipment

Building comprises mainly of office of the Commission and is shown at fair value. All other property, plant and equipment are stated at historical cost less accumulated depreciation. Where the carrying amount of an asset is greater than its recoverable amount, it is written down to its recoverable amount. The impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net realisable value or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus or deficit. Repairs and maintenance are charged to Income Statement during the financial period in which they are incurred.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual value over their estimated useful life as follows:-

| Item | % |
|-----------------------------|----------|
| Motor Vehicles | 20 |
| Furniture | 20 |
| Office Equipment | 20 |
| Computer Equipment | 33.33 |
| Building and Leasehold land | 30 years |

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

2. ACCOUNTING POLICIES *(continued)*

2.7 Intangible Assets

All computer software and development costs are considered as intangible assets and are amortised over the estimated period of utilisation not exceeding three years.

2.8 Financial Instruments

The Commission uses only non-derivative financial instruments as part of its normal operation. These financial instruments include bank deposits, staff loans, debtors and receivables. All financial instruments are recognised in the Balance Sheet at their fair value.

Debtors

Debtors are stated at cost, which is its fair value.

Staff Loans

Fair value of the staff loans has been computed by applying the effective interest rate to the future repayments (cash flows) and stated in the Balance Sheet at the amortised cost.

Cash and Cash Equivalents

Cash comprises cash at bank and in hand and bank deposits. 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 change in value.

Creditors and Payables

Creditors and payables are stated at the amount certain for payments.

2.9 Taxation

The Commission is exempt from the provisions of the Income Tax Act 1995 (as amended)

2.10 Contributions to the Capital Fund of the Government of Mauritius

The Commission makes a contribution to the Capital Fund of the Government from the General Fund in terms of the provisions of the Financial Services Act 2007, based on income and expenditure estimates, and as determined by the Board of the Commission.

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

2. ACCOUNTING POLICIES *(continued)*

2.11 Related Parties

Parties are considered related to the Commission if they have the ability, directly or indirectly, to exercise significant influence over the Commission in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

2.12 Comparatives

Comparative figures have been reclassified and restated to conform with presentation of current year.

3. CONTINGENT LIABILITIES/COMMITMENTS

3.1 Contingent Liability

There are pending lawsuits against the Commission with claims estimated at Rs 22.8 million, excluding interests and costs (previous year- Rs 22.8 million). The Commission is of the view that the liabilities, if any, that may arise in future shall be appropriately dealt with in the year of settlement of the claims.

3.2 Statutory Deposits of Insurance Companies not included in the Balance Sheet

Statutory security deposit certificates of insurance companies, amounting to Rs 340,665,900 (previous year Rs 361,568,573) are in the physical custody of the Commission in accordance with the Insurance Act 2005 and not included in the Balance Sheet.

4. RISK MANAGEMENT POLICIES

4.1 Financial Risks

A description of the various financial risks to which the Commission is exposed, is shown below as well as the approach taken by management to control and mitigate those risks.

Liquidity Risk

This refers to the possibility of default by the Commission to meet its obligations because of unavailability of funds to meet both operational and capital requirements. In order to ensure adequacy of its funding, cash flow is managed regularly and actions taken accordingly.

Foreign Exchange Risk

The Commission is exposed to foreign exchange risk with respect to foreign currency arising from receipt of licence fee in foreign currency.

4.2 Insurable Risks

The Commission has adequate insurance cover for its properties and material contents, loss of profits and public liability. The sums insured for each insurance cover are reviewed annually in accordance with recommendations from professional advisers, where applicable.

