## Abbreviations and Acronyms

- AMERIC: Africa and Middle East Regional Committee
- AMF: Autorité des Marchés Financiers
- AMMLA: Anti-Money Laundering and Combating the Financing of Terrorism
- ATS: Automated Trading System
- 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
- DEM: Development and Enterprise Market
- DTAA: Double Taxation Avoidance Agreement
- ESAM: Eastern and Southern African Anti-Money Laundering Group
- FSC: Financial Services Commission
- FSCC: Financial Services Consultative Council
- FSI: Financial Stability Institute
- GBC: Global Business Companies
- GDP: Gross Domestic Product
- IAS: International Accounting Standards
- IAIS: International Association of Insurance Supervisors
- IFC: International Financial Centre
- IMF: International Monetary Fund
- IOSCO: International Organisation of Securities Commissions
- MAA: Mutual and Annuity Association
- MIBA: Mutual Insurance Bureau of Mauritius
- MMU: Mutual Management of Uninsured Assets Committee
- MFA: Mutual Fund Authority
- MLA: Net Value of Assets
- MIFA: Non-Mutual Financial Institutions
- MOC: Organisation for Economic Co-operation and Development
- OTC: Over-the-Counter
- RGPC: Regulators of Companies
- QCA: Quickened Capital Adequacy
- SEAC: Supervision of Financial Authorities
- SFA: Stock Exchange of Mauritius
- SIRCO: Self-Regulatory Organisations
- TGC: Tax Registration Certificate

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### Annual Report 2007

Financial Services Commission
Mauritius

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- **DTAA**: Double Taxation Avoidance Agreement
- **ESAM**: Eastern and Southern African Anti-Money Laundering Group
- **FSC**: Financial Services Commission
- **FSCC**: Financial Services Consultative Council
- **FSD ACT 2001**: Financial Services Development Act 2001
- **FSI**: Financial Stability Institute
- **GBC**: Global Business Companies
- **GDP**: Gross Domestic Product
- **IAIS**: International Association of Insurance Supervisors
- **IFC**: International Financial Centre
- **IMF**: International Monetary Fund
- **IOSCO**: International Organisation of Securities Commissions
- **MMU**: Mutual Management of Uninsured Assets Committee
- **MIBA**: Mutual Insurance Bureau of Mauritius
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Abbreviations and Acronyms

AMERC Africa and Middle East Regional Committee
AMF Autorité des Marchés Financiers
AMLAFT Asia, Middle East and Latin American Financial Authorities
ACCR Accelerated Trading System
CRS Central Depository and Settlement Co Ltd
CBG Collective Investment Schemes
CMIA Consultative Committee for Insurance, Securities and Non-Bank Financial Authorities
CDS Credit Default Swap
CIS Collective Investment Schemes
CISNA Committee for Insurance, Securities and Non-Bank Financial Authorities
CISCO Colasinfo
CRM Cross-Media Resource Management System
CTA Capital Transfer and Acquisition Agreement
CUMB FSC Corporate University

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While all care has been taken in the preparation of this Report, the Financial Services Commission does not accept responsibility for any loss suffered by any person/entity relying on the information contained in this Report or arising from any shortcoming, defect or inaccuracy through inadvertence or otherwise. Any discrepancy may be brought to the notice of the Commission at: fscmauritius@internet.mu.

 Portions of this Report relating to statistics collected through Statutory Returns and Surveys have been prepared for general overview. They are not intended to provide an exhaustive coverage of the topic. The contents of this Report are made available for information purposes only and on the understanding that the Financial Services Commission is not providing professional advice.

This Report contains references to relevant Acts and secondary legislation. The authoritative version of the text of any Act or other secondary legislation, which prevails in the event of any inconsistency, is published in the Government Gazette.

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Photos: FSC, Fisheye, ????
Statistics compiled by the Financial Services Commission in respect of the financial services and global business sectors

Pursuant to section 6(j) of the Financial Services Act 2007, one of the functions of the Commission is to “collect, compile, publish and disseminate statistics in respect of the financial services and global business sectors.”

The Commission regularly collects, compiles and disseminates industry-wide data and also conducts surveys amongst licensees.

Some of the aggregate figures compiled by the Commission have been published in this Annual Report and pertain to the financial year ending 30 June 2007.

More detailed figures and results of surveys carried out by the Commission will henceforth be published in a Statistical Bulletin that will be released within the first semester following each calendar year-end.

The first issue of the Statistical Bulletin is scheduled for the first semester 2008.
Members of the Board

Chairman
Said Laloo

Vice Chairman
Satyajit Boolell

Radhakrishna Chellapermal

Sanjay Gopaul
Chairman
Said Laloo
Mr Laloo has worked at directorate Level in the Finance Departments of the African Development Bank, from 1981 to 1990. Prior to this, he served a long career in the Ministry of Finance and was Chief Accountant from 1971 to 1981. He had previously worked at the Government Audit Department for 16 years.
He was the Director of the National Investment Trust from 1994 to 2005 and held the post of Chairman (2003-2004). He has also served as Chairman of the National Housing Development Corporation from 1993 to 2000, and as Director of the State Investment Corporation from 1994 to 2004.
Mr Laloo is a fellow member of the Association of Chartered Certified Accountants.

Vice Chairman
Satyajit Boolell
Mr Boolell was admitted to the Mauritian Bar in 1985. He joined the Attorney General’s Office in the following year. In 2003, he was appointed Parliamentary Counsel, post which he occupies to date. He holds a postgraduate law degree in Finance and Banking from Kings College, University of London. He is also a lecturer at the Council of Legal Education and a member of the Law Reform Commission. He has represented the Government at various international conferences, expert meetings and negotiations. He has appeared for the Government before the Judicial Committee of the Privy Council on a number of occasions.

Radhakrishna Chellapermal
Director, Financial Policy Analysis, Ministry of Finance and Economic Development.
After working in the private sector for 6 years, Mr Chellapermal joined the Ministry of Finance in 1983, where he has been involved in various projects relating to the financial services sector including the establishment of the Stock Exchange, the review of company legislation and the regulatory framework governing international business. He has also served on various committees, including the Company Law Advisory Committee and the Mauritius Accounting and Auditing Standards Committee. Mr Chellapermal was admitted as a member of the Association of Chartered Certified Accountants in 1980.

Sanjay Gopaul
Mr Gopaul is an economist and a graduate of the London School of Economics. He is the lead partner in DCDM E&M, an independent economic and management consultancy firm, part of the De Chazal Du Mée organisation. Before joining the private sector in 1999, he conducted research on export market development and foreign direct investment for the Mauritius Export Development and Investment Authority. He now practices as a management consultant and works almost exclusively in sub-Saharan Africa. Mr Gopaul advises governments and public sector institutions on privatisation, public sector reform and organisational restructuring. He is also widely solicited by the private sector for advice on corporate strategy and new business ventures.
Members of the Board

Oliver Lew Kew Lin

Raj Makoond

Mary Anne Philips

Chief Executive
J.N. Meetarshan
Oliver Lew Kew Lin
Managing Director, Diadeis Maurice Ltée.
After graduating from Oxford University in Engineering and Computing Science, Mr Lew Kew Lin set up one of the first BPO companies in Mauritius in 1990, specialising in Desktop Publishing for export. He is presently the CEO of the local branch of the French-based Diadeis Group. He was formerly the Chairperson of the Mauritius Institute Advisory Council and of the Board of the Export Processing Zone Development Authority. He has also served on various boards and committees, including the National Computer Board, the Board of Governors of the University of Technology, Mauritius as well as the board of a private bank.

Raj Makoond
Executive Director, Joint Economic Council.
Mr Makoond holds a Master’s degree in Tourism Planning. Prior to his present responsibilities at the Joint Economic Council, he was the Deputy Secretary-General of the Mauritius Chamber of Commerce & Industry until 1993. He has also worked for the Ministry of Commerce, the Ministry of Economic Planning & Development and the Ministry of Tourism. He is a member of the Mauritius Negotiating Team on ACP-EU relations and the WTO Standing Committee. He is also involved at policy level in a number of institutions, such as Business Parks of Mauritius Ltd and the Board of Investment. Mr Makoond is a Director of the European Centre for Development Policy Management, a Dutch foundation.

Mary Anne Philips
Ms Philips is a practising Attorney since 1995.
She holds a Maîtrise en droit.
She has previously worked in the banking sector as in-house lawyer for the BNPI Group. She specialises in company law, commercial law, bankruptcy law, insurance, financial services and banking, as well as civil law.

Chief Executive
J.N. Meetarbhan
Mr Meetarbhan has long been associated with the development of the financial services sector in Mauritius. He acted as legal adviser to the Ministry of Finance from 1986 to 1990 and was involved in the setting up of the Stock Exchange of Mauritius. He was subsequently appointed as a member of the Stock Exchange Commission. He served as the Chairperson of the Financial Services Consultative Committee, set up by the Government in 1997 to review a comprehensive set of legislation relating to the financial services sector.
Mr Meetarbhan was called to the Bar at the Middle Temple in London. He also obtained a Doctorate in International Law from the Sorbonne in Paris.
As a legal consultant, he has been actively engaged in the global business sector since 1994. He has advised a number of international corporations operating in the sector and has also served as a director on the boards of several companies and funds.
Previously, he was Senior Policy Adviser to the Prime Minister from 1995 to 1998 and served as Chairperson of Mauritius Telecom from 1998 to 2000.
He was also formerly Associate Professor of Law and Head of the Law Department at the University of Mauritius.
Financial Centres worldwide have had to face increasing competition and significant challenges over the past year. Globalisation has however increased opportunities for business. The world economy is nowadays increasingly dependent on global financial services and cross-border money flows as a means to sustaining economic growth while companies are becoming ever more multinational, shifting their operations and activities across borders.

In the face of such unprecedented acute competition and international economic challenges, the Mauritius financial sector has shown strong resilience, as a result of the strategic decisions made at macroeconomic level: the opening up of our economy, the overhauling of the tax system for a simplified tax regime that has improved competitiveness, the fast-track approval process for investment and improvements in the framework for doing business in Mauritius has positioned the sector as an attractive, secure and competitive location for cross-border investments. Economic growth is now expected to rise from less than 5% in 2006/2007 to around 5.8% in 2007/2008. The financial services sector itself is expected to grow by 7 to 8% during the same period.

The strategies laid down during the year under review both in terms of national policy by the Government or at the level of the Commission have reinforced the development of a business-friendly environment. While Mauritius ranks 11th for Protecting Investors in the Doing Business 2007 report, the economic reforms underway and elaborated in the National Budget 2007/2008 are poised to further promote an efficient and sound financial market as well as improving our business capability and effectiveness. These reforms aimed at boosting the economy and reinvigorating the business climate in Mauritius by adding more substance and value to our international financial centre (IFC).

“Our challenge is now to keep this momentum to consolidate our strategies and uphold the jurisdiction as a resilient and well regulated IFC, capable of facing fast paced changes in the financial sector and sustaining economic growth.”

The opening up of our economy cannot however be made possible without a substantial improvement in the quality and efficiency of the financial services sector. The traditional ways in which the industry operates, including the instruments that are used for the provision of services, need to be reviewed. Ability to attract investment is influenced by key dynamic factors such as the overall business environment the jurisdiction offers, the availability of investment vehicles, the quality and cost of service, the range and diversity of products, the competence of its pool of professionals.

The year 2006/2007 has been focused on consolidating the sector. We have furthered the approach and direction given by the Board at the beginning of last year and defined the priorities for the Commission in terms of our policies and guiding principles.

During the year under review, the Commission has worked towards making Mauritius a still more attractive and competitive IFC in terms of the legal and regulatory regimes of the jurisdiction. The reputation of our jurisdiction is now internationally well established and Mauritius is considered sound and secure in all respects. The long overdue review of our legal framework was made to provide an adequate environment for investors and service providers. The new pieces of legislation will bring a wave of reforms to pave the way to a more flexible and modern regulatory environment. While implementing such critical changes, the overriding concern of the Commission has been to ensure compliance with international standards and best practices.

The Commission also continued in its endeavour to further improve its regulation and supervision of markets and service providers whilst ensuring consumer protection. The ever evolving and competitive dynamics in the market also requires of the Commission to be constantly innovative and proactive in its approach to the regulation of the sector.

I am happy to say that the relationship between the Commission and the non-bank financial services industry has been one of collaboration bent on achieving fair market conduct. The setting up of the Financial Services Consultative Council, which associates stakeholders of the sector, will certainly promote a stronger partnership that will allow us to align our objectives and strategies, combine our efforts and coordinate initiatives in a creative and innovative way to face the challenges of competitiveness and globalisation.

Our challenge is now to keep this momentum to consolidate our strategies and uphold the jurisdiction as a resilient and well regulated IFC, capable of facing fast paced changes in the financial sector and sustaining economic growth.

I wish to seize this opportunity to express my gratitude to the Vice-Chairman and the members of the Board as well as to the Chief Executive and his staff for their support in what has been a very challenging year. I look forward to their continued support in what will be yet another demanding year for the Commission in an increasingly dynamic global environment.

Said Lalloo
Chairman
The Commission set out during the previous year to adopt a more business-friendly and purposive approach to regulation. Whilst this objective was pursued during the year under review, the Commission, whose statutory duties include the development of the financial services sector, was also actively engaged in safeguarding the interests of the jurisdiction, promoting the Mauritian International Financial Centre, ensuring that consumer interests are adequately protected and promoting business development.

Prior to the Financial Services Development (FSD) Act 2001, the Mauritius Offshore Business Activities Authority was responsible for both regulation and promotion. The Stock Exchange Commission had also been entrusted with the responsibility of promoting dealings in securities and given the duty of protecting consumer interests. The FSD Act 2001 clearly distinguished between the two functions of regulation and promotion and provided for the setting up of the Financial Services Commission (FSC) as the regulator and the Financial Services Promotion Authority (FSPA) as the agency responsible for promotion. In 2006, Parliament repealed the provisions of the law relating to FSPA.

The theoretical debate about the need to separate the functions of regulation and promotion cannot be the same in all jurisdictions. In smaller countries, the talent and skills available specially to the public sector are...
perforce limited. The apex agency in any sector is the one which has an overview of the sector and its staff has proper knowledge of the players and the business it regulates. To duplicate the same knowledge in another agency which would be entrusted with responsibility for promoting the sector is not always feasible.

A distinction needs to be made between promotion and business development. A regulator, especially in a smaller jurisdiction, should have no conflict in taking on responsibility for business development whilst another agency which specialises in promoting investments in other sectors of the economy assists in the design and logistics of promotional activities. To require a separate agency from the one which has a comprehensive knowledge of the sector to look after business development of the sector for theoretical reasons may not always be beneficial to the jurisdiction.

The Monetary Authority of Singapore took the view that supervision and development are not incompatible but complementary. “Our experience has been that effective cooperation between the supervisor and developer is vital so that our rules or regulations can be business-friendly without compromising industry best practices or undermining the basic tenets of good supervision. We believe that the delicate balance between the supervisory and developmental roles is best achieved within one organization with a shared purpose rather than separate agencies with possibly conflicting goals.”

The statutory objectives of the FSC include:

**Section 5 (1) (a)**

to work out objectives, policies and priorities for the development of the financial services sector and to make recommendations to the Minister;

**Section 5 (1) (b)**

to study new avenues for development in the financial services sector, to respond to new challenges and to take full advantage of new opportunities for achieving economic sustainability and job creation;

The FSC takes these statutory objectives seriously and looks forward to an appropriate institutional framework which sets out the respective roles of all agencies in promoting the development of the financial services sector.

The debate about regulation and business development was extended during the past year to whether the functions of regulating an activity should be distinct from that of enforcing competition rules. Should these two functions need to be entrusted to separate agencies, the availability of skills required, the knowledge of the regulated sectors and possible institutional conflicts in small jurisdictions will again be relevant to the debate about new competition legislation.

