



FINANCIAL REPORTING COUNCIL

Bulletin on Review of Annual Reports for the six months ended 30 June 2018

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I Introduction

Each year, PIEs submit annual reports to shareholders and key stakeholders, which are comprehensive reports on their financial position and performance throughout the preceding year. Also, these annual reports contain information about the PIEs' activities, risks, prospects and strategies.

Pursuant to section 76(1) of the Financial Reporting Act, the Financial Reporting Council (FRC) reviews annual reports of Public Interest Entities (PIEs) to ensure compliance with the requirements of International Financial Reporting Standards (IFRSs) and the Code of Corporate Governance (Code).

Non-compliances identified are reported to the companies and where needed the auditors are queried to provide necessary explanations. This exercise assists in improving financial reporting and good governance of PIEs so that their annual reports present comprehensive and objective assessments of their activities, which allow the stakeholders to understand how the entities are managed.

This bulletin focuses on the main observations noted with respect to IFRSs and corporate governance, following FRC's reviews of the PIEs' annual reports during the six months ended 30 June 2018.

During the period, FRC performed annual report reviews of 30 PIEs consisting of 26 full reviews and 4 follow-up reviews.

A. Full Reviews

As mentioned above, FRC conducted 26 full annual report reviews for the period ended 30 June 2018. For the purpose of the review exercise, the following types of PIEs were selected:

- (a) Entities which are listed on the Stock Exchange of Mauritius;
- (b) PIEs that scored a grade 3 in their previous reviews;
- (c) PIEs for which complaints were received; and
- (d) State Owned Enterprises (SOEs) listed in the First Schedule of the Financial Reporting Act 2004.

The entities selected for review had the following year ends:

- 3 had reporting dates December 2015;
- 1 had reporting date December 2016;
- 5 had reporting dates March 2017;
- 16 had reporting dates June 2017; and

- 1 had reporting date December 2017.

The table below indicates the categories of PIEs and their corresponding sectors of business.

Types of PIEs	Sectors						Total
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	
Listed on SEM	1	-	-	-	1	-	2
Financial institutions regulated by BOM	4	-	-	-	-	-	4
Financial institutions regulated by FSC	8	-	-	2	-	-	10
Category 4 PIEs as per the Financial Reporting Act ("FRA") ¹	-	5	-	-	1	1	7
SOEs as per the First Schedule of FRA	-	1	1	-	1	-	3
Total	13	6	1	2	3	1	26

B. Follow up reviews

FRC undertook follow-up reviews to assess the extent to which findings raised on previous reviews had been satisfactorily addressed by the PIEs. New issues such as the application of new standards, amendments to standards and regulations arising during the course of the follow-up reviews of the annual reports were also considered.

For the period under consideration, 4 follow up reviews were undertaken. These consisted of PIEs which had obtained Grade 2B or had other specific issues that were identified in the previous reviews.

The following table analyses the follow up reviews of PIEs by sectors:

Types of reviews	Sectors			Total
	BIF	Commerce	Property Development	
Listed on SEM	-	1	1	2
Category 4 PIEs as per the FRA	2	-	-	2
Total	2	1	1	4

¹ 'Category 4 PIEs' comprises any company or group of companies having, during 2 consecutive preceding years, at least 2 of the following –

- an annual revenue exceeding 200 million rupees;
- total assets value exceeding 500 million rupees;
- a number of employees exceeding 50.

The definition of PIE under this category has been amended through Regulations published in Government Gazette No 105 of 3 December 2016 which is effective as from July 2017.

II Overview of findings from annual report reviews

Section 75 of the FRA requires a Public Interest Entity to prepare its financial statements in compliance with IFRS and to adopt corporate governance in accordance with the National Code of Corporate Governance.

As mentioned above, FRC conducted full reviews of 26 entities and 4 follow up reviews for the six months ended 30 June 2018.