5 PROPERTY, PLANT AND EQUIPMENT

| | MOTOR VEHICLE | FURNITURE | COMPUTER EQUIPMENT | OFFICE EQUIPMENT | BUILDING AND LEASEHOLD LAND* | FIXTURES & FITTINGS | TOTAL |
|------------------------|-------------------|-------------------|-----------------------|---------------------|------------------------------------|------------------------|--------------------|
| | Rs | Rs | Rs | Rs | Rs | Rs | Rs |
| COST | | | | | | | |
| At 1 July 2007 | 11,223,284 | 11,431,924 | 9,965,155 | 2,502,233 | - | - | 35,122,596 |
| Purchases | - | 103,600 | - | 371,408 | 173,275,311 | 61,100,176 | 234,850,495 |
| At 30 June 2008 | 11,223,284 | 11,535,524 | 9,965,155 | 2,873,641 | 173,275,311 | 61,100,176 | 269,973,091 |
| DEPRECIATION | | | | | | | |
| At 1 July 2007 | 6,831,761 | 10,487,291 | 9,578,805 | 1,846,206 | - | - | 28,744,063 |
| Charge for the year | 2,044,797 | 754,574 | 207,384 | 326,583 | - | - | 3,333,338 |
| At 30 June 2008 | 8,876,558 | 11,241,865 | 9,786,189 | 2,172,789 | - | - | 32,077,401 |
| NET BOOK VALUE | | | | | | | |
| At 30 June 2008 | 2,346,726 | 293,659 | 178,966 | 700,852 | 173,275,311 | 61,100,176 | 237,895,690 |
| At 30 June 2007 | 4,391,523 | 944,633 | 386,350 | 656,027 | - | - | 6,378,533 |

*No depreciation has been provided on building and on fixtures & fittings, since the office became operational on 30 June 2008
The cost of building includes leasehold land of Rs 5.5 million

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

6 INTANGIBLE ASSETS

| | 2008 Rs | 2007 Rs |
|-------------------------------|-------------------|-------------------|
| COST | | |
| At 1 July | 18,129,236 | 12,788,891 |
| Purchases | 119,370 | 17,250 |
| Computer Software Development | - | 5,323,095 |
| At 30 June | 18,248,606 | 18,129,236 |
| AMORTISATION | | |
| At 1 July | 11,934,228 | 7,494,418 |
| Charge for the year | 4,443,184 | 4,439,810 |
| At 30 June | 16,377,412 | 11,934,228 |
| NET BOOK VALUE | | |
| At 30 June | 1,871,194 | 6,195,008 |

7 DEFINED BENEFIT ASSET

The pension scheme is a defined benefit plan and is fully funded. The assets of the funded plan are held independently and administered by SICOM.

| | 2008 Rs | 2007 Rs |
|--|--------------------|------------------|
| The amount recognized in the Income Statement are as follows: | | |
| Current service cost | 1,967,397 | 2,575,925 |
| Interest cost | 4,302,022 | 3,801,600 |
| Expected return on plan assets | (4,508,573) | (3,651,531) |
| Actuarial gain recognised | 1,295,696 | - |
| Total included in staff cost | 3,056,542 | 2,725,994 |
| Actual return on plan assets | 5,556,448 | 4,895,159 |
| Movement in liability recognised in the balance sheet as determined by the actuarial valuation | | |
| Opening balance | (717,820) | 3,740,000 |
| Expense for the year | 3,056,542 | 2,725,994 |
| Contribution paid | (3,635,852) | (3,718,062) |
| As at the close of the year | (1,297,130) | 2,747,932 |
| Prior year adjustments | - | (3,465,752) |
| As at the close of the year | (1,297,130) | (717,820) |

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

7 DEFINED BENEFIT ASSET *(continued)*

Movements in the present value of the plan assets in the current year were as follows:

| | 2008 Rs | 2007 Rs |
|-----------------------------------|-------------------|-------------------|
| At 1 July | 37,568,443 | 30,810,000 |
| Expected return on plan assets | 4,508,573 | 3,651,531 |
| Actuarial Gains | 1,047,875 | 1,222,020 |
| Contributions from the employer | 3,635,852 | 3,808,946 |
| Contributions from the government | 3,465,752 | - |
| Benefits paid | (3,828,540) | (1,833,170) |
| Schemes expenses | (87,779) | (90,884) |
| At 30 June | 46,310,176 | 37,568,443 |

The major categories of plan assets, and the expected rate of return of the balance sheet date for each category, are as follows:

| | 2008 % | 2007 % |
|--------------------------------|------------|------------|
| Government Securities and Cash | 46.79 | 54.50 |
| Loans | 8.20 | 9.00 |
| Local Equities | 30.20 | 17.60 |
| Overseas bonds and equities | 13.80 | 17.90 |
| Property | 1.00 | 1.00 |
| Debenture Stocks | 0.01 | 0.00 |
| | 100 | 100 |