As part of its overall duty to safeguard the interests of the financial services sector and the business conducted by its licensees, the Commission devoted, during the year under review, significant resources to
ensuring the continued development of the global business industry. The support provided to these efforts at the highest level of Government with the Prime Minister, the Deputy Prime Minister and Minister of Finance and Economic Development and the Minister of Foreign Affairs show the strong commitment of Government to the sustained development of global business and the financial services sector as an engine of growth for the economy in general.

During the same period, the Commission devoted a considerable amount of resources to the work on improving the legal and regulatory framework. The Commission provided extensive support to the Ministry of Finance and Economic Development in finalising the new Financial Services Bill, the Securities (Amendment) Bill and the Insurance (Amendment) Bill and the regulations that would be made under these new laws so that they could be proclaimed. The Commission also worked extensively on the Rules to be made by the FSC for the proper implementation of the new legal framework.

The Financial Services Development Act 2001 provides that leasing is one of the financial services activities regulated by the FSC. However, a number of leasing companies which also take deposits were only licensed by the Bank of Mauritius whilst leasing companies which do not take deposits were licensed by the FSC. In January 2007, the FSC issued a public communiqué drawing attention to the provisions of the law and inviting leasing companies to comply. All leasing companies subsequently applied for a Licence from the FSC and the Commission has broadened its operational activities to exercise its statutory duties with respect to leasing.

The renaming of the Commission’s Securities Cluster to the Capital Markets Cluster reflects the change in the scope of activities now regulated by the Commission. Over the last year, greater emphasis was put on enhancing the licensing and supervisory framework for Collective Investment Schemes. The year also saw the launching of the Development Enterprise Market by the Stock Exchange of Mauritius.

During the year under review, the Commission gave its in principle approval to the setting up of an international Commodities Exchange in Mauritius by the promoters of an Indian Multi Commodity Exchange. Such an exchange should give a significant boost to the image of Mauritius as an International Financial Centre (IFC). It is particularly apt that Mauritius, whose history is inextricably linked to sugar, should today be chosen as a place for setting up a regional commodities exchange which will include a Sugar Board.

Over the last year, the Commission has taken several measures to reinforce its capacity to regulate the insurance sector and ensure consumer confidence in the sector. The FSC required insurance companies to put in place new complaints handling procedures. Each insurer should appoint a Complaints Coordinator and have effective consumer complaints procedures to process complaints from persons not satisfied with
claims handling by the insurer. Complaints not satisfactorily resolved by the insurer would then be referred to the Commission.

The FSC also made a significant effort during the past year to reinforce its capacity to supervise the insurance industry and recruit qualified staff both locally and overseas. The Commission also decided during the period under review to appoint inspectors to investigate the affairs of two insurance companies and appropriate action was taken following the submission of the inspection reports in both cases.

As part of its initiative to reinforce its supervisory framework with respect to all the sectors that it regulates, the FSC has commissioned a Risk-Based Supervision framework and solution, based on international standards and state-of-the-art technology. The new Risk-Based Supervision Framework will guide the FSC in risk-assessing and supervising its licensees and is expected to be operational early 2008. Risk-Based Supervision will enable the FSC to prioritise and allocate supervisory resources according to the risk map of its licensees. The solution will enable the FSC to assess the quality of risk governance structure of its licensees through an appropriately calibrated and validated risk governance index. This in turn will help create an early warning system that will enable the Commission to take corrective action.

The FSC is enhancing its communication strategy with all stakeholders. It believes in open dialogue with the industry. It aims not only at consolidating the level of confidence in the conduct of business in Mauritius but also to synergise the collaboration between the industry and the Commission. The Financial Services Consultative Council set up under the Financial Services Development Act 2001 held its first meeting in December 2006. The Council is chaired by the Minister of Finance and Economic Development and comprises representatives of various financial services sectors and should be a useful forum for discussions on future strategy and product diversification and legislative reforms. Three specialised sub-committees have been set up and a number of members co-opted from the industry.

The Commission also started an exercise during the period under review to revisit its vision and mission statements. A Management retreat followed by a retreat for Board members considered the changes that have taken place both on the domestic and international fronts and the need to refocus the Commission’s vision and mission.

As a member of the international standard setting bodies, the FSC adopts international norms and best practices in the exercise of its supervisory functions. During the year under review, the FSC initiated steps to become a signatory to the IOSCO Multilateral MOU on Exchange of Information. The FSC also agreed to host the Regional Seminar for African Insurance Supervisors on Licensing, Corporate Governance and Risk-based
Supervision in November 2007. The target audience are the Senior and Mid-Level Supervisors in the insurance sector. The event is organised by the Financial Stability Institute (FSI) and the International Association of Insurance Supervisors (IAIS).

Staff development and capacity building remain one of the top priorities of the Commission. We set up a full-fledged HR department headed by an Executive and we are pursuing our strategy of creating a conducive environment where opportunities are given to all our people to develop, grow and add value to the various organisational initiatives.

I wish to thank members of staff who have contributed to the various initiatives taken during the year, the Chairman and members of the Board for their continued and active support and industry representatives for their fruitful cooperation.

J.N. Meetarbian
Chief Executive
CORPORATE OVERVIEW
1.1 About FSC

The Financial Services Commission is the integrated regulator for global business and financial services other than banking in Mauritius.

Whilst focusing on its core functions and mission to safeguard the good repute of Mauritius as an International Financial Centre and to protect the interests of all stakeholders in the industry, the Commission is also committed to enhancing the competitive edge of the jurisdiction, expanding the business and contributing to the sustained economic development of Mauritius.

1.2 Review of Internal Structure and Investing in Human Capital

1.2.1 Review of Internal Structure

The past year was characterised by a number of internal organisational initiatives taken by the Management in order to better enable the Commission to discharge its statutory objectives.

The internal organisational structure of the FSC was reviewed and changes were brought. These include the merging of the legal and investigation teams to create the Legal and Enforcement cluster, the widening of the scope of the activities of the Capital Markets cluster to include oversight of, *inter alia*, Collective Investment Schemes, and the setting up of two new clusters, the Human Resources cluster and the Administration cluster.

1.2.2 Empowerment and Flexibility

In line with its policy of decentralised management and human capital empowerment, new work arrangements were introduced by empowering Coordinators and Team Leaders in all clusters.

With a view to ensuring that FSC operates efficiently and effectively emphasis is laid on the flexibility of its internal organizational structure. A project-based approach to all major initiatives has been adopted. In order to ensure the effective and timely implementation of these initiatives, cross-functional teams have been constituted to work on the projects. The FSC is committed to giving all members of staff opportunities to contribute and add value to the various initiatives.

1.2.3 Capacity Building

Building organisational capacity is one of the priorities of the FSC in so far as its human capital strategies are concerned. Despite the highly competitive labour market in which it operates, the FSC has continued to attract quality human capital and maintains an average turnover rate of 6.1%.

In addition to a new recruitment drive, major initiatives were taken to upgrade the technical and managerial competence of staff. Regional and international exposure is deemed very important and staff regularly attend and participate in various workshops and conferences conducted by international regulatory organisations.
A series of in-house workshops and training sessions aimed at enhancing the technical knowledge as well as soft skills of staff took place during the year under review. A two-day workshop on team building was also conducted for senior management and Board members by a professional consultant.

1.2.4 Organisational Knowledge Management System

Having a well defined strategy to manage corporate knowledge capital is of major importance in a knowledge based economy. The dynamic nature of the financial services sector requires that the FSC puts in place the necessary infrastructure to ensure that performance is enhanced through the identification, capture, validation, transfer and sharing of knowledge. A Knowledge Management awareness initiative has been taken, in support of which a cross functional Steering Committee was set up.
1.3 Investment in Technology

Technology plays a pivotal role in the Commission’s strategy to improve its operational and supervisory capabilities. In July 2006, the Integrated Licensee System became fully operational. This project was initiated to act as a data repository for the different categories of licensees such as Insurance entities, Pension Scheme-related entities and Financial Intermediaries; Leasing, Credit Finance and Factoring entities; Investment Dealers, Investment Advisers and their representatives; Collective Investment Schemes and CIS functionaries such as CIS Managers, CIS Custodians and CIS Administrators; Treasury Management and Actuarial services firms.

The Integrated Licensee System will provide better features in terms of user-friendliness, concurrent use, secure access to data, and enhanced integrity with improved confidentiality and better reporting performances. It leverages on a state-of-the-art hardware and Relational Database Management System platform, thus providing a high standard of operation in the most efficient manner.

A new backup system was also implemented during the year under review, with the object of taking extra data security measures. This initiative was part of the FSC’s overall disaster recovery strategy.

Measures were also adopted to improve the data entry process and to harmonise the quality of data throughout its various functions. The long-term objective is to reduce the intensive paper-based approach to information management and processing. Emphasis has thus been laid on the optimal use of electronic data.

The FSC has also undertaken to move focus from application-specific issues to needs of end-to-end processes. A review of the ability to feed information to processes and end users of the FSC’s existing software applications was started. This entailed customising existing applications to fit with the desired information architecture and to meet the needs of the business as a whole.

Moreover, the introduction of new technologies has enabled the streamlining of existing processes and improved the responsiveness of the Commission to external competitive pressures.
The Financial Services Development Act 2001 provides for the setting up of a Financial Services Consultative Council (FSCC). The FSCC was established during the year under review and the first meeting was held in December 2006. The objective of the FSCC is to act as a think tank and to serve as a platform for discussions on innovative concepts and international trends in the field of financial services, and to formulate proposals for the development of the sector.

The FSC participated in sub-committees of the FSCC set up sector-wise for Capital Markets, Global Business, Insurance and Pensions. The Commission also provided administrative and secretarial supports to these sector-wise sub-committees.

Sub-Committee on Capital Markets

The sub-committee for Capital Markets focused on market development and the legislative framework governing capital markets. It considered the need for investor education aimed at retail investors on the domestic market. The sub-committee also discussed the need for more companies to be listed on the local Stock Exchange and to encourage regional listings. The sub-committee was of the view that the introduction of corporate bonds with attractive yields should be encouraged to develop a stronger secondary debt market.

The sub-committee also contributed to the review of the Securities Act 2005 and proposed amendments with a view to encouraging the overall development of the capital markets.

Sub-Committee on Insurance and Pensions

The Sub-Committee has started examining the measures to be adopted and the legal and institutional framework required for an improved pensions industry.

Sub-Committee on Global Business

Issues relating to training, legislation, promotion and marketing in the global business sector were identified and discussed. Core proposals were:

- Enactment of partnership legislation - preferred structure for funds
- Expansion of the Double Taxation Avoidance Agreements (DTAA) network, specifically the identification of “priority countries” with which DTAAAs can be negotiated
- Specialised professional training in financial services.
- Promotion and marketing of Mauritius as a jurisdiction.
- Proposals relating to the global business sector in the context of the National Budget 2007-2008.
PROMOTING EFFICIENT
AND SUSTAINABLE MARKETS
I. Enhancing Compliance

2.1 The Legislative Framework

Since its enactment in 2001, the Financial Services Development Act, under which the FSC was established, underwent various amendments. With a view to consolidating all amendments brought over the years and further improve the regulatory framework, the FSC proposed the adoption of a new Financial Services Bill.

In view of the common regulatory regime for all licensees proposed in the new Financial Services Bill, amendments were also required to the Securities Act 2005 and the Insurance Act 2005.

The Financial Services Bill will, inter alia, streamline the licensing procedures and consolidate the regulatory and supervisory framework for all non-bank financial service providers.

The Financial Services Bill will also provide for Self-Regulatory Organisations (SROs) in the non-banking financial services sector. The FSC may delegate some of its functions and powers to SROs.

2.2 Risk-based Supervision

During the year under review, the Financial Services Commission initiated action to introduce a new risk-based supervision framework and solution, based on international standards and state-of-the-art technology, for all financial services it licenses and regulates.

The new risk-based supervision framework will guide the FSC in risk-assessing and supervising its licensees. This framework will enable the FSC to prioritise and allocate supervisory resources according to the risk map of its licensees. The solution will enable the FSC to assess the quality of risk governance structure of its licensees through an appropriately calibrated and validated risk governance index. This in turn will help create an early warning system that will enable the Commission to take corrective action.

This initiative is in line with FSC’s commitment to continuously improve its supervisory framework.

2.3 Supervision and Compliance

2.3.1 Insurance

2.3.1.1 Surveillance

The FSC conducts both on-site and off-site supervision of its licensees. Examination of statutory returns, annual reports, actuarial valuation reports and reinsurance treaties continue to be the main aspects of off-site supervision.

The FSC also monitors companies which are in run-off situation and companies in liquidation.
2.3.1.2 Inspections

On-site inspections enable the Commission to assess the insurer’s risk management and decision-making processes as well as its accounting and internal control systems. Increasingly, inspections are also being seen as an ideal way to build a beneficial working relationship between the FSC and the insurers.

During the year under review, the FSC conducted on-site inspections of six insurers. Findings were discussed extensively with the insurers and then communicated to them in inspection reports. Increased communication with insurers has helped to a large extent to improve compliance.

2.3.1.3 Regulatory Developments

During the year under review, the FSC worked on several amendments to the Insurance Act 2005.

The Commission had regular working sessions with the Insurers’ Association on amendments to solvency rules for long-term and general insurances.

The solvency rules for general business will outline the capital framework, using a risk-based formula, for determining the minimum capital required. It will also define the capital available to meet the minimum capital requirement. It should be noted that the solvency rules will determine the minimum capital requirement, which may not necessarily be the optimum capital required.

The long-term solvency rules will set out the principles for determining the value of liabilities, describe the valuation parameters, outline the valuation of assets and investment concentration limits, and describe the content of the actuary’s report. The rules will also set out the minimum capital requirement.

A minimum level of financial resilience will be introduced by way of:

(a) best-estimate assumptions of all parameters which will be increased by prescribed minimum margins as well as additional discretionary margins for prudent release of profits; and

(b) compliance with the capital adequacy requirement, wherever applicable.

The Commission worked on FSC rules to be made under the forthcoming legislations and assisted in the drafting of various regulations to be made by the Minister of Finance and Economic Development. The major regulations deal with the investment of funds overseas, insuring assets based in Mauritius overseas, qualifications of an actuary, frequency of actuarial investigation, brokers, agents and compulsory cession to statutory insurer. Throughout this exercise, consultations have been undertaken with the industry in a spirit of collaboration and comments made by the Insurer’s Association were considered while drafting the regulations.
2.3.2 Global Business

2.3.2.1 Surveillance

Category 1 Global Business Companies (GBCs 1)

GBCs 1 submitted some 3,700 audited financial statements which were reviewed with respect to their:
(i) compliance with the law and the relevant regulations;
(ii) compliance with licensing conditions as well as with International Financial Reporting Standards;
(iii) ascertainment of the financial performance and position of licensees; and
(iv) ongoing assessment of the licensees’ fitness and propriety.

2.3.2.2 Inspections

Inspections of Management Companies are carried out to ensure that licensees operate in compliance with the existing regulatory and legal framework. Inspections have enabled the FSC to achieve inter alia a beneficial working relationship with Management Companies in line with the Commission’s business-friendly approach. In addition to improving communication between the FSC and the Management Companies, inspections have bridged the FSC’s regulatory expectations gap by clarifying what is expected from Management Companies in their capacity as service providers.

The first cycle of inspections was completed by the end of the financial year under review, thereby bringing the total number of Management Companies inspected to 76. As at 30 June 2007, all Management Companies in operation for more than one year had been inspected.