From these reviews, FRC noted that in most cases the PIEs had not complied fully with the requirements of the following IFRSs:

- (a) IAS 1, Presentation of Financial Statements
- (b) IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- (c) IAS 16, Property, Plant and Equipment
- (d) IAS 17, Leases
- (e) IAS 19, Employee Benefits
- (f) IAS 24, Related Parties
- (g) IFRS 4, Insurance Contracts
- (h) IFRS 7, Financial Instruments: Disclosures
- (i) IFRS 13, Fair Value Measurement

Also, FRC had identified non-compliances with the National Code of Corporate Governance ('Code') and had taken note of explanations provided by PIEs for not complying with the Code in the following areas, as part of the full reviews of the PIEs:

- (a) Composition of the Board (section 2 of the Code);
- (b) Detailed directors' remuneration (section 2 of the Code);
- (c) Information on board committees (section 3 of the Code);
- (d) Risk management (section 5 of the Code); and
- (e) Internal audit (section 5 of the Code).

Details of the non-compliances identified by FRC are provided at parts A and B below.

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PART A –Full Reviews

1.0 Main findings from Full Reviews of PIEs

With respect to the 26 PIEs reviewed, FRC identified issues relating to the following areas of corporate reporting during the six months ended 30 June 2018:

1.1 Compliances with International Financial Reporting Standards (IFRSs)

(a) IAS 1, Presentation of Financial Statements

FRC informed 11 PIEs [2 regulated by BOM, 3 regulated by FSC, 3 PIEs in Category 4 and 3 SOEs] **of non-compliances in respect of the following requirements of IAS 1:**

- Accounting policies on other income, investments, financial liabilities at fair value through profit or loss, operating leases, property, plant and equipment and computer software;
- Detailed information on other income and management expenses;
- Description of items grouped under items that will or will not be reclassified to Profit & Loss;
- Disclosures regarding judgements, estimates and assumptions;
- Presentation of third statement of financial position; and
- Description of the nature and purpose of other reserves.

(b) IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

3 entities [1 regulated by BOM, 1 regulated by FSC and 1 SOE] **had not made disclosures in accordance with IAS 8, regarding:**

- Information assessing impact of application of the new IFRSs on their financial statements; and
- Nature and effect of a change in accounting estimates in the current period or in future periods.

(c) IAS 17, Leases

From the review exercise, FRC observed that 5 PIEs [3 regulated by FSC, 1 Category 4 PIE and 1 SOE] **had not complied with IAS 17, in respect of the following:**

- General description of the lessee’s material leasing arrangements.
- The total of future minimum lease payments for each of the following periods:

- not later than one year;
 - later than one year and not later than five years; and
 - later than five years.
- Lease and sublease payments recognized as an expense in the period.

(d) IAS 19, Employee Benefits

With regard to IAS 19, FRC queried 5 PIEs [1 listed in Leisure & Hotel, 2 Category 4 PIEs and 2 SOEs] in respect of the following:

- Description of risks to which the entities were exposed through their defined benefit plans;
- Amount recognised as an expense for defined contribution plans; and
- Description of any funding arrangements and funding policy that affect future contributions, the expected contributions to the plans for the next annual reporting period;
- Fair value of the plan assets into classes that distinguish the nature and risks of those assets;
- Significant actuarial assumptions used to determine the present value of the defined benefit obligation; and
- Sensitivity analysis for each significant actuarial assumption and the methods and assumptions used in preparing sensitivity analyses.

(e) IAS 24, Related Parties

From the annual reports of 6 PIEs [1 listed involved in Leisure & Hotels, 1 regulated by BOM and 4 regulated by FSC], FRC identified issues, which related to the following requirements of IAS 24:

- Classification of key management compensation; and
- Terms and conditions of related parties' outstanding balances including whether they are secured, and the nature of consideration to be provided in settlement;

(f) IFRS 4, Insurance Contracts

3 PIEs engaged in Insurance had not disclosed the following with respect to insurance contracts:

- Information on the effect of changes in assumptions used to measure insurance assets and insurance liabilities, showing separately the effect of each change that has a material effect on the financial statements; and
- Claims development.

