

Dear Readers,

The Finance Act 2009 contains a number of provisions impacting the global business sector. The measures concern principally the taxation and filing requirements of global business entities. There is emphasis on the Corporate Social Responsibility of companies in Mauritius.

Companies holding a Category 1 Global Business Licence are exempted from the CSR requirements.

As we are witnessing a renewed interest from investors for private equity investments in Africa we are starting a series of country analysis in this edition of our newsletter.

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KEY FEATURES OF FINANCE ACT 2009

Following the enactment of Finance Act 2009 on 21st July 2009, we present the summary of the major changes that have come into effect.

Changes brought to Mauritius Income Tax Act

Definition of year

The definition of fiscal year has been changed from a period of 12 months commencing 1 July to a period of 12 months commencing 1 January.

Return of Income in respect of an approved return date

Following the change in fiscal year, the return of a company having an approved return date falling on or between:

- 1 January and 30 June, shall be deemed to have been made in relation to the income year ending on 31 December preceding that return date; e.g. 31 March 2010 will be deemed to be for the income year ended 31 December 2009;
- 1 July and 30 December, shall be deemed to be made in relation to the income year ending on 31 December following that return date; e.g. 30 September 2010 will be deemed to be for the income year ended 31 December 2010.

Income to be expressed in Mauritian currency

The tax payable by a company holding a Category 1 Global Business Licence shall henceforth be converted at the exchange rate in force at the date payment of tax is made, instead of the date on which the return is submitted.

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Payment of Annual Tax and Advance Payment System (APS) in USD, Euros and GBP

Effective 1 July 2009, GBL1 companies preparing their financial statements in USD, Euros and GBP shall pay and submit their APS and in their return in that currencies.

Electronic submission of Tax Return

Electronic filing of return is now compulsory for all companies whose gross and exempt income are Rs 10 million (instead of Rs 30 million previously).

Basis of assessment on commencement of business

A company in respect of the commencement year of income, can now submit a return for a period not exceeding 18 months ending with the date of the annual balance of its accounts, instead of 12 months previously.

Corporate Social Responsibility (CSR)

Every Company shall set up every year a CSR Fund equivalent to 2% of its book value. However, the following companies are exempted from the CSR:

1. A company holding a category 1 global business licence
2. A bank holding a banking licence with respect to its income derived from non-residents or corporations holding a Global Business Licence
3. An IRS company
4. A non-resident Societe, a trust or a trustee of a unit trust scheme.

2. Changes brought to the Financial Services Act.

A corporation holding a Category 2 Global Business Licence shall now file with the Financial Services Commission once in every year a financial summary in the form set out in the Ninth Schedule of the Companies Act.

3. Changes brought to Financial Reporting Act.

No foreign auditor shall be or shall act as the auditor of a Company holding a Category One Global Business Licence under the Financial Services Act, unless

1. He is authorized or licensed to be, or to act as, an auditor by the regulatory body of the foreign jurisdiction;
2. The authorization or licence, together with a photocopy, is submitted to the Financial Reporting Council
3. He obtains the prior written approval of the Council.

4. Changes brought to the Freeport Act

Freeport companies are now allowed to sell 50% instead of 20% of their turnover on the domestic market. Annual fee shall be paid at the time of issue of the Freeport certificate and in respect of every period of 12 months as from the date of issue if the Freeport certificate.

Any income derived by a private Freeport developer or Freeport operator from paper trading activities is exempt from income tax for all income years starting from 1 July 2003 and ending on 30 June 2011.

Nigeria as an emerging market for Private Equity Investments

Introduction

Since 1999 Nigeria has experienced a profound level of structural, political and economic changes that have made it one of the emerging markets in Africa as well as a vital contributor to the world economy. Nigeria has evolved to the point where there are excellent investment opportunities in multiple asset classes, including public equities, debt, and private equity.

The key themes creating this opportunities are well known, including the re-capitalization of Financial institutions and Insurance Companies, the trend towards privatization of state-owned companies, the emergence of world-class companies and an overhaul of legal regulations guiding Investments.

Why invest in Nigeria?

The fundamental case for Nigeria's high economic growth combined with valuations that are near historic lows is due to the various economic reform programmes the Government has embarked on. Gross Domestic Product (GDP) growth of Nigeria is almost double that of developed markets. **The inflation rate has also been falling to a single digit of 7.5 percent and economists forecast that this trend is likely to continue for the foreseeable future.**

The private equity markets are still at an early stage of development compared to public equity and debt, but this asset class offers substantial opportunities to invest in a broad range of smaller, rapidly growing companies. Various foreign companies have commenced to harness this gold mine. For instance no fewer than six Nigerian banks have raised fresh funds from foreign institutional investors.

While Nigeria may have significant risks, a number of developments have reduced risk in the markets. Improvements in corporate governance, accounting, local securities regulations, and the investment infrastructure, such as the Investment and Securities Tribunal, have all seen steady improvements and significantly reduced the risk factor.