The first cycle of inspections focused on the following:
(i) compliance with Customer Due Diligence requirements; monitoring of conduct of clients’ business;
(ii) establishment of documented procedures (including anti-money laundering procedure manual);
(iii) risk profiling system in place; and
(iv) compliance with the Code on the Prevention of Money Laundering and Terrorist Financing intended for Management Companies in respect of appointments of Money Laundering Reporting Officers;

The second cycle of inspections at Management Companies will be determined in the light of the new risk-based supervisory framework to be adopted by FSC. In the meantime, regular inspections will continue for newly licensed Management Companies.
2.3.3 Capital Markets

2.3.3.1 Surveillance

The FSC oversees trading of the market through the Automated Trading System (ATS) daily and monitors trading activities through public information and by keeping track of market events through the media, SEM’s publications and reports from the CDS. No failed trades have been noted as at 30 June 2007.

The FSC also reviewed audited financial statements and other statutory returns submitted by licensees to ascertain compliance with the relevant laws and regulations as well as licensing conditions.

2.3.3.2 Inspections

During the year under review, the FSC conducted on-site inspections of six companies licensed under the Financial Services Development Act 2001 (comprising of one Investment Manager, three Investment Advisers, one Treasury Manager and one provider of custodial services) and three stockbroking companies.

The FSC reviewed the scope of inspections. A more pragmatic and market-oriented approach was adopted with regard to the conduct of on-site inspections with a view to facilitating the sharing of information, such as good governance practices, with its licensees.

2.3.3.3 Approval of Listing Particulars

The FSC gave its authorisation for the publication of Listing Particulars in relation to the proposed listing of shares by way of Bonus and Rights Issues of companies listed on the Stock Exchange of Mauritius during the period under review.

2.3.4 Other Financial Services

2.3.4.1 Supervision

The FSC monitors compliance of the licensed financial institutions with relevant laws, regulations, codes and licensing conditions. This is done through off-site monitoring and on-site inspections. While off-site monitoring involves reviewing information (audited financial statements, change in shareholding structure, appointment of senior management, launching of new products and other data) submitted to the Commission, on-site inspection generally involves ensuring the licensees’ compliance with laws, licensing conditions, corporate governance practices, the implementation of adequate internal controls and risks management mechanism. It also involves an assessment of the adequacy of the financial institution’s internal complaints handling procedures and any departures from sound conduct of business.

During the year under review, the FSC has broadened its supervisory scope of new business activities to include factoring, leasing and custodial service.

The supervisory focus on licensed financial institutions, though harmonised with that of capital market operators, has special regard to the specificity of the licensees’ financial activity and the risks inherent in the business conducted so as to move in tandem with the Commission’s overall strategy for implementation of a risk-based assessment.
II. Improving our Business Capability and Effectiveness

2.4 Streamlining Application Procedures for Global Business

Given that all applications for Global Business Licences are channelled through Management Companies, the latter play an important role in the financial services sector. They are to ensure that their clients are fit and proper to conduct business in Mauritius. In this respect, the licensing regime applicable to Management Companies (in their capacity of service provider) is more stringent than the regime applicable to client companies set up for investment purposes.

During the year under review, the minimum capital requirement for a Management Company was raised from Rs 300,000 to Rs 500,000 and the application procedure was reviewed to include the submission of a comprehensive human resource plan, draft compliance and procedures manuals and infrastructural plans. On 13 September 2006, additional changes were brought to the Licensing Conditions applicable to Management Licences in order to align these conditions with the provisions of the law and the current practice. Henceforth, Management Companies need the prior approval of the FSC for the appointment of any director/officer (as defined in the Companies Act 2001) and for the issue/transfer of any shares or any change liable to affect its legal or beneficial interest. Moreover, the FSC has started interviewing new applicants for a Management Licence prior to recommending the applications to its Board. This preliminary interaction gives the FSC an opportunity to better assess the application.

During the year under review, a new Application Form for a Management Licence has been finalised. The new Application Form will comprise a checklist to assist applicants in the compilation of documents required to be appended to their applications.

2.4.1 Streamlining of Licensing Procedures for GBC 1

With a view to reducing the application turnaround time and in line with its commitment to further streamline the process relating to applications for a GBC 1, the FSC introduced new application procedures for GBC 1. These new application procedures became effective as from 2 February 2007.

The new application procedures involve the issue of a GBC 1 without the prior issue of a letter of intent. This new procedure is applied where the FSC is satisfied that, on the face of the application documents submitted, the licence may be issued without going through the process of issuing a letter of intent.

To this effect, all applications for a GBC 1 licence need to be accompanied by the appropriate set of supporting documents and the prescribed processing and annual fees and a letter of acceptance of standard licensing conditions that would be applicable to the proposed GBC 1.

Overall, the turnaround time for the approval of a Collective Investment Schemes, GBC1 and GBC2 has been considerably reduced to an average of one week, two days and one day respectively during this financial year.
2.4.2 Recommendation of the Issue of Tax Residence Certificates (TRCs)

2.4.2.1 Recent Developments in TRC Applications

Since October 2006, TRCs are issued to GBCs by the Mauritius Revenue Authority (MRA) upon the recommendation of the FSC.

To be eligible for a TRC, a GBC is required to:

- Maintain at least two resident directors in Mauritius;
- Chair and initiate Board Meetings from within Mauritius;
- Maintain an account with a local bank through which its funds will flow;
- Maintain its registered office in Mauritius where all statutory records will also be kept; and
- Have a local qualified company secretary. Under the condition attached to a GBC licence, the Management Company of the GBC acts as qualified company secretary.

In respect of the above, a Circular Letter (CL011006) was issued by the FSC on 3 October 2006 to set out the requirements for TRC application.

The existing procedures were further enhanced as follows:

(a) TRCs are issued with validity dates, i.e., they would be effective as from the date of issue/renewal of the GBC licence and would remain valid until the expiry of the licence. Thereafter, the TRC would be renewed each year.

(b) TRCs are issued pursuant to a specified DTAA. Accordingly, the DTAA in relation to which a TRC is being applied for should be stated in the application.

(c) The Finance Act 2006 amended Section 73 of the Income Tax Act to state that TRCs would be issued by the MRA within a period of seven days as from the date of the application.

In October 2006, the FSC introduced a new recommendation process which included the assessment of the good standing of the applicant GBC through a comprehensive review of its corresponding records. This exercise enables the FSC to ascertain compliance of the GBC applying for the TRC with prevailing laws, licensing conditions and Circular letter CL011006 which requires that the company is controlled and managed from Mauritius.

From October 2006 to June 2007, the Commission has recommended the issue of 1,882 TRCs, out of which 885 were new applications and 997 were renewals.
Double Taxation Avoidance Agreement (DTAA) Network

Tax treaty benefits are available to entities or persons resident in Mauritius. Accordingly, a resident entity must be liable to tax in Mauritius in accordance with the tax laws as applicable in Mauritius. Such an entity must obtain a Tax Residence Certificate (TRC) issued by the Mauritius Revenue Authority (MRA).

As at 30 June 2007, Mauritius had a network of 32 DTAAAs ratified with countries from various parts of the world as follows -

**Africa** - Botswana, Lesotho, Namibia, Madagascar, Mozambique, Rwanda, Senegal, Seychelles, South Africa, Swaziland, Uganda and Zimbabwe;

**Asia** - China, India, Malaysia, Nepal, Pakistan, Singapore, Sri Lanka and Thailand;

**Europe** - Belgium, Cyprus, Croatia, France, Germany, Italy, Luxembourg, Sweden and UK;

**Middle East** - Kuwait and Oman;

**Caribbean** - Barbados.

During the year under review, the DTAA between Mauritius and the United Arab Emirates (UAE) was ratified. This DTAA will come into force on or after 1 July 2007 in Mauritius and on 1 January 2008 in UAE, following which our DTAA network will comprise of 33 treaties in force.

The network is expected to further expand with some seven DTAAAs already signed and awaiting ratification whilst six DTAAAs are under negotiation.
2.5 Protecting Consumers

2.5.1 Revised Complaints Handling Procedures for Insurance Companies

With a view to encouraging insurance companies to offer a better service to policy holders, the FSC revised the complaints handling procedures for the insurance sector during the year under review.

The FSC issued a Circular Letter (CL021006) as well as Guidelines on complaints handling by Insurance Companies on 5 October 2006 requiring all insurance companies to set up and maintain with effect from January 2007 an internal complaints handling mechanism to ensure that complaints are addressed efficiently and in a timely manner.

With a view to better informing consumers, insurance companies were also required to provide information relating to all the steps towards the resolution of a complaint, as provided in the FSC’s Guidelines on complaints handling by Insurance Companies: how to file a complaint, the documents that must be produced when filing a complaint, the processing time and the expected response time from the insurance company.

Each insurance company has therefore appointed a Complaints Coordinator in accordance with the above requirements. The Complaints Coordinator’s role is to ensure that the complaint is given a fair treatment through the insurance company’s internal complaints handling mechanism. The company is expected to settle a complaint within 30 working days of the date of filing.

The FSC will henceforth only look into complaints if the complainant is not satisfied with the outcome of the insurer’s internal complaints handling mechanism.

2.5.2 Complaints Handling

During the period under review, the Commission received 326 complaints, all but one related to the insurance sector.

95% of the insurance complaints related to motor insurance, followed by life insurance 2.5%, and the remaining 2.5% consisted of Fire Insurance, Travel Insurance, Personal Accident and Marine.

The FSC assisted in the successful resolution of 47% of the complaints received. The remaining complaints were deemed to relate to disputes of a contractual nature or in connection with Agreed Statement of Facts (“Constat à l’amiable”), which had to be referred to the Motor Vehicle Insurance Arbitration Committee (MVIAC) for settlement of disputes on quantum and liability.

Chart 1 – Complaints Handling by the FSC
for the period 1 July 2006 - 30 June 2007

Source: FSC, 30 June 2007
MARKET OVERVIEW
3.1 Insurance

During the year under review, overall gross premium of the local insurance industry amounted to approximately Rs. 10.5 billion, divided into Rs. 6.8 billion for long-term and Rs. 3.6 billion for general insurance. Total gross premium rose by 15% from Rs. 9.1 billion in 2005. Total assets of insurers grew by 20% from Rs. 42.1 billion in 2005 to Rs. 50.7 billion in 2006. Assets of long-term insurers amounted to Rs. 42.7 billion, while the remaining Rs. 8 billion were held by general insurers.

Long-term Business

For the year under review, 14 companies were active in the long-term insurance industry generating total gross premium of Rs. 6.86 billion, up from Rs. 5.74 billion in 2005 representing an increase of 19.5%.

Assets of long-term insurers showed a robust growth of 21.5% to reach Rs. 42.71 billion in 2006 from Rs. 35.15 billion in 2005. Booming stock markets were the main contributors to this strong growth. The long-term insurance industry achieved a surplus after tax of Rs. 5.3 billion. Assets of long-term insurers stood at 20.7% of GDP (at market prices) in 2006, compared to 19% in 2005.

The long-term insurance industry witnessed the emergence of new products, where insurance were blended with investment products. The distribution of insurance also experienced some transformation, where banks are now acting as agents for insurers.

General Business

During the period 2006/2007, there were 15 companies operating in the general insurance sector.
Gross premium in 2006 reached Rs. 3.63 billion, experiencing a growth of 9.34% from Rs. 3.32 billion in 2005. The corresponding growth from 2004 to 2005 was 8.9%. Net premium grew from Rs. 1.7 billion in 2005 to Rs. 1.88 billion in 2006, representing an increase of 10.2%. Overall retention by general insurers remained almost constant at 51% of gross premium.

Motor insurance continues to have the major share in the general insurance business with 37% of total gross premium, though this share varies widely between insurers. Stiffening premium rates competition in this segment of the market has negatively impacted on the underwriting results of many insurers. In addition, the motor insurance business tends to post high loss ratio, which is mainly due to the increased costs of claims and higher incidence of claims.

The net claims ratio of the overall general insurance business was 68%, with a net underwriting loss of Rs. 264 million. It differs significantly between insurers, with the spectrum varying from 36% to over 100%. Underwriting loss as a percentage of gross and net premiums has deteriorated to 7.3% and 14% respectively in 2006, as compared to 2.6% and 5% respectively in 2005. Despite unfavourable underwriting results, assets of general insurers grew by 14.7% from Rs. 6.99 billion in 2005 to Rs. 8 billion in 2006. This was mainly due to the positive investment and other income which has amortised the adverse underwriting results leading to a net retained profit.

Assets of general insurers as a percentage of GDP (at market prices), however, grew only marginally from 3.8% in 2005 to 3.9% in 2006.

More detailed statistics are provided in Appendix IV.

One company is in run-off.

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### International Overview

Worldwide insurance premiums amounted to US$ 3,723 billion in 2006. This was split into US$ 2,209 billion in life and US$ 1,514 billion in non-life insurance. Total premium volume grew by 5%, in real terms, with life premiums increasing by 7.7% and non-life premiums by 1.5%.

In 2006, the life market grew by 7.7%, the highest rate since 2000, and faster than overall economic activity in most countries with the exception of Japan. The profitability of life business has continued to improve in many countries, as costs were cut, guaranteed interest rates reduced and profit participations adjusted to reflect the low interest-rate environment.

Recovering from last year’s stagnation, global non-life business grew by 1.5%, below the growth in GDP. However, this headline figure masks a sharp divergence in performance between the industrialised world, which saw only tiny growth of 0.6%, and the robust 11% delivered by emerging markets.

Africa contributes 1.6% towards world premium for life business and 0.9% for non-life.

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1. More detailed statistics are provided in Appendix IV.
2. One company is in run-off.
3.2 Pensions

During the year under review work continued on a Private Occupational Pension Bill and the rules to be made under the new law. The rules will provide inter alia for Actuarial Valuation, Admissible Assets and Spreading of Risks and Disclosure to Members. Prior to finalisation of the Bill and its rules, working sessions with stakeholders of the Pensions industry will be held.

Managed Private Occupational Pension

In anticipation of the forthcoming legislations on private occupational pension business, the FSC conducted a survey on private occupational pension schemes managed by insurers and pension scheme administrators. The results are shown in Chart 4.

Funds of managed pension schemes amounted to almost Rs. 11 billion as at 31 December 2006. As in the insurance industry, the market for managed private occupational pension business tends to be highly concentrated. Two insurers control 69% of the managed schemes, with 72% of total assets.

There are a large number of small schemes and a few large schemes, as shown below.

Table 1 - Number of Members per Size of Scheme

<table>
<thead>
<tr>
<th>Size of Scheme</th>
<th>Defined Contribution</th>
<th>Defined Benefit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Members</td>
<td>Schemes</td>
<td>Members</td>
<td>Schemes</td>
</tr>
<tr>
<td>&lt;10</td>
<td>115</td>
<td>477</td>
<td>244</td>
</tr>
<tr>
<td>11-50</td>
<td>75</td>
<td>1,759</td>
<td>157</td>
</tr>
<tr>
<td>51-300</td>
<td>26</td>
<td>3,050</td>
<td>90</td>
</tr>
<tr>
<td>301-1,000</td>
<td>7</td>
<td>4,176</td>
<td>11</td>
</tr>
<tr>
<td>1,000+</td>
<td>2</td>
<td>2,581</td>
<td>6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>225</td>
<td>12,043</td>
<td>508</td>
</tr>
</tbody>
</table>

A total of 733 managed pension schemes were surveyed, out of which 508 (69%) were defined benefit and 225 (31%) defined contribution.

There were a total of 45,804 members, split between defined benefit schemes (33,761) and defined contribution schemes (12,043).
3.3 Global Business

3.3.1 Management Companies

The global business sector continued to attract new players. There was growing interest from international law firms, legal and accounting practitioners, conglomerates wishing to diversify their existing line of business and professionals (both local and from abroad) to set up Management Companies.

The Commission received 11 applications for Management Licences for the period 2006/2007 as compared to seven applications in the previous financial year. Out of the 11 applications, eight licences were issued by the Commission during the year under review.