(g) IFRS 7, Financial Instruments: Disclosures

From the review exercise, FRC observed that 5 PIEs [2 regulated by FSC, 2 SOEs and 1 Category 4 PIE] in respect of the following:] had partly complied with IFRS 7.

The following disclosures as per IFRS 7 were found missing:

- Management of financial risks;
- Description of collaterals;
- Sensitivity analysis for each type of market risk to which the entity is exposed;
- Maturity analysis for financial liabilities; and
- Reconciliation of changes in provision for impairment for trade receivables.

(h) IFRS 13, Fair Value Measurement

From the annual reports of 4 PIEs [1 regulated by BOM, 2 regulated by FSC and 1 SOE], FRC identified issues which related to the following requirements of IFRS 13:

- Description of the valuation technique(s) and the inputs used in fair value measurement; and
- Levels of fair value hierarchy under which land and buildings had been classified.

1.2 Compliances with corporate governance

The National Code of Corporate Governance aims at establishing principles for good corporate governance leading to transparency, accountability and a long-term perspective.

Section 75(2) of the FRA stipulates that every PIE shall adopt corporate governance in accordance with the Code of Corporate Governance ('Code'). The 'comply or explain' principle forms the basis of this Code. Through this principle, companies that depart from the relevant corporate Governance Code are required to explain in their corporate governance statements which parts of the Code they depart from and the reasons for doing so.

Out of the 26 PIEs reviewed, FRC noted the following:

- (a) 25 PIEs had submitted a corporate governance report
- (b) 1 Category 4 PIE which had not submitted a corporate governance report, had provided explanations regarding same.

The following were observed from the annual report reviews of the 25 PIEs that had submitted a corporate governance report:

A. Key areas of corporate governance disclosures

(a) Information on the Board of Directors

As per the code of corporate governance of Mauritius, a company should have appropriate balance of executive, non-executive and independent directors. This enables the company to make sound decision making with competent board members with proper level of qualifications and experience.

During the course of the annual report reviews, FRC noted major non-compliances relating to the composition of the board – the minimum requirement of executive and independent directors was not met.

- Minimum requirement of having at least 2 independent directors on the board of directors

As depicted in figure below, out of 25 PIEs 19 entities had at least 2 independent directors on their boards in line with section 2.2.2 of the code of the corporate governance. The rest explained the reason for not having independent directors.

PIEs	Section 2.2.2		
	Reported on the requirement that all companies should have at least two independent directors on their boards	Explanations provided	Total
Listed on SEM	2	-	2
Regulated by BOM	4	-	4
Regulated by FSC	7	3	10
Category 4 PIEs as per the FRA	3	3	6
SOE	3	-	3
Total	19	6	25

The explanations provided for not complying with this section of the code of corporate governance included the following:

- The Board was of the view that its composition was adequately balanced and that current directors had the range of skills, expertise and experience

to carry out their duties properly. Should the need arise, the Board of Directors would consider the appointment of independent directors.

- The Board was of the opinion that its present composition, which included one Independent Director, was adequately balanced given the small-sized and the present structure of the Company.
 - The Company believed that the composition of the Board was adequate for the Company’s operations with the appointment of a Fund Manager.
 - Since the entity was under the control of the ultimate parent company, the composition of the Board was discharged under the functions of the Board Committees of this ultimate holding company.
 - No independent director was appointed given that the actual size and composition of the Board was for the time being optimal for the effective supervision of the affairs of the Company.
- The minimum requirement of having 2 executive directors in the board of directors

The figure below, indicates the level of compliance with the minimum requirement of having 2 executive directors in their boards.