Improving Corporate Governance:

Poor corporate governance is often cited as a reason to avoid making investments in Nigeria. But many emerging markets governments are moving to enhance their regulatory frameworks with an eye toward maintaining interest from foreign investors. Many companies are also moving on their own to adopt U.S.-style corporate governance standards.

The Securities and Exchange Commission, the Nigerian regulatory body saddled with the responsibility of regulating the investment market in conjunction with the Corporate Affairs Commission published a code of best practice for Corporate Governance. While attitudes towards corporate governance vary substantially from country to country, the risks can be managed by active portfolio managers who carefully evaluate individual companies. In the wake of Enron and WorldCom, it has become more difficult to make the case that corporate governance risk in at least some emerging markets is greater than similar risks in developed markets.

Improving Legal Structure:

The investment infrastructure in Nigeria is rapidly evolving in addition to is becoming friendlier to foreign investors. Many countries realize they need to strictly enforce their securities rules and regulations if they want to boost investor confidence. In the past, paperwork burdens created enormous obstacles for foreign investors, but many countries are working to relax restrictions.

Nigeria is not left out of this metamorphosis, in 1999 the Investment and Securities Decree (now Act) was passed into law. An intricate part of this new legislation was the freedom of any foreigner to invest, transfer and sell stocks in Nigeria unlike the restriction in **Section 7** of the old law. Furthermore

to enhance speedier resolution of disputes that arise from investment transactions, the Investment and Securities Tribunal was established.

Reduced Trading Costs:

Commissions in Nigeria have decreased dramatically over the last eight years, much more dramatically than in the developed markets. In some instances, in percentage terms, emerging markets commission rates will be below those of developed European countries as well as the U.S. and Canada. In 1995 the rates for executing trades in Eastern European countries ranged between 1% and 2%. Today the standard is below .5%, a 50% to 75% decrease. In Nigeria the Securities and Exchange Commission recently revised the transaction cost of the primary market for equities from 6.92% to 4.32 % which is a 45 percent decrease.

Commission rates for developed and emerging markets around the world seem to be converging. The explicit transaction costs are nominally higher in emerging markets, but this cost factor is not as significant as it once was. There is no reason why commission rates should not continue to decline. They may eventually approach parity across multiple markets. Transaction costs can be expected to continue trending downward for several reasons, the improved data transparency in a growing number of markets; and an increased emphasis on "index" names for emerging countries, which allow for improved risk hedging.

Where are the Opportunities?

Emerging markets constitute a small part of the current total global market capitalization, but their rapid growth rates and steadily improving risk profiles justify higher valuations over time. At the end of 2000, the total capitalization of the world's three major stock markets (the U.S., the U.K., and Japan) was about \$20.7 trillion. By comparison, emerging markets represented only a small portion at \$3.3 trillion, or 16%.

However, between 1991 and 2000, the market capitalization of Emerging markets grew faster, at 716%, compared to developed markets, which grew about 231%. Various Foreign companies have started to harness this potential through equity funding in Nigeria as stated above.

Private equity is another type of FPI(Foreign Portfolio Investment) which various companies are starting to harness in Nigeria. The advantage of private equity is an injection of fresh funds into the business without the burden of debt payment. **Private equity mean funds from private investments collected in a pool of funds investments which is professionally managed by an investment manager (private equity manager), in the unregistered securities of private and public companies.**

The major players in the private equity market are the investors (fund providers), intermediaries (fund managers) and the Issuers. We will briefly examine the private equity market institutional structure in detail.

Conclusion

Nigeria has become a significant option in the realm of global investment. While investing in Nigeria involves significant risks, substantial progress has been made on a number of fronts to reduce risk in those markets. Corporate governance, accounting, and local securities regulations have all seen steady improvements and the Government has shown a genuine desire to nurture the growth of FPI through private equity investments.

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Mauritius with its highly beneficial Double Taxation Avoidance Agreement with several African states provides a good infrastructure for routing investments into Africa.

African Peer Review Mechanism Exercise for Mauritius Underway

A Country Review Mission led by Professor Seguir Babes, member of the African Peer Review Mechanism (APRM) Panel of Eminent Persons in charge of the Mauritius Exercise, were currently in Mauritius to assess and finalise the APRM Self Assessment Report.

The APRM, launched in 2003 as part of the New Partnership for Africa's Development (NEPAD), is a self-monitoring tool voluntarily acceded to by Member States of the African Union (AU). Its objective is to foster the adoption of policies, standards and practices leading to political stability, high economic growth, sustainable development and accelerated regional and economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies, and assessing the needs for capacity building.

As per the requirements of the Country Review Exercise in line with the Memorandum of Understanding signed by Mauritius and APRM, the Mission needs to have wide consultations with government officials, political parties, parliamentarians, representatives of civil society (including the mass media, academia, trade unions, business and professional bodies) during their stay in Mauritius and Rodrigues.