There were also a number of mergers and acquisitions amongst existing Management Companies during the period under review. This trend clearly reflects a dynamic market characterised by increased competition, which imposes exigencies of both quality service at a competitive pricing, and moving from the provision of conventional services to new types of services extended to foreign companies. Such new services include – but are not limited to – back office support services to foreign companies, foreign funds administration, Net Asset Value calculation (for foreign Collective Investment Schemes), book keeping, preparation of accounts and trusteeship services.

In 2006, 67 Management Companies generated US$ 64,301,796 whereas in 2005, 68 Management Companies recorded a turnover of US$ 48,646,195. There has been a substantial increase in their overall profit before tax (US$ 28,328,230) whilst in 2005, 68 Management Companies realised a total profit before tax of US$ 21,041,548. Further, data collected from the audited financial statements show that more than 60% of the total income was yielded by only 10 Management Companies.

### Table 2 - Summary of Financial Results of Management Companies (2004-2006)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Management Companies’ Accounts Reviewed</td>
<td>67</td>
<td>68</td>
<td>75</td>
</tr>
<tr>
<td>Turnover (US$ m)</td>
<td>64,302</td>
<td>48,646</td>
<td>39,940</td>
</tr>
<tr>
<td>Profit Before Tax (US$ m)</td>
<td>28,328</td>
<td>21,042</td>
<td>12,214</td>
</tr>
</tbody>
</table>
3.3.2 Global Business Licence holders

Applications for Global Business Licences maintained its momentum with an average annual growth of around 13%.

Category 1 Global Business Licences (GBC 1)
A total of 1,367 new GBC 1 licences were issued during the year 2006/2007, thus taking the total number of GBC 1 licences issued above the 10,000-mark (totalling 10,073). This constitutes an increase of 16% in the total number of GBC 1 licences on the previous financial year.

Chart 5 - Geographical breakdown of investments through GBC1 (2006/2007)

Category 2 Global Business Licences (GBC 2)
Licences issued to GBC 2 have maintained a constant growth of 12% for the last two financial years. 2,410 GBC 2 were licensed during the period under review, resulting in a total of 22,695 GBC 2 on the FSC’s register.

Table 3 - Summary of Number of Licences Issued (2004-2006)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Licences</td>
<td>8</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>GBCs 1</td>
<td>1,367</td>
<td>973</td>
<td>472</td>
</tr>
<tr>
<td>of which Collective Investment Schemes</td>
<td>87</td>
<td>86</td>
<td>46</td>
</tr>
<tr>
<td>GBCs 2</td>
<td>2,410</td>
<td>2,118</td>
<td>1,833</td>
</tr>
</tbody>
</table>
3.4 Capital Markets

3.4.1 The Stock Exchange of Mauritius

In line with global trends, the Stock Exchange of Mauritius has demonstrated a strong growth record. All the three market indices have recorded new heights. However, by mid-May, a sporadic downward pressure was noted on the progression of the market causing it to retreat slightly. The fall was short-lived and the market recovered to the loss incurred. Moreover, the fiscal measures announced in the National Budget 2007/2008 gave another boost to the Market which enabled it to post further gains as at 30 June 2007. Charts 6a/6b/6c/6d provide a snapshot of the evolution of the indices of the Market as at 30 June 2007.

Net foreign investment inflow into the equities market amounted to Rs 972.8 million for the period under review.

3.4.2 Extension of Trading Sessions of the Stock Exchange of Mauritius

The trading hours for the sessions of the Stock Exchange of Mauritius were extended following the closure of the Over-the-Counter Market at the end of January 2007. The trading hours for the Development and Enterprise Market have been extended to trade daily (instead of thrice weekly) and run in parallel with the Official Market. The trading hours are now from 09.30 to 12.00 daily for both markets. It is expected that such changes will contribute to a boost in the trading market.
3.4.3 Development and Enterprise Market

The coming into operation of the Development and Enterprises Market (DEM) on 4 August 2006 marked a new phase in the history of the Stock Exchange of Mauritius. This market is the secondary market of the Stock Exchange of Mauritius. Following the launching of the new market, the Over-the-Counter (OTC) market of the Stock Exchange of Mauritius was phased out at the end of January 2007.

3.4.4 Commodity Market

The initiative to set up a Pan African Commodity Market in Mauritius by a leading international company specialising in multi-assets exchanges was welcomed by the authorities in Mauritius during an announcement made to stakeholders of the Capital Markets industry in November 2006.

The new Commodity Market will require a licence from the Commission to operate an international market in Mauritius with domestic and international players. It will allow different categories of participants to trade through an electronic network linking geographically dispersed buyers and sellers in real time.

3.4.5 Leasing Companies

Leasing companies not involved in deposit taking activities are licensed by the FSC under the Financial Services Development Act 2001. The FSC has put in place a new supervisory framework to better oversee leasing activities in Mauritius.

With the aim of ensuring compliance with the relevant provisions of the Financial Services Development Act 2001, the FSC issued a Communiqué on 31 January 2007 drawing attention to Section 14(1) of the Financial Services Development Act 2001 which requires any person conducting leasing business to be licensed by the FSC. The Communiqué also mentioned that a list of all persons licensed by the FSC would be posted on its website. The public is advised to consult this list before entering into a business relationship with any entity that claims to be a provider of financial services business as defined under the Financial Services Development Act 2001.

Following the issue of the above mentioned Communiqué, one new company was licensed by the FSC during the year under review to conduct leasing business in Mauritius.

The list of leasing companies licensed by the FSC as at 30 June 2007 is as follows:

- SICOM Financial Services Ltd
- La Prudence Leasing Finance Co. Ltd
- Capital Leasing Ltd
- Océor Lease Mascareignes Ltée
- SBM Lease Ltd
- The Mauritius Leasing Company Limited
3.4.6 Collective Investment Schemes

The CIS sector will undergo a major overhaul with the coming into force of the Securities Act 2005 and the CIS Regulations issued under this Act.

During the year under review, the FSC held wide consultations on the draft CIS Regulations in order to streamline its provisions and offer a modern and comprehensive framework for CIS. The provisions of the CIS Regulations have been drafted in line with the objectives of IOSCO.

FSC worked on a new comprehensive framework for CIS to encourage the setting up of a greater number of investment funds, both domestic and global, including Real Estate Investment Trusts.

With the increasing number of investment funds operating in the global business sector, the FSC has sought to encourage global funds to be listed on the Stock Exchange. Mauritius can provide the necessary facilities in developing a market for global funds. To this effect, a Joint Committee set up by the FSC and the Stock Exchange of Mauritius (SEM) is working on the setting up of a framework to enable the listing of global funds on the domestic stock market.

As at 30 June 2007, 439 global funds were registered with the FSC, and their Net Value of Assets (NAV) stood at over US$ 43 billion.
International Overview

Capital markets worldwide experienced satisfactory upturn as at 30 June 2007, despite significant sell-outs which resulted into occasional downturns. Several factors such as better-than-expected earnings growth and positive economic data accounted for the strong recovery and good results. The US Dow Jones Industrial Average registered historic winning streak and its almost daily climb to new record highs in the last quarter of the period under review. An impressive feat that had not been seen since 1927 was noted in April and May 2007. The BRIC (Brazil, Russia, India and China) countries particularly India and China have continued to demonstrate their potential as engines of growth. In general, global markets had been witnessing positive growth and a closer degree of synchronization. International realignment and mergers and acquisitions activities had been switching into high gear among stock markets. Technology had had a huge impact on exchanges’ business as a mean to facilitate trading and inculcate an e-friendly business. Along with these changes, investor education has become important together with market information distilled to the public. Emerging markets have overall undergone a dramatic transformation since the crisis-prone 1990s and were in arguably the best fundamental shape in decades.
3.5 Other NBFIs

The FSC regulates all financial services other than banking. In addition to the sectors already covered in this Annual Report, the FSC also regulates financial institutions carrying out the following activities:

- Fund/Portfolio Management
- Investment Advisory Service
- Leasing Service
- Credit Financing Service
- Factoring Service
- Pension Scheme Management
- Actuarial Service
- Treasury Management
- Custodial Service
- Registrar Service

3.5.1 Licensed Financial Institutions

As at 30 June 2007, the FSC had issued a total of 50 licences under section 14 of the Financial Services Development Act 2001 to companies involved in a wide range of activities including, but not limited to leasing, factoring, credit financing, treasury management, investment or pension fund administration/management, custodial service, registrar and transfer agency. For the year under review, seven new licences were issued.

Table 4 below provides highlights of trends in the number of such licences issued over the last five years.

<table>
<thead>
<tr>
<th>Table 4 - Entities licensed under Section 14 of the Financial Services Development Act 2001 (2003-2007)</th>
<th>As at 30/06/2007</th>
<th>As at 30/06/2006</th>
<th>As at 30/06/2005</th>
<th>As at 30/06/2004</th>
<th>As at 30/06/2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund / Portfolio Managers</td>
<td>18</td>
<td>16</td>
<td>16</td>
<td>9</td>
<td>5</td>
</tr>
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<td>Investment Advisors / Agents</td>
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<td>6</td>
<td>5</td>
<td>3</td>
<td>2</td>
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<td>Leasing Companies</td>
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<td>3</td>
<td>2</td>
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<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
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<td>Factoring Companies</td>
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<td>3</td>
<td>1</td>
<td>0</td>
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<td>Pension Scheme Managers</td>
<td>3</td>
<td>3</td>
<td>2</td>
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<td>1</td>
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<td>Actuaries</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Treasury Managers</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Custodians / Registrar</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>43</td>
<td>34</td>
<td>20</td>
<td>12</td>
</tr>
</tbody>
</table>
1. Risk-pooling Institutions (Insurance Companies)

This sub-sector specialises in providing contingent promises by underwriting economic risks associated with death, illness, damage to or loss of property, other loss exposures and retirement incomes. The main institutions would include:

- Insurance Companies
- Captive Insurance Companies
- Re-insurance Companies

2. Contractual Savings Institutions

These institutions are investment vehicles or organised financial arrangements which pool investors’ funds (individuals and institutions) for the purpose of acquiring financial assets in the form of equity, debt and derivative promises. The distinguishing characteristic of these vehicles is that they transform the underlying investment promises into essentially equity-type promises by the vehicle. The ultimate risk inherent in the underlying investment portfolio is borne by the shareholder or unit holder in the vehicle. These institutions in fact provide contractual savings in a fiduciary rather than in a principal role.

They include:

- Collective Investment Schemes (Authorised Mutual Funds, Unit Trust Schemes, Investment Trust Companies, Private Equity Funds, Venture Capital Funds, Hedge Funds, etc.)
- Statutory Pension Funds:
  - National Pension Fund
  - National Savings Fund

3. Capital Market Operators

Market Makers

This sub-sector comprises companies that intermediate in markets in financial securities such as equities, government and corporate debts, and derivatives by taking dealing and risk positions in the activities undertaken. They include:

- Stockbroking Companies
- CIS Managers and Administrators
- Portfolio Managers

Market Infrastructure Providers

This sub-sector comprises organised institutional units that settle and maintain the infrastructure of the capital market and includes:

- Stock Exchange of Mauritius
- Central Depository System
- Custodial services
4. Specialised Credit Institutions

This sub-sector comprises of institutional units that provide a limited range of specialised financial services (non-deposit taking) to a specialised target group of investors/institutions by raising and channelling funds from lenders and lending them to borrowers. These financial institutions provide a highly specialised service that typically focuses on a single product or sector.

- Credit Finance Companies
- Leasing Companies
- Factoring Companies
- Treasury Managers
- Mortgage Finance Companies

5. Financial Service Providers and Market Professionals

Included in this sub-sector are firms or individuals that arrange, execute, or otherwise facilitate client transactions in financial assets by providing specialised services to their customers on a fee-for-service basis. These units do not as a main business activity raise funds or extend credits on their own account, but do provide finance-related services.

- Corporate Service Providers (essentially Management Companies operating in the Global Business Sector)
- Insurance Managers including Managers of Captive Insurance Business
- Insurance Intermediaries
- Pension Managers and Administrators
- Actuaries
- Auditors

* These entities will be replaced by Investment Advisers and Investment Dealers under the forthcoming new legislation.
3.6 Surveys

One of the functions of the FSC is to collect, compile and disseminate statistical information pertaining to the financial services sector. During the period under review, the FSC participated in local and international statistical initiatives and surveys, as follows:

3.6.1 Annual NBFI and Quarterly Statistical Surveys

The purpose of the Annual NBFI survey is to depict market trends in each industry segment of the non-bank financial services sector. It will also provide economic input for National Accounts used for the purpose of micro and macro economic analysis.

Following consultation with the industry, FSC launched the Quarterly Statistical Surveys (QSS) for Insurers, Occupational Pension Schemes and Collective Investment Schemes in January 2005. Given the risk profiles of these NBFs, the coverage of these entities in the QSS supports the risk-based approach adopted by the Commission in supervising NBFs.

The objectives of the QSS are mainly to compile data which enable the FSC to monitor NBFs through the establishment of an effective framework for off-site surveillance including mechanisms for “early warning system” for entities in difficulty and to provide updated statistics for licensees.

3.6.2 Survey on Islamic Financial Services

In June 2006, the Ministry of Finance and Economic Development set up a Steering Committee which included representatives of the Commission, on Islamic financial services with the objective of examining the feasibility of introducing Islamic financial services in Mauritius. The Committee considered the legal and regulatory aspects of Islamic Finance in the Mauritian financial sector.

Given the wide remit of non-banking Islamic financial services, the FSC conducted a survey among its licensees prior to making appropriate proposals and recommendations to the Committee.

3.6.3 IMF Coordinated Portfolio Investment Survey

The Coordinated Portfolio Investment Survey (CPIS) collected information on securities held by domestic residents but issued by unrelated non-residents. The aim of the CPIS, which is conducted under the aegis of the International Monetary Fund (IMF), was to significantly improve the coverage of cross-border portfolio investment assets at country level and global level. The CPIS also aimed at providing disaggregation according to the country of residence of the issuer, so as to allow the derivation of cross-border portfolio investment liabilities, both at the country and international level.
The survey was conducted jointly by the FSC and the Bank of Mauritius to cover both non-deposit taking institutions (including the Global Business sector) and all deposit taking institutions. The consolidated data was submitted to the IMF.

The data collected from the survey will be used in the compilation of the balance of payments and international investment position statistics of Mauritius. The data will also help to indicate the size and the composition of the financial sector of Mauritius.

The survey was also conducted in coordination with other jurisdictions for international data comparability.

**National Committee on Financial Services Statistics**

A National Committee on financial services statistics was also set up under the Statistics Advisory Council, established under the Statistics Act 2000.

The Committee comprised stakeholders of the financial services sector, including the FSC, the Bank of Mauritius, the Ministry of Finance and Economic Development, the Central Statistics Office, the University of Mauritius and representatives of the industry.

The Committee has been mandated to develop a set of indicators for the financial services sector which will measure and monitor the performance of the financial services sector. The Committee is looking at ways to facilitate, coordinate and streamline the implementation of various statistical initiatives pertaining to the sector.
INTERNATIONAL RELATIONS
4.1 Developing International Relations

The FSC is a member of international standard setting bodies such as the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and of the International Organisation of Pension Supervisors (IOPS).

At regional level, the FSC is part of the Government of Mauritius delegation at the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), and is a member of the Committee for Insurance and Securities National Authorities (CISNA), which groups member countries of the Southern African Development Community (SADC).

With respect to bilateral cooperation, the FSC has signed 14 MOUs with its foreign counterparts to facilitate exchange of information.

4.2 International Organisation for Securities Commissions (IOSCO)

The FSC participated in the 32nd Annual Conference of IOSCO and the Africa and Middle East Regional Committee (AMERC) in Mumbai from 9 to 12 April 2007. One of the main areas of discussion of the Conference was the Objectives and Principles of IOSCO.