PIEs	Section 2.2.3		
	Reported on the requirement that all boards should have at least two executives as members	Explanations provided	Total
Listed on SEM	1	1	2
Regulated by BOM	2	2	4
Regulated by FSC	6	4	10
Category 4 PIEs as per the FRA	4	2	6
SOEs	3	-	3
Total	16	9	25

- 16 out of 25 PIEs met the minimum requirement of the code of corporate governance for having at least 2 executive directors in the board of directors. The rest explained the reasons for not having executive directors on its board.

The explanations provided by the PIEs were described below:

- The Board considered that the executive management of the Company was sufficiently represented on the Board through its current Executive Director who, as the Chief Executive Officer, was involved in the day-to-day management of the Company.
- The Board of Directors of the Company was of the view that its present composition, which included one Executive Director, was adequately balanced given the small-size and the present structure of the Company. The Board of Directors was also of the opinion that the current directors had the necessary skills, expertise and experience to carry out their duties properly.
- The Board was of the view that the spirit of the Code was met through the attendance and participation of the CEO as Executive Director and the senior Executives in relevant Committees and Board deliberations.
- The management of the Company had been outsourced to a CIS manager. The Board, given the circumstances, had not deemed it necessary to appoint a chief executive officer and executive directors. A representative of the CIS Manager attended all Board/Committee meetings and assisted in the decision-making process and affairs of the entity.
- The Company believed that the composition of the Board was adequate for the Company's operations with the appointment of a Fund Manager.
- Since the entity was under the control of the ultimate parent company the composition of the Board was discharged under the functions of the Board Committees of this ultimate holding company.
- There was only one executive director on the board of the company given that the actual size and composition of the Board was for the time being optimal for the effective supervision of the affairs of the Company.

(b) Information on Board Committees

Board committees are a mechanism to assist the board and its directors in discharging their duties through a more comprehensive evaluation of specific issues.

- Establishment of audit and corporate governance committees

As per the code of corporate governance, all companies should have, at a minimum, an audit committee and a corporate governance committee except for, subsidiary companies which would not be expected to have separate sets of board committees.

From the table below, FRC noted the following:

- a) 17 out of the 25 PIEs had audit and corporate governance committees.
- b) 8 PIEs had not set up board committees, but explanations provided in this regard. The PIEs explained the following:
 - The Board of Directors had not considered the need of delegating authority to board committees due to the small-size and the present structure of the Company.
 - There was no Corporate Governance Committee as the Board ensured that the Company complied with prevailing corporate principles and that it acted responsibly and responsively.
 - The entity did not convene board committees as the board committee matters of the Company were taken up at the Board Committee of its parent company.
 - The Board did not consider it practical to have a Corporate Governance committee as all issues relating to remuneration, nomination and communication were discussed and dealt with at board level.
 - Given the present set up of the Company, its size and nature of its activities, separate audit and corporate governance committees had not been set up. The Board was of the opinion that the Directors and Key Management Personnel were capable to carry out all the tasks and functions of such committees.
 - The Company being part of a group of companies had its corporate governance functions as well as the audit and risk management functions discharged by the Board Committees set up by its holding company.

PIEs	Section 2.2.3		
	Met the requirement that all companies should have, at a minimum, an audit committee and a corporate governance committee	Explanations provided for not meeting the requirement of the Code	Total
Listed on SEM	2	-	2
Financial institutions regulated by BOM	4	-	4
Financial institutions regulated by FSC	6	4	10
Category 4 PIEs as per the FRA	2	4	6
SOEs	3	-	3
Total	17	8	25

- Composition of board committees

In considering the composition of the board committees, the board should have regard to ensuring a range of skills, experience, knowledge and professional qualifications to meet the requirements of the Code. The Code suggests that all board committees, should, as far as possible, only comprise of members of the board and should have a majority of non-executive directors. Also, it is recommended that the majority of the non-executive directors serving on these committees are independent.