Rates used for accounting purposes were

| | % | % |
|---------------------------------------|-------|-------|
| <i>Discount Rate</i> | 11.00 | 11.00 |
| <i>Expected return on plan assets</i> | 11.50 | 11.50 |
| <i>Future Salary Increase</i> | 8.00 | 8.00 |
| <i>Future Pension increase</i> | 4.00 | 3.50 |

8 RECEIVABLES

| | 2008 Rs | 2007 Rs |
|------------------------------------|-------------------|-------------------|
| Staff loan, restated at fair value | 15,623,971 | 16,595,518 * |
| | 15,623,971 | 16,595,518 |

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

9 DEBTORS AND PREPAYMENTS

| | 2008 Rs | 2007 Rs |
|---|--------------------|--------------------|
| <i>Debtors (unsecured and considered good)</i> | 6,139,167 | 2,570,585 |
| Staff loan, receivable within one year, restated at fair value | 4,688,841 | 4,729,865 * |
| Other receivables | 815,900 | 822,650 |
| Prepayments | 3,589,380 | 4,904,259 |
| Accrued interest | 7,454,131 | 13,609,473 |
| | 22,687,419 | 26,636,832 |
| <i>Total staff loan at face value</i> | <i>23,404,857</i> | <i>24,432,947</i> |
| <i>Less adjustment for fair value</i> | <i>(3,900,111)</i> | <i>(4,182,051)</i> |
| <i>Add interest adjustment, calculated on fair value</i> | <i>808,066</i> | <i>1,074,487</i> |
| <i>Balance at fair value</i> | <i>20,312,812</i> | <i>21,325,383</i> |
| <i>Loan receivable within one year</i> | <i>4,688,841</i> | <i>4,729,865</i> |
| <i>Loan receivable beyond one year</i> | <i>15,623,971</i> | <i>16,595,518</i> |
| | 20,312,812 | 21,325,383 |

10 BANK AND CASH BALANCES

| | 2008 Rs | 2007 Rs |
|---------------|--------------------|-------------------|
| Cash in hand | 21,000 | 21,000 |
| Bank balances | 114,093,261 | 13,450,728 |
| | 114,114,261 | 13,471,728 |

11 CREDITORS AND PAYABLES

| | | |
|-----------------------------------|--------------------|--------------------|
| Accruals | 34,436,199 | 1,896,944 |
| Other creditors and provisions | 8,020,300 | 9,475,534 |
| Deposit from management companies | 20,112,140 | 9,776,892 |
| Prepaid licence fee | 115,371,439 | 107,511,635 |
| | 177,940,078 | 128,661,005 |

(* See note 22)

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

| | | 2008 Rs | 2007 Rs |
|--|----------------------------|-------------------|-------------------|
| 12 INTEREST | | | |
| Treasury bills | | 5,120,386 | 8,661,222 |
| Bank deposits | | 46,050,609 | 38,354,265 |
| Staff loans | | 2,047,998 | 2,126,344 |
| | | 53,218,993 | 49,141,831 |
| 13 SALARIES AND ALLOWANCES | | | |
| Staff salaries and allowances | | 54,717,593 | 49,071,676 |
| Adjustment to staff cost due to restatement of staff loan at fair value | | 3,900,111 | 4,182,051 |
| Pension contribution | | 3,056,542 | 2,725,994 |
| Family protection scheme | | 552,949 | 477,299 |
| National savings fund | | 305,569 | 307,908 |
| Passage benefits | | 1,702,362 | 2,096,984 |
| Board and committee fees | | 2,100,000 | 2,100,000 |
| Travelling | | 6,519,591 | 6,920,450 |
| Staff welfare | | 2,185,056 | 1,489,545 |
| | | 75,039,773 | 69,371,907 |
| Board fees, salaries and allowances | | | |
| Mr S. Lalloo, Chairman | Board fees | 480,000 | 480,000 |
| Mr S. Boolell, Vice Chairman | Board fees | 300,000 | 300,000 |
| Mr R. Chellapermal | Board fees | 240,000 | 240,000 |
| Mr R. Makoond | Board fees | 240,000 | 240,000 |
| Ms M. Philips | Board fees | 240,000 | 240,000 |
| Mr S. Gopaul | Board fees | 240,000 | 240,000 |
| Mr O. Lew Kew Lin | Board fees | 240,000 | 240,000 |
| Chief Executive | Salaries and allowances | 4,641,184 | 4,606,467 |
| Director - Licensing | Salaries and allowances | 4,232,233 | 4,118,249 |