With a view to becoming a signatory to the IOSCO MMOU on exchange of information and international cooperation, the FSC has in October 2006 under the IOSCO MMOU Assistance Programme, received the assistance of the Autorité des Marchés Financiers (AMF) of France to prepare the application that would be submitted to IOSCO.

4.3 International Association of Insurance Supervisors (IAIS)

The Commission attended the 13th annual conference of IAIS held in Beijing, China. Nearly 500 supervisors and insurance professionals from more than 100 countries participated, reinforcing the relevance and importance of IAIS. Several new supervisory standards and guidance papers were adopted at the conference on a range of issues including asset/liability management, standard on disclosure concerning technical risks and performance for life insurers and guidance paper on preventing, detecting and remediying fraud in insurance.

4.4 International Organisation of Pension Supervisors (IOPS)

Established in July 2004, IOPS groups pension regulators of some 50 countries worldwide. IOPS serves as a standard setting body on pension supervision, promotes international cooperation among its members and provides a worldwide forum for policy dialogue and exchange of information.

The Commission participated in the Annual General Meeting (AGM) and Committee meetings of the IOPS, held in Istanbul in November 2006. A seminar of the
OECD was also held back-to-back with the IOPS meetings. Following the AGM, IOPS issued the ‘Principles of Private Pension Supervision.

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

The FSC participated in the first bi-annual meeting of CISNA held in Windhoek, Namibia, in May 2007. A study on the capital markets legal framework existing in the Southern African Development Community (SADC) was conducted. Subsequently, it was agreed to submit a common paper on a Harmonised Regulatory Framework for CISNA (relating in particular to legal and market development) at the next meeting of the Committee, to be held in Tanzania in October 2007. A Sub-Committee has also been set up to oversee the development of CISNA’s website and member countries are expected to contribute towards its development and maintenance costs.
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

Exchange of Information

During the period under review, the Commission has dealt with a total of 99 requests for exchange of information. Out of these, 61 were with overseas regulators and related, *inter alia*, to licensing issues, action resulting from 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, the Financial Intelligence Unit, the Stock Exchange of Mauritius and Central Depository and Settlement Co. Ltd.

Attachment Programme

The Commission hosted delegates from the Insurance Supervisory Department of National Bank of Ethiopia who were on attachment with the FSC in May 2007.
CORPORATE GOVERNANCE COMMITTEE REPORT
The FSC was established as an independent body to regulate and monitor the non-bank financial services sector. It performs its functions in accordance with its objects as set out in the Financial Services Development Act 2001.

As the regulator for the non-bank financial services sector, the FSC is responsible under the National Code of Corporate Governance (the Code) for monitoring the application of the principles set out in the Code by designated financial institutions falling under its supervision. The FSC guides by example and is committed to achieving high standards of corporate governance and chooses to comply with the spirit laid down in the Code and other relevant international norms and best practice proportionate and consistent with the nature of its business.

Board members who are appointed in accordance with the requirements of the Act are Non-Executives and independent of the FSC. They are nominated in their individual capacity and not as representatives of specific organisations.

The Board has set up sub-committees to assist the Board in discharging its functions. A Corporate Governance Committee, an Audit Committee, a Staff Committee and an Investment Committee have thus been set up.

The Corporate Governance Committee is tasked, inter alia, with the responsibility to determine, agree, develop and monitor the FSC’s general policy on corporate governance, to prepare the corporate governance report to be published in the FSC’s annual report, and to ensure that all relevant disclosures are made in the annual report.

During the year under review, the Board, which under the Act is required to meet at least once every month, held twelve meetings (inclusive of special meetings) while the Audit Committee held eight meetings, the Corporate Governance Committee four meetings and the Staff Committee held five meetings.

The roles of the Chairman and the Chief Executive are separate under the Act. The Chairman heads the Board,
which is responsible for administering and managing the FSC while the Chief Executive is responsible for the execution of the policy of the Board and for the control and management of the day to day business of the FSC. The FSC operates independently of Government but is accountable to Parliament, and ultimately to the public, through the tabling of its annual report. Open consultation and a good working relationship with its licensees help to ensure that the FSC interacts with market operators and other stakeholders in a transparent and accountable manner.

The FSC is sensitive to the economic and social environment within which it operates and is committed to act as a responsible corporate citizen. Much progress has been achieved with regard to health and safety issues during the year under review. A Health and Safety Officer has been appointed and a Health and Safety Committee set up to promote and maintain safe and healthy working conditions at the FSC. The Health and Safety Committee is comprised of, \textit{inter alia}, 4 representatives of the FSC and 4 representatives of the Employees who were selected by staff members. The Health and Safety Committee meets once every 2 months.

Other issues such as ethics, employee involvement and equal opportunity of employment have been identified as key to the long term interest of the FSC to conduct itself as a responsible corporate citizen. Work is on-going to refine internal policies and practices that would enhance the existing practice in these areas.

The members of the Corporate Governance Committee have assessed the extent of compliance with the principles of good corporate governance consistent with the FSC’s nature of business and are satisfied that during the year under review the Commission was broadly compliant with these principles although some areas have to be developed further.

\begin{flushleft}
\begin{tabular}{ccc}
\hline
 & & \\
R. Makoond & M. A. Philips & O. Lew Kew Lin \\
Chairman & Member & Member \\
\hline
\end{tabular}
\end{flushleft}
AUDIT COMMITTEE REPORT
Report of the Audit Committee
to the Board of the Financial Services Commission

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

The Audit Committee met on eight occasions from 1 July 2006 to 30 June 2007.

The Terms of Reference of the Audit Committee as well as the Internal and External audit processes were given in the FSC’s Annual Report 2006.

In addition to the actions already taken during 2005/2006 as listed in the FSC’s Annual Report 2006, the following were undertaken by the Audit Committee during 2006/2007:

1. Following a tender exercise, Messrs Bansal & Co. from the Republic of India were appointed as External Auditors for the sum of US$ 20,000 plus out of pocket and travelling expenses not exceeding US$ 10,000.
2. An accountant at the Commission was appointed temporary internal auditor.
3. The Audit Committee ensured progress was made in the enhancement of the Information System at the Commission and the upgrading of the accounting system.
4. The procedures for loans granted to staff members were reviewed.
5. The necessary procedures and guidelines for expenditure were formalised.
6. The internal auditor has prepared a Report on Risk Analysis and Audit Approach. The Report was discussed at the level of the Committee and necessary actions were taken.

The Audit Committee had meetings with the former External Auditors and the current External Auditors. Suggestions were made on how to improve procedures at the Commission and necessary actions were taken.

The Audit Committee is satisfied with the financial reporting and recommends that the Board approves the financial statements for inclusion in the FSC’s Annual Report 2007.

Yours faithfully,

O. Lew Kew Lin
Chairman

R. Chellapermal
Member

S. Gopaul
Member
FINANCIAL STATEMENTS
BOARDS REPORT

The Board of the Commission presents its report and the audited financial statements of the Commission for the year ended 30 June 2007.

Review of activities

The Commission is an independent regulatory authority established under the Financial Services Development Act 2001 to regulate the non banking financial services sector. The Commission licenses, regulates, monitors and supervises the conduct of business activities in the said sector.

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 unless it is inappropriate to presume that the Commission will continue in business.

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 27 September 2007.

Signed on their behalf

S. Lalloo  
Chairman

S. Boolell  
Vice Chairman

J.N. Meetarbhlan  
Chief Executive
AUDITORS’ 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 30th June 2007 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 evaluated 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.

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, the income statement and cash flow statement dealt with by this report are in agreement with the books of account.
◆ The Financial Statements give a true and fair view in conformity with the international Financial Reporting Standards: 
  ◆ In the case of the Balance sheet, of the state of affairs of the Commission as at 30th June 2007. 
  ◆ In the case of the income statement, of the income and expenditure for the year ended on that date. 
  ◆ In the case of the cash flow statement, of the cash flows for the year ended on that date.
◆ 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 was of an extravagant or wasteful nature judged by normal commercial practice and prudence.

For BANSAL & CO.
Chartered Accountants

D.S.Rawat
Partner

27th September 2007
New Delhi, India

Head Office
A-6, Maharani Bagh
New Delhi - 110065
Tel: +011 - 41626470 - 71
Fax: +011 - 41328425
Email: info@bansalco.com
## BALANCE SHEET AS AT 30 JUNE 2007

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Non Current Assets</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Tangible</td>
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<td>6,378,533</td>
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</tr>
<tr>
<td>Intangible</td>
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<td>6,195,008</td>
<td>5,294,473</td>
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<tr>
<td></td>
<td></td>
<td>12,573,541</td>
<td>16,120,359</td>
</tr>
<tr>
<td>Current Assets</td>
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<td></td>
<td></td>
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<tr>
<td>Debtors and Prepayments</td>
<td>6</td>
<td>46,339,914</td>
<td>41,487,305</td>
</tr>
<tr>
<td>Treasury Bills</td>
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<td>103,165,735</td>
<td>117,894,198</td>
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<tr>
<td>Bank and Cash Balances</td>
<td>7</td>
<td>13,471,728</td>
<td>21,136,344</td>
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<tr>
<td>Bank Deposits</td>
<td></td>
<td>716,666,308</td>
<td>410,050,758</td>
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<tr>
<td></td>
<td></td>
<td>879,643,685</td>
<td>590,568,605</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>892,217,226</td>
<td>606,688,964</td>
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<tr>
<td><strong>LIABILITIES</strong></td>
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<td></td>
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<tr>
<td>Non Current Liabilities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Retirement Benefit Obligations</td>
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<td>2,747,932</td>
<td>3,740,000</td>
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<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors and Payables</td>
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<td>204,923,741</td>
<td>158,867,561</td>
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<td><strong>TOTAL LIABILITIES</strong></td>
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<td>207,671,673</td>
<td>162,607,561</td>
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<td><strong>NET ASSETS</strong></td>
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<td>684,545,553</td>
<td>444,081,403</td>
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<td><strong>REPRESENTED BY GENERAL FUND</strong></td>
<td>10</td>
<td>684,545,553</td>
<td>444,081,403</td>
</tr>
</tbody>
</table>

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 27 September 2007
Signed on their Behalf

D.S. Rawat S. Laloo S. Booell J.N. Meetarbhan
Partner Chairman Vice Chairman Chief Executive

The accounting policies on pages 62 to 64 and the notes on pages 65 to 71 form an integral part of these Financial Statements.
### INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>315,543,842</td>
<td>256,510,324</td>
</tr>
<tr>
<td>Interest</td>
<td>48,067,344</td>
<td>34,360,523</td>
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<tr>
<td><strong>Total Income</strong></td>
<td>363,611,186</td>
<td>290,870,847</td>
</tr>
<tr>
<td><strong>EXPENDITURE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Allowances</td>
<td>65,189,856</td>
<td>67,726,831</td>
</tr>
<tr>
<td>Training and Seminars</td>
<td>5,745,786</td>
<td>6,075,278</td>
</tr>
<tr>
<td>Legal and Professional Fees</td>
<td>2,404,540</td>
<td>1,692,335</td>
</tr>
<tr>
<td>Office and Administrative</td>
<td>31,581,477</td>
<td>31,804,113</td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>10,043,099</td>
<td>9,192,879</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>114,964,758</td>
<td>116,491,436</td>
</tr>
<tr>
<td><strong>SURPLUS OF INCOME OVER EXPENDITURE</strong></td>
<td>248,646,428</td>
<td>174,379,411</td>
</tr>
<tr>
<td>Exchange Fluctuation Gain/(loss)</td>
<td>81,817,722</td>
<td>(9,739,787)</td>
</tr>
<tr>
<td><strong>TRANSFER TO GENERAL FUND</strong></td>
<td>330,464,150</td>
<td>164,639,624</td>
</tr>
</tbody>
</table>

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 27 September 2007
Signed on their Behalf

D.S. Rawat
Partner
S. Laloo
Chairman
S. Boolell
Vice Chairman
J.N. Meetarbhans
Chief Executive

The accounting policies on pages 62 to 64 and the notes on pages 65 to 71 form an integral part of these Financial Statements.
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs</td>
<td>Rs</td>
</tr>
<tr>
<td>Cash Flow from Operating Activities</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td></td>
<td>310,012,548</td>
<td>207,019,193</td>
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</table>

**Cash Flow from Investing Activities**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Assets</td>
<td>(1,137,306)</td>
<td>(13,796,315)</td>
</tr>
<tr>
<td>Proceeds from Disposal of Fixed Assets</td>
<td>-</td>
<td>274,654</td>
</tr>
<tr>
<td>Net Cash from Investing Activities</td>
<td>(1,137,306)</td>
<td>(13,521,661)</td>
</tr>
</tbody>
</table>

**Cash Flow from Financing Activities**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution Paid Against Retirement Benefit Obligation</td>
<td>(992,068)</td>
<td>(2,590,000)</td>
</tr>
<tr>
<td>Contribution to Capital Budget</td>
<td>(90,000,000)</td>
<td>(90,000,000)</td>
</tr>
<tr>
<td>Net Cash (used in) Financing Activities</td>
<td>(90,992,068)</td>
<td>(92,590,000)</td>
</tr>
</tbody>
</table>

Net Increase in Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>217,883,174</td>
<td>100,907,532</td>
</tr>
</tbody>
</table>

Cash and Cash Equivalents at 1 July

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>549,081,300</td>
<td>457,913,555</td>
</tr>
</tbody>
</table>

Cash and Cash Equivalents at 30 June

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>766,964,474</td>
<td>558,821,087</td>
</tr>
</tbody>
</table>

Cash and Cash Equivalent consist of Cash in Hand, Balances with the Bank in savings Account, Fixed Deposits and Investment in Treasury Bills.

Cash and Cash Equivalent Included in the Cash Flow Statement comprise of

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Bank Balances</td>
<td>13,471,728</td>
<td>21,136,344</td>
</tr>
<tr>
<td>Bank Deposits</td>
<td>716,666,308</td>
<td>410,050,758</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>103,165,735</td>
<td>117,894,198</td>
</tr>
<tr>
<td></td>
<td>833,303,771</td>
<td>549,081,300</td>
</tr>
</tbody>
</table>

Unrealised Exchange (Gains)/Losses

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(66,339,297)</td>
<td>9,739,787</td>
</tr>
<tr>
<td></td>
<td>766,964,474</td>
<td>558,821,087</td>
</tr>
</tbody>
</table>

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 27 September 2007
Signed on their Behalf

D.S. Rawat
Partner

S. Lalloo
Chairman

S. Boolell
Vice Chairman

J.N. Meetarbhun
Chief Executive

The accounting policies on pages 62 to 64 and the notes on pages 65 to 71 form an integral part of these Financial Statements.
1. CONSTITUTION OF THE COMMISSION
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
These financial statements have been prepared on accrual basis, are in accordance with historical cost convention, and comply 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 the 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 deposit and state 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.

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).

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 gain 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 Tangible Assets
Non Current assets are stated at historical cost less accumulated depreciation or fair value, whichever is the lower.

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:

<table>
<thead>
<tr>
<th>Item</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td>20</td>
</tr>
<tr>
<td>Furniture</td>
<td>20</td>
</tr>
<tr>
<td>Office Equipments</td>
<td>20</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>33.33</td>
</tr>
<tr>
<td>Renovations</td>
<td>over the lease period</td>
</tr>
</tbody>
</table>

2.7 Intangible Asset
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 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.

2.9 Taxation

2.10 Contributions to the Capital Fund of the Government of Mauritius
The Commission contributes a sum to the Capital Fund of the Government from the General Fund in terms of the provisions of the Financial Services Development Act 2001, based on income and expenditure estimates, and as determined by the Board of the Commission.