The table below denotes the level of compliance with respect to composition of board committees:

PIEs	Section 3.9			
	Met the requirement of the Code on composition of board committees	Explanations provided	Not met the requirement of the Code on composition of board committees	Total
Listed on SEM	2	-	-	2
Regulated by BOM	3	1	-	4
Regulated by FSC	6	2	2	10
Category 4 PIEs as per the FRA	1	4	1	6
SOEs	3	-	-	3
Total	15	7	3	25

As shown in the above table, 15 PIEs met the requirement of the Code with regard to composition of the board committees. Out of the above remaining 10

PIEs that did not comply with this requirement of the Code, 7 PIEs provided the following explanations:

- The Board was aware that the Chairperson of the Board should not be a member of the Audit Committee under the Code on Corporate Governance. However, he was appointed based on his finance and accounting background.
- The size and nature of the Company and of the Board was such that the composition of the committees included directors. The Company was reviewing the composition of the committees.
- The Chairperson of the Board was also a member of the audit committee. The composition of the audit committee would be re-structured according to the provisions of the New Code of Corporate Governance 2016, earlier compliance with which was encouraged.
- The Audit & Risks Committee and the Corporate Governance Committee had been established at the level of the entity's parent company.
- The Company being part of a group of companies had its corporate governance functions as well as the audit and risk management functions discharged by the Board Committees set up by its holding company.
- The Board was of the opinion that the Directors and Key Management Personnel were capable to carry out all the tasks and functions of board committees.

(c) Detailed directors' remuneration

Disclosures on directors' remuneration provide a control mechanism that seeks to ensure that there is alignment of directors' interests with that of shareholders.

The table below indicates details of individual remuneration of directors.

PIEs	Section 2.8.2			
	Reported on the disclosure requirement of remuneration paid to each director on an individual basis	Explanations provided	Not Reported on the disclosure requirement of remuneration paid to each director on an individual basis	Total
Listed on SEM	2	-	-	2
Regulated by BOM	3	1	-	4
Regulated by FSC	5	4	1	10
Category 4 PIEs as per the FRA	3	3	-	6
SOEs	3	-	-	3
Total	16	8	1	25

From the above, it is noted that:

- 16 out of 25 PIEs reported on individual remuneration;
- 8 PIEs explained the reason for not disclosing information on individual remuneration of directors; and
- 1 PIE had not made disclosure on individual remuneration.

The explanations given for not disclosing detailed remuneration of directors on an individual basis were that information regarding same was of a sensitive and confidential nature.

(d) Risk management

Risk management reduces the probability that the attainment of an organisation's objectives are jeopardised by unforeseen events. It ensures that management is capable of identifying circumstances which represent an opportunity or can be turned to competitive advantage. The operation of controls and internal audit form part of the process of risk management

The table below shows details of the PIEs complying with this section of the code of corporate governance.

PIEs	Sections 5.1.7 / 8.4			
	Reported on the requirement that risk consideration and management in key risk areas	Explanations provided	Not Reported on the requirement that risk consideration and management in key risk areas	Total
Listed on SEM	2	-	-	2
Regulated by BOM	4	-	-	4
Regulated by FSC	10	-	-	10
Category 4 PIEs as per the FRA	5	1	-	6
SOE	2	-	1	3
Total	23	1	1	25

As shown in the table above, FRC noted that 23 out of the 25 PIEs reviewed, had reported on consideration and management in key risks. Out of the 2 PIEs that had not disclosed details of exposure to key risks and management of these risks, 1 PIE stated that the company's risk management programme, which incorporated internal control and risk management procedures were taken at group level.

(e) Internal Audit

The internal audit function is responsible for providing assurance to the board regarding the implementation, operation and effectiveness of internal control and risk management. Information on this function provides a better understanding of the level of internal audit processes implemented by the PIEs.

PIEs	Section 5.3			
	Reported on internal audit	Explanations provided	Not reported on internal audit and explanation not provided	Total
Listed on SEM	2	-	-	2
Regulated by BOM	4	-	-	4
Regulated by FSC	9	1	-	10
Category 4 PIEs as per the FRA	5	1	-	6
SOEs	2	-	1	3
Total	22	2	1	25

The table above shows that 3 PIEs had not provided information on their internal audit function in their annual reports. Out of these 3 PIEs, 2 had explained the following:

- Internal audit function was being discharged at holding level;

- Due to the size and complexity of the business, there was no internal audit function within the company; and
- Oversight of the financial reporting process was made by the board of directors.