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

14 TRAINING AND SEMINARS

| | 2008 Rs | 2007 Rs |
|-----------------------------------|--------------------|--------------------|
| Overseas conferences and seminars | 5,687,084 | 4,399,262 |
| Local events | 883,049 | - |
| Staff training | 613,286 | 1,346,524 |
| | 7,183,419 | 5,745,786 |

15 OFFICE AND ADMINISTRATIVE EXPENSES

| | | |
|---|-------------------|-------------------|
| Rental & maintenance of office premises | 20,339,859 | 18,757,655 |
| Post, telephone, internet and fax charges | 2,126,943 | 2,192,324 |
| Electricity | 1,557,890 | 1,132,503 |
| Stationery | 1,629,200 | 1,608,104 |
| Subscription | 2,846,650 | 3,688,224 |
| General office expenses | 2,832,469 | 1,794,429 |
| Vehicle expenses | 768,190 | 1,046,879 |
| Advertising and publication | 464,615 | 1,361,359 |
| | 32,565,816 | 31,581,477 |

16 PRIOR YEAR ADJUSTMENTS**(a) Retirement Benefit Obligations**

The adjustment of Rs 3,465,752 represents payment of the Government liability in respect of pension top-up for officers of the Insurance Division, transferred to the Commission in 2001.

(b) Licence Fees Prepaid

The adjustment of Rs 76,262,736 represents prorated licence fees, accounted as prepaid for the years 2002 to 2006.

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

| | 2008 Rs | 2007 Rs |
|--|--------------------|--------------------|
| 17 CASH FLOW FROM OPERATING ACTIVITIES | | |
| Surplus for the year | 222,090,286 | 327,356,586 |
| Adjustments for: | | |
| Staff loan restated to fair value | 3,900,111 | 4,182,051 |
| Interest on staff loan restated to fair value | (808,066) | (1,074,487) |
| Foreign exchange gain | (14,911,270) | (66,339,297) |
| Depreciation and amortisation | 7,776,523 | 10,043,099 |
| Cash flow from operating activities, before working capital changes | 218,047,584 | 274,167,952 |
| Increase in debtors | (3,568,582) | (1,408,884) |
| Decrease/ (increase) in staff loan | 1,028,090 | (2,977,694) |
| Decrease/ (increase) in interest receivable | 6,155,342 | (278,060) |
| Decrease/ (increase) in other receivables | 6,750 | (1,770,595) |
| Decrease/ (increase) in prepayments | 1,314,879 | (417,599) |
| Increase in accrued expenses and other payables | 19,850,349 | 42,697,428 |
| Net cash flow from operating activities | 242,834,412 | 310,012,548 |

18 LIQUIDITY RISK

The liquidity risk with regard to outflows is limited to contribution to capital budget and operative expenses. The outflows to capital budget are matched with the corresponding bank deposits of maturities around the expected time of outflows. The outflows to operative expenses are matched with the corresponding licence fee income based on budget estimates. The surplus based on decisions of the Investment Committee, are invested with maturity profiles as at 30 June 2008.

Maturity profiles are as under:-

| | Maturity | |
|------------------------|-------------|----------|
| | 0 - 1 Year | > 1 year |
| Cash and bank balances | 114,114,261 | nil |
| Bank deposits | 650,814,740 | nil |

The Committee monitors the adequacy of cash inflows in terms of the budget estimates at all times.

Financial Statements

Notes to the Financial Statements for the Year Ended 30 June 2008

19 CREDIT RISK

In the normal course of business, the Commission is exposed to the credit risk from accounts receivable, loan to staff and transactions with banking institutions.

The Commission manages its exposure to credit risk as follows:-

- (a) with regard to accounts receivable, credit risk is limited as the Commission is a regulatory body, and fees are charged in terms of the legislation;
- (b) for staff loan, it maintains control procedures and requests security when loan is granted to staff; and
- (c) for transactions with banking institutions, it holds bank balances and short term deposits with the Bank of Mauritius and the State Bank of Mauritius Ltd.