2.11 Debtors and Prepayments
Debtors and prepayments are stated at the cost less any impairment losses.

2.12 Creditors and Payables
Creditors and payables are stated at the amount certain for payments.
2.13 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.

2.14 Comparatives
Comparative figures have been reclassified 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 25 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 Financial Commitments
The Commission rents office accommodation at premises in Port Louis and the rentals on the premises expire in December 2007. There are no sub-leases during the current year, the amount charged to the Income Statement is Rs 18,482,500 (previous year: Rs 18,161,765).

3.3 Statutory Deposits of Insurance Companies not Included in the Balance Sheet
Statutory security deposit certificates of insurance companies, amounting to Rs 361,568,573 (previous year: Rs 362,871,061) are in the physical custody of the Commission in terms of the Insurance Act 1987 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(a) NON CURRENT ASSETS

<table>
<thead>
<tr>
<th></th>
<th>MOTOR VEHICLE</th>
<th>FURNITURE EQUIPMENT</th>
<th>COMPUTER EQUIPMENT</th>
<th>OFFICE EQUIPMENT</th>
<th>RENOVATION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>COST</td>
<td>Rs</td>
<td>Rs</td>
<td>Rs</td>
<td>Rs</td>
<td>Rs</td>
<td>Rs</td>
</tr>
<tr>
<td>At 1 July 2006</td>
<td>11,223,284</td>
<td>11,374,074</td>
<td>9,428,253</td>
<td>1,941,049</td>
<td>4,682,246</td>
<td>38,648,906</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
<td>57,850</td>
<td>536,902</td>
<td>561,184</td>
<td>-</td>
<td>1,155,936</td>
</tr>
<tr>
<td>At 30 June 2007</td>
<td>11,223,284</td>
<td>11,431,924</td>
<td>9,965,155</td>
<td>2,502,233</td>
<td>4,682,246</td>
<td>39,804,842</td>
</tr>
<tr>
<td>DEPRECIATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 July 2006</td>
<td>4,703,689</td>
<td>8,316,198</td>
<td>8,627,661</td>
<td>1,493,226</td>
<td>4,682,246</td>
<td>27,823,020</td>
</tr>
<tr>
<td>Charge for the Year</td>
<td>2,128,072</td>
<td>2,171,093</td>
<td>951,144</td>
<td>352,980</td>
<td>-</td>
<td>5,603,289</td>
</tr>
<tr>
<td>At 30 June 2007</td>
<td>6,831,761</td>
<td>10,487,291</td>
<td>9,578,805</td>
<td>1,846,206</td>
<td>4,682,246</td>
<td>33,426,309</td>
</tr>
<tr>
<td>NET BOOK VALUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 30 June 2007</td>
<td>4,391,523</td>
<td>944,633</td>
<td>386,350</td>
<td>656,027</td>
<td>-</td>
<td>6,378,533</td>
</tr>
<tr>
<td>At 30 June 2006</td>
<td>6,519,595</td>
<td>3,057,876</td>
<td>800,592</td>
<td>447,823</td>
<td>-</td>
<td>10,825,886</td>
</tr>
</tbody>
</table>
## 5(b) NON CURRENT ASSETS

Intangibles

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs</td>
<td>Rs</td>
</tr>
<tr>
<td><strong>COST</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 July</td>
<td>12,788,891</td>
<td>4,901,806</td>
</tr>
<tr>
<td>Purchases</td>
<td>17,250</td>
<td>7,887,085</td>
</tr>
<tr>
<td>Computer Software Development</td>
<td>5,323,095</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 30 June</strong></td>
<td>18,129,236</td>
<td>12,788,891</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AMORTISATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 July</td>
<td>7,494,418</td>
<td>4,828,973</td>
</tr>
<tr>
<td>Charge for the Year</td>
<td>4,439,810</td>
<td>2,665,445</td>
</tr>
<tr>
<td><strong>At 30 June</strong></td>
<td>11,934,228</td>
<td>7,494,418</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET BOOK VALUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 30 June</td>
<td>6,195,008</td>
<td>5,294,473</td>
</tr>
</tbody>
</table>

## 6 DEBTORS AND PREPAYMENTS

Debtors (Unsecured, considered good)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs</td>
<td>Rs</td>
</tr>
<tr>
<td>Debtors</td>
<td>2,570,585</td>
<td>1,161,700</td>
</tr>
<tr>
<td>Staff loan</td>
<td>24,432,947</td>
<td>21,455,253</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>822,650</td>
<td>1,052,279</td>
</tr>
<tr>
<td>Prepayments</td>
<td>4,904,259</td>
<td>4,486,660</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>13,609,473</td>
<td>13,331,413</td>
</tr>
<tr>
<td></td>
<td>46,339,914</td>
<td>41,487,305</td>
</tr>
</tbody>
</table>

## 7 BANK AND CASH BALANCES

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs</td>
<td>Rs</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>21,000</td>
<td>23,900</td>
</tr>
<tr>
<td>Bank Balances</td>
<td>13,450,728</td>
<td>21,112,444</td>
</tr>
<tr>
<td></td>
<td>13,471,728</td>
<td>21,136,344</td>
</tr>
</tbody>
</table>
8 RETIREMENT BENEFIT OBLIGATIONS

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

The amount recognised in the Income and Expenditure Statement are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Service Cost</td>
<td>2,575,925</td>
<td>2,220,000</td>
</tr>
<tr>
<td>Interest Cost</td>
<td>3,801,600</td>
<td>3,010,000</td>
</tr>
<tr>
<td>Expected Return on Plan Assets</td>
<td>(3,651,531)</td>
<td>(2,830,000)</td>
</tr>
<tr>
<td>Total Included in Staff Cost</td>
<td>2,725,994</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Actual Return on Plan Assets</td>
<td>4,895,159</td>
<td>3,400,000</td>
</tr>
</tbody>
</table>

Movement in Liability recognised in the Balance Sheet

As determined by the Actuarial Valuation

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>3,740,000</td>
<td>6,330,000</td>
</tr>
<tr>
<td>Expense for the year</td>
<td>2,725,994</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Contribution paid</td>
<td>(3,718,062)</td>
<td>(3,460,000)</td>
</tr>
<tr>
<td>Less: Special Contributions paid</td>
<td>-</td>
<td>(1,530,000)</td>
</tr>
<tr>
<td>As at the close of the year</td>
<td>2,747,932</td>
<td>3,740,000</td>
</tr>
</tbody>
</table>

Movements in the Present Value of the Plan Assets in the current year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July</td>
<td>30,810,000</td>
<td>23,990,000</td>
</tr>
<tr>
<td>Expected Return on Plan Assets</td>
<td>3,651,531</td>
<td>2,830,000</td>
</tr>
<tr>
<td>Actuarial Gains</td>
<td>1,222,020</td>
<td>570,000</td>
</tr>
<tr>
<td>Contributions from the Employer</td>
<td>3,808,946</td>
<td>4,990,000</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,833,170)</td>
<td>(1,526,000)</td>
</tr>
<tr>
<td>Schemes Expenses</td>
<td>(90,884)</td>
<td>(44,000)</td>
</tr>
<tr>
<td>At 30 June</td>
<td>37,568,443</td>
<td>30,810,000</td>
</tr>
</tbody>
</table>

The major categories of Plan Assets, and the Expected Rate of Return at the Balance Sheet date for each category, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities and Cash</td>
<td>54.5</td>
<td>57.0</td>
</tr>
<tr>
<td>Loans</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Local Equities</td>
<td>17.6</td>
<td>15.8</td>
</tr>
<tr>
<td>Overseas Bonds and Equities</td>
<td>17.9</td>
<td>17.0</td>
</tr>
<tr>
<td>Property</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Debenture Stocks</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
### 8 RETIREMENT BENEFIT OBLIGATIONS (continued)

Rates used for Accounting Purposes were:

- **Discount Rate**: 11.00% in 2007, 10.50% in 2006
- **Expected Return on Plan Assets**: 11.50% in 2007, 11.00% in 2006
- **Future Salary Increase**: 8.00% in 2007, 7.50% in 2006
- **Future Pension Increase**: 3.50% in 2007, 3.00% in 2006

8.2 The partly unfunded pension scheme for 5 employees up to the year 2001 is being held by the Accountant General, Government of Mauritius and payment will be effected to the employees upon their retirement.

### 9 CREDITORS AND PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>1,896,944</td>
<td>953,926</td>
</tr>
<tr>
<td>Other Creditors and Provisions</td>
<td>9,475,534</td>
<td>12,184,627</td>
</tr>
<tr>
<td>Prepaid Licence Fee</td>
<td>193,551,263</td>
<td>145,729,008</td>
</tr>
<tr>
<td></td>
<td><strong>204,923,741</strong></td>
<td><strong>158,867,561</strong></td>
</tr>
</tbody>
</table>

### 10 GENERAL FUND

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward</td>
<td>444,081,403</td>
<td>370,535,390</td>
</tr>
<tr>
<td>Prior period adjustments</td>
<td>-</td>
<td>(1,093,611)</td>
</tr>
<tr>
<td></td>
<td><strong>444,081,403</strong></td>
<td><strong>369,441,779</strong></td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>330,464,150</td>
<td>164,639,624</td>
</tr>
<tr>
<td></td>
<td><strong>774,545,553</strong></td>
<td><strong>534,081,403</strong></td>
</tr>
<tr>
<td>Contribution to Capital Budget</td>
<td>(90,000,000)</td>
<td>(90,000,000)</td>
</tr>
<tr>
<td>At 30 June</td>
<td><strong>684,545,553</strong></td>
<td><strong>444,081,403</strong></td>
</tr>
</tbody>
</table>

### 11 INTEREST

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury Bills</td>
<td>8,661,222</td>
<td>12,214,467</td>
</tr>
<tr>
<td>Bank Deposits</td>
<td>38,354,265</td>
<td>20,914,419</td>
</tr>
<tr>
<td>Staff Loans</td>
<td>1,051,857</td>
<td>1,231,637</td>
</tr>
<tr>
<td></td>
<td><strong>48,067,344</strong></td>
<td><strong>34,360,523</strong></td>
</tr>
</tbody>
</table>
12 SALARIES AND ALLOWANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Salaries and Allowances</td>
<td>49,071,676</td>
<td>53,127,060</td>
</tr>
<tr>
<td>Pension Contribution</td>
<td>2,725,994</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Family Protection Scheme</td>
<td>477,299</td>
<td>592,519</td>
</tr>
<tr>
<td>National Savings Fund</td>
<td>307,908</td>
<td>322,046</td>
</tr>
<tr>
<td>Passage Benefits</td>
<td>2,096,984</td>
<td>2,271,342</td>
</tr>
<tr>
<td>Board and Committee Fees</td>
<td>2,100,000</td>
<td>2,100,000</td>
</tr>
<tr>
<td>Travelling</td>
<td>6,920,450</td>
<td>5,648,508</td>
</tr>
<tr>
<td>Staff Welfare</td>
<td>1,489,545</td>
<td>1,265,356</td>
</tr>
</tbody>
</table>

Total: 65,189,856 67,726,831

Salaries, Allowances and Sitting Fees

<table>
<thead>
<tr>
<th>Name</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr S. Lalloo, Chairman</td>
<td>480,000</td>
<td>280,000</td>
</tr>
<tr>
<td>Mr S. Boolell, Vice Chairman</td>
<td>300,000</td>
<td>175,000</td>
</tr>
<tr>
<td>Mr R. Chellapermal</td>
<td>240,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Mr R. Makood</td>
<td>240,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Ms M. Philips</td>
<td>240,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Mr S. Gopaul</td>
<td>240,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Mr O. Lew Kew Lin</td>
<td>240,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Chief Executive</td>
<td>4,606,467</td>
<td>1,693,042</td>
</tr>
<tr>
<td>Director - Licensing</td>
<td>4,118,249</td>
<td>3,525,963</td>
</tr>
</tbody>
</table>

13 TRAINING AND SEMINARS

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Conferences and Seminars</td>
<td>4,399,262</td>
<td>5,577,266</td>
</tr>
<tr>
<td>Local Events</td>
<td>-</td>
<td>104,500</td>
</tr>
<tr>
<td>Staff Training</td>
<td>1,346,524</td>
<td>393,512</td>
</tr>
</tbody>
</table>

Total: 5,745,786 6,075,278
## 14 OFFICE AND ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Expense</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental and Maintenance of Office Premises</td>
<td>18,757,655</td>
<td>19,706,463</td>
</tr>
<tr>
<td>Post, Telephone, Internet and Fax charges</td>
<td>2,192,324</td>
<td>2,425,561</td>
</tr>
<tr>
<td>Electricity</td>
<td>1,132,503</td>
<td>1,458,875</td>
</tr>
<tr>
<td>Stationery</td>
<td>1,608,104</td>
<td>1,738,794</td>
</tr>
<tr>
<td>Subscription</td>
<td>3,688,224</td>
<td>4,163,766</td>
</tr>
<tr>
<td>General Office Expenses</td>
<td>1,794,429</td>
<td>1,016,805</td>
</tr>
<tr>
<td>Vehicle Expenses</td>
<td>1,046,879</td>
<td>669,799</td>
</tr>
<tr>
<td>Advertising and Publications</td>
<td>1,361,359</td>
<td>624,050</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,581,477</strong></td>
<td><strong>31,804,113</strong></td>
</tr>
</tbody>
</table>

## 15 NET CASH FLOW FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus of Income over Expenditure</td>
<td>330,464,150</td>
<td>164,639,624</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Exchange (gain)/loss</td>
<td>(66,339,297)</td>
<td>9,739,787</td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>10,043,099</td>
<td>9,192,879</td>
</tr>
<tr>
<td><strong>Cash Flow from Operating Activities, before working Capital Changes</strong></td>
<td><strong>274,167,952</strong></td>
<td><strong>183,572,290</strong></td>
</tr>
<tr>
<td>(Increase)/Decrease in Debtors</td>
<td>(1,408,884)</td>
<td>166,805</td>
</tr>
<tr>
<td>Increase in Staff Loan</td>
<td>(2,977,694)</td>
<td>(3,995,296)</td>
</tr>
<tr>
<td>Increase in Interest Receivable</td>
<td>(278,060)</td>
<td>(1,518,103)</td>
</tr>
<tr>
<td>Increase in Other Receivables</td>
<td>(1,770,595)</td>
<td>(414,127)</td>
</tr>
<tr>
<td>Increase in Prepayments</td>
<td>(417,599)</td>
<td>(221,799)</td>
</tr>
<tr>
<td>Increase in Accrued Expenses and Other Payables</td>
<td>42,697,428</td>
<td>29,429,423</td>
</tr>
<tr>
<td><strong>Net Cash Flow from Operating Activities</strong></td>
<td><strong>310,012,548</strong></td>
<td><strong>207,019,193</strong></td>
</tr>
</tbody>
</table>
16 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 2007.

Maturity Profiles are as under:-

<table>
<thead>
<tr>
<th>Maturity</th>
<th>0 - 1 Year</th>
<th>&gt; 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Bank Balances</td>
<td>13,471,728</td>
<td>nil</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>103,165,735</td>
<td>nil</td>
</tr>
<tr>
<td>Bank Deposits</td>
<td>716,666,308</td>
<td>nil</td>
</tr>
</tbody>
</table>

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

17 CREDIT RISK

Credit risk with regard to accounts receivable is limited as the Commission is a regulatory body, and fees are charged in terms of the legislation.

18 EXCHANGE RISK

Substantial revenues of the Commission are received in foreign currency and the Commission is subjected to Exchange Fluctuation Risk. Based on the potential foreign exchange fluctuation estimate by the Investment Committee, the investments are made in foreign currency to minimise losses.