B. Part-compliance with corporate governance

Out of the above 25 PIEs that had submitted corporate governance reports, 8 PIEs had partly complied with the Code. The common non-compliances raised for those PIEs that had partial compliances with respect to the above key areas of corporate governance, were as follows:

- (i) Composition of board committees (part 1.2A (b) above refers);
- (ii) Detailed directors' remuneration (part 1.2A (c) above refers);
- (iii) Risk management (part 1.2A (d) above refers); and
- (iv) Internal audit (part 1.2A (e) above refers).

Also, FRC identified some uncommon non-compliances issues with respect to the following:

- (i) Details of non-audit services provided by the auditors (section 6 Accounting and Auditing);
- (ii) Statement of remuneration philosophy (section 8 Communication and Disclosure);
- (iii) A detailed time table specifying important events (section 8 Communication and Disclosure);
- (iv) Directors' responsibilities for financial statements and accounting records (Section 8 Communication and Disclosure);
- (v) Policies and practices as regards ethical, safety, health and environmental issues (Section 8 Communication and Disclosure); and
- (vi) Content of the Statement of Compliance (Guidelines on Compliance with Corporate Governance – Government Gazette No. 32 of 13 April 2013, General Notice No. 1016).

1.2.1 Explanations provided for non-submission of a corporate governance report

FRC observed that 1 PIE had provided explanations for not submitting a corporate governance report. This PIE was reminded to henceforth adopt the Code of corporate governance and to comply with section 75 of the Financial Reporting Act.

The explanations provided for non-submission of a corporate governance report were as follows:

- The Company was a family owned business with no external shareholders. The daughter of the Company’s shareholder managed the business on a day to day basis. The owners ensured that there were controls in place to serve their interests.
- The owners had assessed the costs and benefits of implementing the Code of Corporate Governance and determined that confidentiality was essential to the success of their business model. The appointment of independent directors would give them an insight in their business which would be damaging to the success of their business.

1.3 Reporting by Auditors in compliance with Section 39(3) of the FRA

Section 39(3) of the FRA requires an auditor to report whether the disclosures made in the corporate governance report are consistent with the Code. The format of this report on corporate governance by auditors is laid out in the Guidelines on compliance with corporate governance – Government Gazette No. 64 of 20 July 2013, General Notice No. 1819.

From the 26 Annual Reports reviewed, FRC observed that the **auditors** of:

25 PIEs [2 listed (1 BIF and 1 Leisure & Hotels), 4 regulated by BOM, 10 PIEs regulated by FSC, 6 in Category 4 of the FRA and 3 SOEs] **had reported on the consistency of the requirements of the Code;** and

1 PIE in Category 4 of the Financial Reporting Act **had not reported on the consistency of the requirements of the Code.**

The auditor who had not complied with Section 39 (3) of the FRA was requested to provide explanations to the FRC.

1.4 Audit and non-audit fees

From the annual report reviews, FRC observed that some licensed auditors had provided non-audit services to PIEs such as tax services.

In accordance with legal requirements and under the Code of Corporate Governance, PIEs are required to disclose the following information for the non-audit services rendered by their external auditors in their annual reports:

- (a) Separate disclosure of the amount paid for non-audit services as opposed to audit services (section 221 of the Companies Act 2001 *Contents of annual report* refers).

- (b) Description of non-audit services rendered by the external auditor in their annual reports stating particulars of the nature of the services and amounts paid for each nature of services.