20 CURRENCY AND EXCHANGE RISK

The Commission receives licence fees in US Dollars (USD). Consequently the Commission is exposed to the risk that the exchange rate of the USD relative to the Mauritian Rupee (MRU) may change in a manner which has a material effect on the reported values of the Commission's licence fee income, which are denominated in USD.

The Commission is exposed to currency risk as a result of conversion of foreign currency balances held in USD and NZD. The fund has been maintained in USD and NZD over the financial year. The exchange fluctuation of Rs 112,059,077 has occurred due to translation of the foreign currencies. During the financial year, the rupee has appreciated against USD and NZD, by 13% and 14% respectively. The exchange fluctuation for the year is as follows:-

| | 2008 Rs | 2007 Rs |
|-----------------------------------|--------------------|--------------------|
| Exchange fluctuation (loss)/ gain | (112,059,077) | 81,817,722 |

Currency profile is as under:-

| | 2008 Rs | 2007 Rs |
|---------------------|--------------------|--------------------|
| New Zealand Dollars | NZD 15,583,000 | NZD 14,573,039 |
| US Dollars | USD 12,000,000 | USD 11,500,000 |

The exposure to currency fluctuation is being monitored by the Investment Committee.

21 FUNCTIONAL CURRENCY

The Financial Statements have been presented in Mauritian rupees.

22 RESTATED FIGURES

* Denotes that the figures for the year 2007 have been restated.

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Appendices

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1. Guidelines on Contingency Plan for Insurers
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VII. Communiqués

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2. Press Release: Setting up of a Commodity Exchange in Mauritius
3. Press Release: Termination of Licence - Rainbow Insurance Company Ltd
4. Communiqué: Appointment of Provisional Liquidator - Rainbow Insurance Company Ltd
5. Press Release / *Communiqué de presse*: Rainbow Insurance Company Ltd
6. FSC builds up on competencies for handling of insurance companies in difficulties
7. FSC moves towards modern Risk-Based Supervision Framework
8. Press Release: Notice of appointment of Conservator for Ceylincostella Insurance Company Limited

Please consult our website: www.fscmauritius.org for further information

Abbreviations and Acronyms

| | |
|------------------|--|
| AML / CFT | Anti-Money Laundering and Combatting the Financing of Terrorism |
| ATS | Automated trading system |
| BOM | Bank of Mauritius |
| CDS | Central Depository and Settlement Co Ltd |
| CIS | Collective Investment Schemes |
| CISNA | Committee for Insurance, Securities and Non-Bank Financial Authorities |
| CPIS | Coordinated Portfolio Investment Survey |
| DB | Defined Benefit |
| DC | Defined Contributions |
| ESAAMLG | Eastern and Southern African Anti-Money Laundering Group |
| FATF | Financial Action Task Force |
| FIU | Financial Intelligence Unit |
| FSA | Financial Services Act 2007 |
| FSAP | Financial Services Assessment Programme |
| FSC | Financial Services Commission |
| FSCC | Financial Services Consultative Council |
| FSI | Financial Stability Institute |
| GBC 1's | Category 1 Global Business Companies |
| GBC 2's | Category 2 Global Business Companies |
| GBOT | Global Board Of Trade Ltd |
| GDP | Gross Domestic Product |
| IA | Insurance Act 2005 |
| IAIS | International Association of Insurance Supervisors |
| IFC | International Financial Centre |
| IMF | International Monetary Fund |
| IOPS | International Organisation for Pension Supervisors |
| IOSCO | International Organisation for Securities Commissions |
| KM | Knowledge Management |
| MMOU | Multilateral Memorandum of Understanding |
| MOU | Memorandum of understanding |
| MSCI | Morgan Stanley Capital International |
| OECD | Organisation of Economic Cooperation and Development |
| PAYE | Pay-as-you-earn |
| PDC | Policy and Development Committee |
| SA | Securities Act 2005 |
| SEM | Stock Exchange of Mauritius |
| SROs | Self-Regulatory Organisations |
| TRC | Tax Resident Certificate |