Currency profile is as under:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand Dollars</td>
<td>NZ$ 14,573,039</td>
<td>NZ$ 13,344,220</td>
</tr>
<tr>
<td>US Dollars</td>
<td>US$ 11,500,000</td>
<td>US$ 5,100,000</td>
</tr>
</tbody>
</table>

The assessment of currency fluctuation is being reviewed by the Investment Committee from time to time.

19 CURRENCY

The Financial Statements have been presented in Mauritian rupees.
I. List of Charts and Tables

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II. Circulars

In terms of advisories, four Circulars were issued to provide guidance and to clarify the FSC’s policy stance on certain regulatory and procedural issues:

◆ Circular Letter (CL021006): Complaints Handling by Insurance Companies;
◆ Circular Letter (CL011006): Enhanced Procedure relating to the Issue of Tax Residence Certificate (TRC);
◆ Circular Letter (CL010906): New Licensing Conditions for Management Companies and Corporate Trustees

III. Communiqués

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Complaints Handling par les compagnies d’assurance

La Financial Services Commission tient à informer le public que toutes les compagnies d’assurance sont dorénavant tenues d’avoir un guichet pour recevoir et traiter les plaintes de leurs clients (‘Complaints Handling’), concernant les polices d’assurance et autres produits et services financiers proposés par la compagnie.

En sa capacité d’autorité du marché des assurances à Maurice, la FSC a invité les compagnies d’assurance de mettre en place un tel mécanisme interne au sein de chaque compagnie d’assurance (circulaire du 5 octobre 2006). Cette obligation est effective au 8 janvier 2007.

Le traitement des plaintes : une obligation

Chaque compagnie d’assurance est tenue de désigner un/e ‘Complaints Coordinator’, chargé de traiter les plaintes des consommateurs. Le/La ‘Complaints Coordinator’ doit s’assurer que toute plainte logée par un client soit traitée dans les délais réglementaires :

• La compagnie d’assurance a l’obligation d’envoyer un accusé de réception de la plainte dans les 3 jours ouvrables.
• Après examen de la plainte, la compagnie d’assurance doit expliquer au client, dans un délai maximum de 30 jours, et par écrit, sa position finale.

Chaque compagnie d’assurance doit informer ses clients, par dépliant ou tout autre document explicatif, des procédures pour loger une plainte à la compagnie :

• La personne à contacter ;
• Les documents à fournir ;
• Le temps qu’il faudra pour traiter la plainte (la durée des procédures) ;
• Ce qu’il faut faire si la plainte n’a pas été résolue par la compagnie ;
• Toute autre information nécessaire au traitement de la plainte.

La Commission tient à informer le public que toute plainte concernant un produit ou service financier proposé par une compagnie d’assurance doit être logée à la compagnie d’assurance concernée, à travers le/la ‘Complaints Coordinator’.

Désormais, la FSC recevra uniquement les cas de plaintes non résolues par la compagnie d’assurance, et dans la mesure où toutes les tentatives pour résoudre ces plaintes à travers le mécanisme interne de la compagnie d’assurance n’auront pas abouti.

La liste des noms et coordonnées du Complaints Coordinator de chaque compagnie d’assurance, ainsi que le document Guidelines for Insurance Companies on Complaints Handling émis par la FSC à l’intention des compagnies d’assurance, sont disponibles sur le site web de la Commission pour consultation.

29 janvier 2007
Communiqué

Leasing Business

The public is hereby informed that, pursuant to section 14(1) of the Financial Services Development Act 2001 (FSD Act), any person conducting leasing business must be licensed by the Financial Services Commission (FSC).

In pursuance of its objects and functions under the FSD Act, the FSC invites all persons who are required to hold a licence for conducting leasing business to apply for a licence under section 14 of the FSD Act at latest by 30 March 2007.

The FSC reserves the right to take such action as may be necessary against any person who fails to comply with the requirements of the FSD Act.

The public is informed that a list of all persons licensed by the FSC under section 14 of the FSD Act is posted on the Commission’s website. The public is advised to consult this list before entering into a business relationship with any entity that claims to be a provider of financial services business as defined under the FSD Act.

For further enquiries, please contact the Commission at:

Financial Services Commission
4th Floor, Harbour Front Building, President John Kennedy Street, Port Louis.
Tel: 210 7000 – Fax: 208 7172 – Email: fsmauritius@intnet.mu
Website: www.fscmauritius.org

Financial Services Commission
31 January 2007
ASSETS OF INSURANCE COMPANIES  
COMPARATIVE DISTRIBUTION FOR THE YEARS 2002-2006

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Mortgage Loans</td>
<td>21</td>
<td>18</td>
<td>15</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Other Loans</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Government Securities</td>
<td>13</td>
<td>13</td>
<td>23</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Shares and Debentures</td>
<td>38</td>
<td>48</td>
<td>39</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>Land and Property</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Deposits and Securities</td>
<td>9</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Other Assets</td>
<td>11</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>TOTAL (%)</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>TOTAL (Rs 000)</td>
<td>27,160,257</td>
<td>32,592,062</td>
<td>37,036,429</td>
<td>42,139,646</td>
<td>50,706,193</td>
</tr>
</tbody>
</table>

Source: audited returns and accounts
## DISTRIBUTION OF ASSETS OF INSURANCE COMPANIES - YEAR 2006

<table>
<thead>
<tr>
<th>House and residential property</th>
<th>Loans to Directors</th>
<th>Mortgage on property</th>
<th>Loans on personal securities</th>
<th>Other loans</th>
<th>Government securities</th>
<th>Fixed deposits</th>
<th>Other securities and deposits</th>
<th>Inv. in related companies</th>
<th>Other investments</th>
<th>Bank balance</th>
<th>Other assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,466</td>
<td>33,216</td>
<td>10,000</td>
<td>23,300</td>
<td>65,214</td>
<td>17,000</td>
<td>19,000</td>
<td>10,000</td>
<td>2,716</td>
<td>25,214</td>
<td>41,000</td>
<td>17,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Source: audited returns and accounts
### DISTRIBUTION OF LIABILITIES OF INSURANCE COMPANIES - YEAR 2006

<table>
<thead>
<tr>
<th>Company</th>
<th>ANGLO</th>
<th>MTUS</th>
<th>BAI</th>
<th>GFA</th>
<th>IOGA</th>
<th>ISLAND GEN</th>
<th>ISLAND LIFE</th>
<th>JUBILEE</th>
<th>LAMCO</th>
<th>LA PRUDENCE</th>
<th>MTUS UNION</th>
<th>RAINBOW</th>
<th>SICOM</th>
<th>SUN</th>
<th>SWAN</th>
<th>CEYLON CO</th>
<th>LIC</th>
<th>NEW</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount due to insurers</td>
<td>33,868</td>
<td>652</td>
<td>6,817</td>
<td>1,638</td>
<td>390</td>
<td>11,049</td>
<td>1,473</td>
<td>777</td>
<td>44,209</td>
<td>40,589</td>
<td>18,441</td>
<td>10,186</td>
<td>52,903</td>
<td>5,694</td>
<td>84,231</td>
<td>13,154</td>
<td>11,198</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount due to reinsurers</td>
<td>118,905</td>
<td>47,536</td>
<td>141,756</td>
<td>2,247</td>
<td>4,072</td>
<td>2,748</td>
<td>8,494</td>
<td>31,459</td>
<td>2,490</td>
<td>89,112</td>
<td>48,222</td>
<td>57,468</td>
<td>12,427</td>
<td>54,494</td>
<td>4,539</td>
<td>14,970</td>
<td>5,331</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount payable to policy holders</td>
<td>35,774</td>
<td>10,101</td>
<td>7,871</td>
<td>28,039</td>
<td>30,476</td>
<td>53,548</td>
<td>10,405</td>
<td>6,971</td>
<td>20,933</td>
<td>76,710</td>
<td>68,748</td>
<td>383,375</td>
<td>48,859</td>
<td>57,200</td>
<td>80,874</td>
<td>179,256</td>
<td>40,694</td>
<td>237</td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>5,512</td>
<td>5,000</td>
<td>329</td>
<td>1,811</td>
<td>3,025</td>
<td>612</td>
<td>6,986</td>
<td>47,935</td>
<td>1,296</td>
<td>78</td>
<td>21,527</td>
<td>7,296</td>
<td>101,347</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>10,412</td>
<td>1,244</td>
<td>1,076</td>
<td>2,916</td>
<td>3,075</td>
<td>5,079</td>
<td>815</td>
<td>20,484</td>
<td>6,081</td>
<td>35,005</td>
<td>4,251</td>
<td>5,225</td>
<td>990,21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory Reserve Fund</td>
<td>39,160</td>
<td>4,323</td>
<td>1,700</td>
<td>7,199</td>
<td>922</td>
<td>9,760</td>
<td>31,269</td>
<td>37,652</td>
<td>36,117</td>
<td>5,325</td>
<td>24,750</td>
<td>21,971</td>
<td>7,825</td>
<td>14,885</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other reserves</td>
<td>65,888</td>
<td>3,571</td>
<td>339</td>
<td>5,839</td>
<td>44,589</td>
<td>10,796</td>
<td>11,391</td>
<td>176,362</td>
<td>68,780</td>
<td>410,629</td>
<td>35,350</td>
<td>215,817</td>
<td>18,002</td>
<td>168,632</td>
<td>27,071</td>
<td>5,889</td>
<td>165,380</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term Insurance Fund</td>
<td>1,052,586</td>
<td>10,804,874</td>
<td>45,228</td>
<td>65,484</td>
<td>692,870</td>
<td>90,857</td>
<td>1,212,230</td>
<td>2,411,383</td>
<td>2,287,085</td>
<td>89,475</td>
<td>3,949,988</td>
<td>284,724</td>
<td>61,097</td>
<td>1,095,042</td>
<td>27,018,33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Insurance Fund</td>
<td>51,660</td>
<td>19,778</td>
<td>3,766</td>
<td>15,638</td>
<td>4,090</td>
<td>73,179</td>
<td>65,137</td>
<td>157,809</td>
<td>29,367</td>
<td>47,073</td>
<td>34,435</td>
<td>181,984</td>
<td>33,340</td>
<td>68,488</td>
<td>826,103</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other funds</td>
<td>123,470</td>
<td>4,287</td>
<td>298</td>
<td>60</td>
<td>10,314</td>
<td>183</td>
<td>1,073</td>
<td>33,898</td>
<td>45,112</td>
<td>14,354</td>
<td>19,032</td>
<td>12,427</td>
<td>54,494</td>
<td>4,539</td>
<td>14,970</td>
<td>5,331</td>
<td>138,411</td>
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# Long-Term Insurance Business
## Company-Wise Net Claims for the Year 2006

### Ordinary Life:

|                 | ALBATROSS | ANGLO | MTUS | BAI | CEYLON | STELLA | IOGA | ISLAND LIFE | LAMCO | LA PRUDENCE | MTUS EAGLE | MTUS UNION | RAINBOW | SICOM | SUN | LIC | TOTAL |
|-----------------|-----------|-------|------|-----|--------|--------|------|-------------|-------|-------------|------------|------------|----------|--------|------|-----|------|--------|
| **On Death**    | 2,508     | 38,928| 36,413| 0   | 0      | 3,862  | 0    | 5,696       | 3,964 | 3,663       | 1,310      | 23,130     | 1,860    | 13,725 | 134,559 |
| **On Maturity** | 27,804    | 305,930| 601,930| 4,731| 6,198  | 27,708 | 3,839| 1,167       | 24,071| 1,25,440    | 12,767     | 305,930    | 29,232   | 162,807| 1,839,298|
| **On Surrender**| 24,351    | 58,439| 354,274| 341 | 1,123  | 6,208  | 729  | 92,671      | 9,647 | 13,270      | 1,706      | 44,957     | 345      | 5,403  | 613,464|
| Bonus Cashed    | 0         | 0     | 363,203| 0   | 0      | 9,903  | 0    | 0           | 0     | 81,788      | 0          | 0         | 0       | 454,694|
| **ANNuity Business:** |          |       |       |     |        |        |      |             |       |             |            |           |         |        |       |       |        |
| **On Death**    | 0         | 168   | 0     | 0   | 0      | 0      | 0    | 0           | 0     | 278         | 0          | 0         | 446     |
| **By Way of Lump Sum** | 0 | 0 | 750 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,078 |
| **By Way of Periodical Payments** | 0 | 0 | 862 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,562 |
| **On Surrender**| 0         | 0     | 0     | 0   | 0      | 0      | 0    | 0           | 0     | 93          | 0          | 0         | 922     |
| **Pension Business:** |          |       |       |     |        |        |      |             |       |             |            |           |         |        |       |       |        |
| **On Death**    | 0         | 13,312| 0     | 0   | 0      | 0      | 0    | 0           | 0     | 7,717       | 0          | 0         | 21,029  |
| **By Way of Lump Sum** | 21,852 | 260,782| 0 | 0 | 0 | 3,25 | 0 | 0 | 0 | 0 | 0 | 169,141 | 0 | 452,100 |
| **By Way of Periodical Payments** | 7,518 | 137,175| 1,374 | 0 | 0 | 2,696 | 0 | 1,589 | 0 | 34,177 | 0 | 320,448 | 0 | 504,937 |
| **On Surrender**| 14,806    | 148,334| 0     | 0   | 0      | 511    | 0    | 2,093       | 0     | 0          | 0          | 0         | 165,744 |
| **Others**      | 0         | 0     | 0     | 0   | 0      | 0      | 0    | 0           | 0     | 9,220       | 0          | 0         | 9,220    |
| **Permanent Health Insurance:** |          |       |       |     |        |        |      |             |       |             |            |           |         |        |       |       |        |
| **By Way of Periodical Payments** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27 | 0 | 0 | 27 |
| **TOTAL CLAIMS:** |          |       |       |     |        |        |      |             |       |             |            |           |         |        |       |       |        |
| **On Death**    | 2,508     | 52,140| 36,581| 0   | 0      | 3,862  | 0    | 5,696       | 3,964 | 3,663       | 1,310      | 31,125     | 1,860    | 13,725 | 156,034 |
| **On Maturity** | 27,804    | 305,930| 601,930| 4,731| 6,198  | 27,708 | 3,839| 1,167       | 24,071| 1,25,440    | 12,767     | 305,930    | 29,232   | 162,807| 1,839,298|
| **By Way of Lump Sum** | 21,852 | 260,782| 710 | 0 | 0 | 3,25 | 0 | 0 | 0 | 0 | 0 | 169,141 | 0 | 453,178 |
| **By Way of Periodical Payments** | 7,518 | 137,175| 2,236 | 0 | 0 | 2,696 | 0 | 1,589 | 0 | 34,177 | 0 | 320,448 | 0 | 507,526 |
| **On Surrender**| 39,157    | 206,773| 354,274| 341 | 1,123  | 6,719  | 729  | 94,764      | 9,647 | 13,270      | 1,706      | 44,957     | 345      | 5,403  | 779,208 |
| Bonus Cashed    | 0         | 0     | 363,203| 0   | 0      | 9,903  | 0    | 0           | 0     | 81,788      | 0          | 0         | 0       | 454,694|
| **Others**      | 0         | 0     | 0     | 0   | 0      | 0      | 0    | 0           | 0     | 9,220       | 0          | 0         | 9,220    |
| **TOTAL**       | 98,839    | 962,660| 1,358,944| 5,672| 7,321  | 51,773 | 4,968| 103,216     | 38,178| 177,027     | 15,783     | 963,242    | 31,497   | 182,028| 3,999,358|

Source: Audited Returns and Accounts
**LONG-TERM INSURANCE BUSINESS**
**NEW BUSINESS FOR THE YEAR 2006**

**ANNEX 6**

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<th>BAI</th>
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<th>STELLA</th>
<th>IOGA</th>
<th>ISLAND</th>
<th>LIFE</th>
<th>LA PRUDENCE</th>
<th>LIC</th>
<th>MTIAN</th>
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<th>MITSU</th>
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Source: audited returns and accounts
LONG-TERM INSURANCE BUSINESS
BUSINESS IN FORCE FOR THE YEAR 2006