With respect to audit and non-audit fees, the following observations were made for the 26 reviews:

- **16 PIEs** [2 listed (1 BIF and 1 Leisure & Hotels), 2 regulated by BOM, 5 regulated by FSC, 4 PIEs in Category 4 and 3 SOEs] **had paid fees for audit services only.**
- **10 PIEs** [2 regulated by BOM, 5 regulated by FSC and 3 PIEs in Category 4] **had disclosed fees paid for audit services as well as ‘other services’ provided by the same firms of external auditors. The ‘other services’ rendered by the auditors consisted mainly of taxation services.**

1.5 Non-financial information

A good annual report always addresses all the required relevant information in respect of the entities’ activities, objectives and strategic plans, firms’ values and principles, factors affecting its environment and its performance.

From the 26 annual reports reviewed, FRC made the following observations:

- 31% of companies discussed their corporate strategies
- 27% of the entities made disclosures regarding their business objectives;
- 27% of firms discussed values and principles;
- 100% of the PIEs provided a description of their businesses and scope; and
- 12% mentioned the external forces affecting the entities such as customer, suppliers and competitors

FRC encourages PIEs to report on relevant non-financial information which will help users of accounts to interpret the financial information provided in the annual reports.

PART B - Follow up reviews of Annual Reports

As mentioned above, FRC has carried out 4 follow up reviews for the six months ended 30 June 2018. During these follow-up reviews, FRC considered whether the issues previously raised in previous full annual report reviews had been properly addressed in the PIEs’ latest annual reports and whether there are still recurrent issues from previous reviews. This would ensure that PIEs had taken corrective actions subsequent to FRC’s previous letters of observations.

No significant issues were identified during the follow-up review exercise.

PART C - Grading of Annual Report Reviews

As part of the review process, FRC assigns grades to PIEs which provide guidance to categorise the quality of reporting by PIEs. Grades are assigned to the PIEs after considering the comments from the PIEs on the findings of the reviews. Out of the 30 annual reports reviewed (26 full reviews and 4 follow-up reviews), FRC had graded the quality of the 28 annual reports reviewed (24 full reviews and 4 follow up reviews) for the six months ended 30 June 2018.

The grading allocated to the PIEs was based on the following four levels:

- Good (Grade 1)
- Acceptable with limited improvements required (Grade 2A)
- Acceptable overall with improvements required (Grade 2B)
- Significant improvements required (Grade 3)

The grades of the annual report review were determined mainly by the nature of non-compliances raised with respect to IFRS, auditors' report, corporate governance and other issues arising such as non-compliances with regulations, going concern problem and independence of auditors amongst others. This would highlight areas in which there is room for improvement and helps drive quality reporting.

For the 28 PIEs which were graded, FRC noted that:

- 5 PIEs received a grade 1;
- 13 PIEs were granted a grade of 2A; and
- 10 PIEs had obtained grade 2B.

Those with grade 2A have no significant non-compliances whilst those having grade 2B had various non-compliances.

The table below shows an analysis of the grading obtained by types of PIEs.

Types of PIEs	Full Reviews			Follow-up Review		Total
	Grade 1	Grade 2A	Grade 2B	Grade 1	Grade 2A	
Listed on SEM	1	1	-	2	-	4
Regulated by BOM	-	3	1	-	-	4
Regulated by FSC	1	6	3	1	1	12
Category 4 PIEs as per the FRA	-	2	4	-	-	6
SOEs	-	-	2	-	-	2
Total	2	12	10	3	1	28

PART D - Conclusion

Following the annual report review exercise, it is noted that most PIEs obtained grades 1 and 2A for quality reporting. Also, FRC observes that most of the issues raised from previous annual reports' reviews had been duly considered by the PIEs. Hence, FRC appreciates that the standard of corporate reporting is generally good.

FRC is aware of the PIEs' constantly changing regulatory environment and the complexity of financial reporting framework. In this respect, FRC encourages companies to provide clear disclosures regarding the effects of the new standards and to make adequate qualitative and quantitative disclosures upon application of newly applicable standards and the New Code of Corporate Governance for Mauritius. This would help in improving quality reporting.

Financial Reporting Council
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