Mauritius was among the first States, along with Ghana, Kenya and Rwanda which volunteered to be the first four pilot countries to be peer reviewed. The country acceded to the APRM through the signature of the Memorandum of Understanding on the APRM on 9 July 2003 during the meeting of the NEPAD Heads of State and Government Implementation Committee held in the margins of AU Summit in Maputo.



Prime Minister says Every crisis is an Opportunity

The Prime Minister, Dr. Navin Ramgoolam, G.C.S.K., urged the population not to succumb to pessimism, while referring to the global downturn. Every crisis is an opportunity, he said.

In his recent speech, Dr. Ramgoolam expressed confidence in the ability to overcome all obstacles in our way. He recalled that Mauritius needs to be more imaginative as our competitive edge can only be enhanced through constant innovation and creativity.

"In these trying times for the world tourism industry, when the economies of our main tourist markets are in recession, and as we suffer the fall-outs of this unprecedented global economic crisis, it is important that we do not give up on our determination to further consolidating this sector, the Prime Minister said.

He further recalled that Government is undertaking major infrastructure projects and is actively engaged in providing a congenial business environment for attracting Foreign Direct Investment.

Mauritius and India cooperate in telemetry, satellite tracking and telecommand, and space science

An agreement for the establishment of a telemetry, tracking and telecommand station for satellites and launch vehicles as well as cooperation in the fields of space research, science and applications was recently signed by the High Commissioner of the Republic of India and the Permanent Secretary of the Prime Minister's Office.

The new agreement provides for the continuation and modernisation of the Telemetry, Tracking and Telecommand (TTC) facilities at the Mauritius Station with change of existing equipment and upgrading and installation of additional hardware. It is to be noted that the Station has already been provided with two antennas, associated transmitting and receiving equipment, processing and communication facilities to monitor satellite and launch vehicle performance and determine their accurate posi-

tion which is transmitted to the Control Centre in India on a real time basis.

At the signing ceremony, the Permanent Secretary of the Prime Minister's Office highlighted the country's pride and interest in collaborating with India in the field of space research, science and applications and expressed the country's gratitude for the facilities offered by India to Mauritius. For his part, the High Commissioner of the Republic of India said that the new agreement strengthens commitment for more cooperation between our two countries.

Insolvency Act 2009: Shoring up Corporate Goodwill and Protecting Stakeholders

A one-day workshop on the Insolvency Act 2009, with the participation of regulators, bankers, accountancy professionals and law practitioners was recently held in Port Louis.

An initiative of the Insolvency Service in collaboration with the Ministry of Finance and Economic Empowerment, the workshop will serve as a platform where the participants will exchange views on the new legislation. The Insolvency Act 2009 which came into effect on 1st June this year is a fundamental component to improve the ease of doing business in all sectors of the economy and at all stages of an enterprise's development that is from start-up to closing down.

Launching the workshop, this morning, the Vice- Prime Minister, Minister of Finance and Economic Empowerment, Dr. Rama Sithanen, stressed that the Insolvency Act will secure the reputation of Mauritius as a well governed business and financial services centre and a trustworthy investment destination. It is also expected to shore up corporate goodwill and protect all stakeholders, he added.

The main thrusts of the Act are to consolidate and modernise the legal framework for insolvency by updating and integrating it into a modern, omnibus legislation. In addition, the law redefines the priority of claims in the distribution of assets in liquidation and gives workers' unpaid salary higher priority than the secured creditors. It also sets alternative measures to bankruptcy.

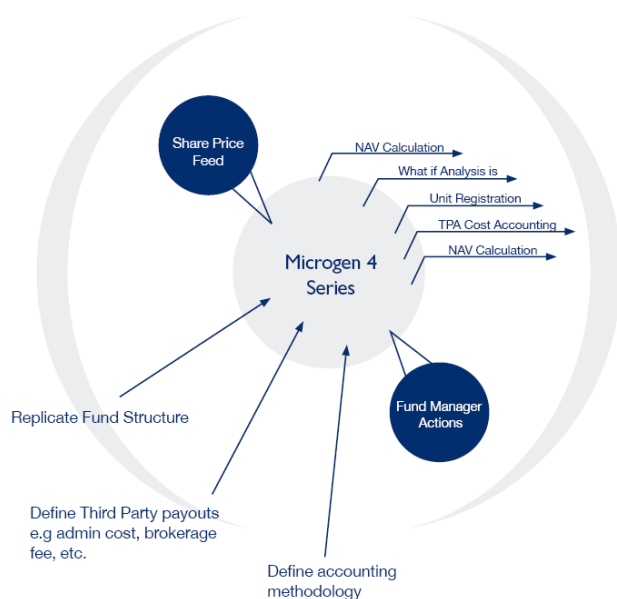
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- Reporting and client services
- Compliance

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Microgen 4 Series Powers DTOS Funds Services



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