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<th>STELLA</th>
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Source: audited returns and accounts
### General Insurance Business

#### Company-Wise and Class-Wise Summary of Revenue Accounts for the Year 2006

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<td>1,288</td>
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<td>150,594</td>
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| **CLAIMS** |     |     |      |        |         |   |       |      |       |   |     |    |       |       |
| Fire      | 7,420 | 0 | 248 | 144 | 0 | 9,125 | 3,841 | 13,915 | 324 | 26,862 | 867 | 34,057 | 12,005 | 120,052 |
| Motor     | 6,301 | 0 | 47,525 | 9,255 | 0 | 74,121 | 6,709 | 108,269 | 215,926 | 6,329 | 105,004 | 102,280 | 6,414 | 118,146 |
| Pen. Acc. | 7,540 | 0 | 508 | 0 | 156 | 7,056 | 3,485 | 41,473 | 9,122 | 1,568 | 646 | 23,451 | 895 | 101,892 |
| Transport | 21,713 | 0 | 661 | 6 | 161 | 3,581 | 401 | 30,386 | 3,256 | 415 | 11,203 | 7,318 | 34,582 | 2,781 |
| Miscellaneous | 29,410 | 0 | 999 | 1 | 21 | 85,296 | 775 | 3,365 | 22,983 | 2,881 | 583 | 2,208 | 94,977 | 11,548 |
| **NET** | 50,124 | 0 | 24,035 | 6,709 | 0 | 144,191 | 8,057 | 198,118 | 260,912 | 72,257 | 186,677 | 182,257 | 71,776 |

| **COMMISSION** |     |     |      |        |         |   |       |      |       |   |     |    |       |       |
| Fire      | 2,630 | 0 | 348 | 78 | 0 | 3,017 | 1,217 | 12,552 | 1,756 | 32,463 | 32,463 | 32,463 | 32,463 | 32,463 |
| Motor     | 57,122 | 0 | 17,997 | 4,811 | 0 | 70,218 | 4,919 | 90,379 | 16,346 | 84,486 | 62,894 | 88,855 | 113,130 | 1,277,190 |
| Pen. Acc. | 7,665 | 0 | 205 | 3 | 585 | 7,352 | 506 | 10,598 | 256 | 417 | 4,938 | 216 | 36,156 | 36,156 |
| Transport | 3,405 | 0 | 2,100 | 220 | 0 | 7,981 | 1,404 | 3,824 | 88,634 | 21 | 27 | 27 | 36,156 | 36,156 |
| Miscellaneous | 15,953 | 0 | 220 | 139 | 0 | 54,241 | 152 | 1,351 | 10,362 | 235 | 1,132 | 595 | 70,690 | 70,690 |
| **NET** | 86,775 | 0 | 18,042 | 4,249 | 0 | 122,094 | 14,685 | 198,249 | 14,685 | 35,875 | 40,458 | 35,875 | 40,458 | 1,077,770 |

**Source:** Audited returns and accounts
GENERAL INSURANCE BUSINESS
INCOME AND EXPENDITURE FOR YEAR 2006 (BY INDIVIDUAL INSURER)

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<th>IOGA</th>
<th>ISLAND</th>
<th>GEN</th>
<th>JUBILEE</th>
<th>LA</th>
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<th>LAMCO</th>
<th>MTAN</th>
<th>EAGLE</th>
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<th>NEW</th>
<th>INDIA</th>
<th>RAINBOW</th>
<th>SICOM</th>
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<td>178,283</td>
<td>310,505</td>
<td>124,507</td>
<td>78,486</td>
<td>106,957</td>
<td>71,078</td>
<td>306,630</td>
<td>1,803,107</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. CLAIMS
Net claims paid | 86,775 | 0 | 85,533 | 18,042 | 4,811 | 33,822 | 1,656 | 122,994 | 70,472 | 120,342 | 239 | 165 | 120,432 | 239 | 165 | 120,432 | 239 | 165 | 120,432 |
Net increase / (decrease) in outstanding claims reserve | 5,322 | 0 | -6,440 | 15,586 | 1,801 | 7,813 | 708 | 13,287 | -448 | -2,088 | 10,969 | 14,606 | 19,672 | -10,875 | 7,295 | 28,769 | 91,427 |
Net claims incurred | 92,097 | 0 | 79,093 | 33,628 | 6,612 | 41,635 | 2,364 | 136,281 | 70,024 | 118,344 | 216,281 | 70,024 | 118,344 | 216,281 | 70,024 | 118,344 | 216,281 |

3. COMMISSIONS
Commissions received and receivable | 55,194 | 0 | 7,111 | 722 | 297 | 18,816 | 0 | 25,875 | 4,277 | 40,041 | 16,707 | 10,496 | 2,749 | 28,458 | 7,770 | 105,931 | 318,043 |
Commissions paid and payable | 25,718 | 0 | 14,278 | 4,249 | 254 | 17,042 | 0 | 27,020 | 15,445 | 35,119 | 28,161 | 8,480 | 12,630 | 8,387 | 84,079 | 320,425 |
Net Commissions | 29,476 | 0 | -13,567 | -3,527 | 43 | 1,774 | 0 | -1,145 | -11,168 | 4,922 | -21,496 | -18,696 | -6,091 | 15,828 | -617 | 21,852 | -2,382 |

4. ADMINISTRATION COSTS
Staff salaries and Other Benefits | 37,447 | 0 | 12,782 | 3,316 | 1,969 | 9,413 | 971 | 27,486 | 9,318 | 23,496 | 30,782 | 5,314 | 12,644 | 111,162 | 13,965 | 93,629 | 393,983 |
Directors' Fees, etc. | 0 | 0 | 0 | 3,569 | 70 | 644 | 0 | 2,512 | 212 | 773 | 0 | 2,574 | 876 | 2,588 | 1,136 | 15,014 |
General Management Expenses | 0 | 0 | 9,846 | 3,697 | 935 | 2,725 | 1,361 | 17,840 | 9,408 | 15,006 | 10,399 | 5,990 | 21,038 | 2,262 | 22,263 | 122,600 |
Professional Fees:
Auditors | 218 | 0 | 444 | 83 | 72 | 305 | 50 | 530 | 84 | 129 | 262 | 92 | 291 | 984 | 241 | 917 | 4,302 |
Legal | 0 | 0 | 197 | 15 | 17 | 0 | 870 | 128 | 45 | 39 | 16 | 395 | 600 | 87 | 53 | 2,422 |
Survey | 0 | 0 | 59 | 137 | 8 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 400 | 612 |
Other | 0 | 0 | 20 | 123 | 79 | 49 | 1,316 | 449 | 1,812 | 70,586 | 14 | 671 | 2,066 | 8,422 | 2,767 | 81,494 |
Maintenance and Repairs | 1,388 | 0 | 311 | 22 | 130 | 396 | 78 | 1,194 | 296 | 2,336 | 3,014 | 0 | 1,47 | 6,577 | 243 | 1,200 | 17,322 |
Motor Vehicles Expenses | 1,487 | 0 | 940 | 348 | 90 | 635 | 2,194 | 1,469 | 2,560 | 1,619 | 347 | 842 | 316 | 684 | 4,213 | 17,744 |
Other | 0 | 0 | 0 | 514 | 44 | 22,212 | 0 | 0 | 0 | 0 | 0 | 0 | 4,403 |
Total administration costs | 57,217 | 0 | 24,530 | 11,070 | 3,436 | 14,955 | 2,409 | 56,711 | 23,672 | 45,645 | 129,287 | 16,142 | 23,514 | 143,228 | 20,912 | 136,558 | 699,276 |

5. UNDERWRITING PROFIT/(LOSS) | 14,329 | 0 | -19,011 | -3,161 | -1,543 | 1,871 | -4,773 | -10,211 | -4,688 | 19,236 | -90,496 | 10,811 | -31,246 | -105,499 | -6,411 | -36,386 | -267,188 |

6. INTEREST AND INVESTMENT
INCOME | 9,460 | 0 | 1,485 | 4,717 | 6,121 | 7,412 | 3,132 | 29,218 | 3,601 | 10,330 | 143,155 | 17,584 | 903 | 137,967 | 16,172 | 59,370 | 450,527 |

7. OPERATING PROFIT/LOSS CARRIED FORWARD TO PROFIT AND LOSS ACCOUNT | 23,769 | 0 | -17,546 | 1,636 | 4,578 | 9,283 | -1,641 | 19,007 | -1,087 | 29,556 | 52,699 | 28,395 | -30,343 | 32,308 | 9,761 | 22,984 | 183,339 |

Source: audited returns and accounts
## GENERAL INSURANCE BUSINESS
### POLICIES IN FORCE FOR THE YEAR 2006

<table>
<thead>
<tr>
<th>Category</th>
<th>ALBATROSS</th>
<th>BAI</th>
<th>GIF</th>
<th>IDGA</th>
<th>ISLAND</th>
<th>JUBILEE</th>
<th>LA PRUDENCE</th>
<th>LAMCO</th>
<th>MTIAN EAGLE</th>
<th>MTIUS UNION</th>
<th>RAINBOW</th>
<th>SICOM</th>
<th>CEYLINCO</th>
<th>STELLA</th>
<th>SUN</th>
<th>SWAN</th>
<th>NEW INDIA</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>Fire</td>
<td>2,359</td>
<td>0</td>
<td>241</td>
<td>162</td>
<td>840</td>
<td>-</td>
<td>20,642</td>
<td>803</td>
<td>2,202</td>
<td>5,236</td>
<td>787</td>
<td>1,523</td>
<td>660</td>
<td>625</td>
<td>7,248</td>
<td>1,464</td>
<td>44,951</td>
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</tr>
<tr>
<td>Motor</td>
<td>7,347</td>
<td>0</td>
<td>19,614</td>
<td>4,070</td>
<td>2,176</td>
<td>-</td>
<td>21,297</td>
<td>39,925</td>
<td>13,394</td>
<td>22,971</td>
<td>14,681</td>
<td>10,195</td>
<td>38,672</td>
<td>12,536</td>
<td>11,790</td>
<td>20,983</td>
<td>239,811</td>
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<tr>
<td>Pers. Acc.</td>
<td>3,161</td>
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<td>1,453</td>
<td>20</td>
<td>1,239</td>
<td>-</td>
<td>9,177</td>
<td>771</td>
<td>3,108</td>
<td>413</td>
<td>493</td>
<td>863</td>
<td>201</td>
<td>98</td>
<td>2,884</td>
<td>275</td>
<td>24,156</td>
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</tr>
<tr>
<td>Transport</td>
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<td>0</td>
<td>250</td>
<td>34</td>
<td>104</td>
<td>-</td>
<td>3,989</td>
<td>389</td>
<td>3,894</td>
<td>640</td>
<td>874</td>
<td>2,090</td>
<td>18</td>
<td>571</td>
<td>605</td>
<td>812</td>
<td>18,064</td>
<td></td>
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<tr>
<td>Miscellaneous</td>
<td>2,922</td>
<td>0</td>
<td>399</td>
<td>59</td>
<td>1,331</td>
<td>-</td>
<td>10,484</td>
<td>569</td>
<td>313</td>
<td>4,647</td>
<td>2,063</td>
<td>235</td>
<td>5,032</td>
<td>433</td>
<td>6,732</td>
<td>854</td>
<td>36,193</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>19,383</td>
<td>0</td>
<td>22,157</td>
<td>4,345</td>
<td>5,890</td>
<td>0</td>
<td>65,599</td>
<td>42,467</td>
<td>22,911</td>
<td>33,986</td>
<td>18,898</td>
<td>14,926</td>
<td>44,633</td>
<td>14,263</td>
<td>29,249</td>
<td>24,398</td>
<td>363,075</td>
<td></td>
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</tbody>
</table>
While all care has been taken in the preparation of this Report, the Financial Services Commission does not accept responsibility for any loss suffered by any person/entity relying on the information contained in this Report or arising from any shortcoming, defect or inaccuracy, through inadvertence or otherwise. Any discrepancy may be brought to the notice of the Commission at: fscmauritius@internet.mu.

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This Report contains references to relevant Acts and secondary legislation. The authoritative versions of the text of any Act or other secondary legislation, which prevail in the event of any inconsistency, is published in the Government Gazette.

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FINANCIAL SERVICES COMMISSION

Annual Report 2007

Abbreviations and Acronyms

AMC Asia and Middle East Regional Committee
AMF Autorité de la Marché Financiers
AMLAIA Africa and Middle East Liaison Committee
AOF Automated Trading System
CEG Central Depository and Settlement Co Ltd
CIA Collective Investment Schemes
CMRAM Committee for Multi-Rater Assessment and Ranking of Rating Agencies
CSCA Committee on Securities Commission and Stock Markets
DFI Development Finance Institutions
DSC Development and Enterprise Committee
DSTA Dollar Telegraphic Transfer Agreement
EAC Member States
ELA Managing Director
ESL Leslie G. Gordon
FSC Financial Services Commission
FSCC Financial Services Consultative Council
FSD ACT 2001 Financial Services Development Act 2001
FSI Financial Stability Institute
GBC Global Business Companies
GBC 1 Category 1 Global Business Company
GBC 2 Category 2 Global Business Company
IAIS International Association of Insurance Supervisors
IIFS International Financial Centre
IMF International Monetary Fund
IOPS International Organisation of Pension Supervisors
IPO International Organisation of Securities Commissions
MMLG Mauritius Revenue Authority
MRA Memorandum of Understanding
MTA Motor Trade Association
MVR Multilateral Memorandum of Understanding
MWA Memorandum of Understanding
NEA Merit of Awards
NIFS Non-Financial Institutions
NRF National Risk Framework
OAC Organisation for African Cooperation and Development
OCO Operating Costs
OIC Office of the Chairman
SKL Statutory Auditors
SRO Self-Regulatory Organisations
TRC Tax Residence Certificate
TSC Six Residence Certificates

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Abbreviations and Acronyms

AMERC Africa and Middle East Regional Committee
AMIF Académie des Marchés Financiers
AML/CFT Anti-Money Laundering and Combating the Financing of Terrorism
ATS Automated Trading System
CDS Central Depository and Settlement Co Ltd
CIS Collective Investment Schemes
CISNAC Committee for Insurance, Securities and Non-Bank Financial Authorities
CPIS Coordinated Portfolio Investment Survey
DEM Development and Enterprise Market
DTAA Double Taxation Avoidance Agreement
EMG LATIN American, Caribbean and Latin American Exchange Group
FSC Financial Services Commission
FSCCC Financial Services Consultative Council
FSD ACT 2001 Financial Services Development Act 2001
FSDI Financial Stability Institute
GDP Gross Domestic Product
GBCs Global Business Companies
GBC 1 Category 1 Global Business Company
GBC 2 Category 2 Global Business Company
GEM Global Economic Mindset
GCIA International Association of Insurance Supervisors
IGC International Insurance Centre
IMF International Monetary Fund
IOSCO International Organisation of Securities Commissioners
IOMM Multilateral Agreement of Intermediaries
ISF International Organisation of Securities Exchanges
ISOSD International Organisation of Securities Supervision
IWT Multilateral Agreement of Intermediaries of Investment
KISA Mutual Value of Insurance Indemnity Committee
MRI Mutual Risk Indemnity Committee
NAV Net Value of Assets
NBFI Non-Banking Financial Institutions
OED Organisation of Economic Cooperation and Development
OIC Observer Countries
RSC Regions of Companies
CVS Courts of Securities
SAC South African Exchange Commission
SEM South East African Development Bank
SIX Swiss Exchange of Securities
SRBO Self-Regulatory Organisations
TSC Tax Administration Commission

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