



FINANCIAL REPORTING COUNCIL

Bulletin on Review of Annual Reports for the six months ended 31 December 2024

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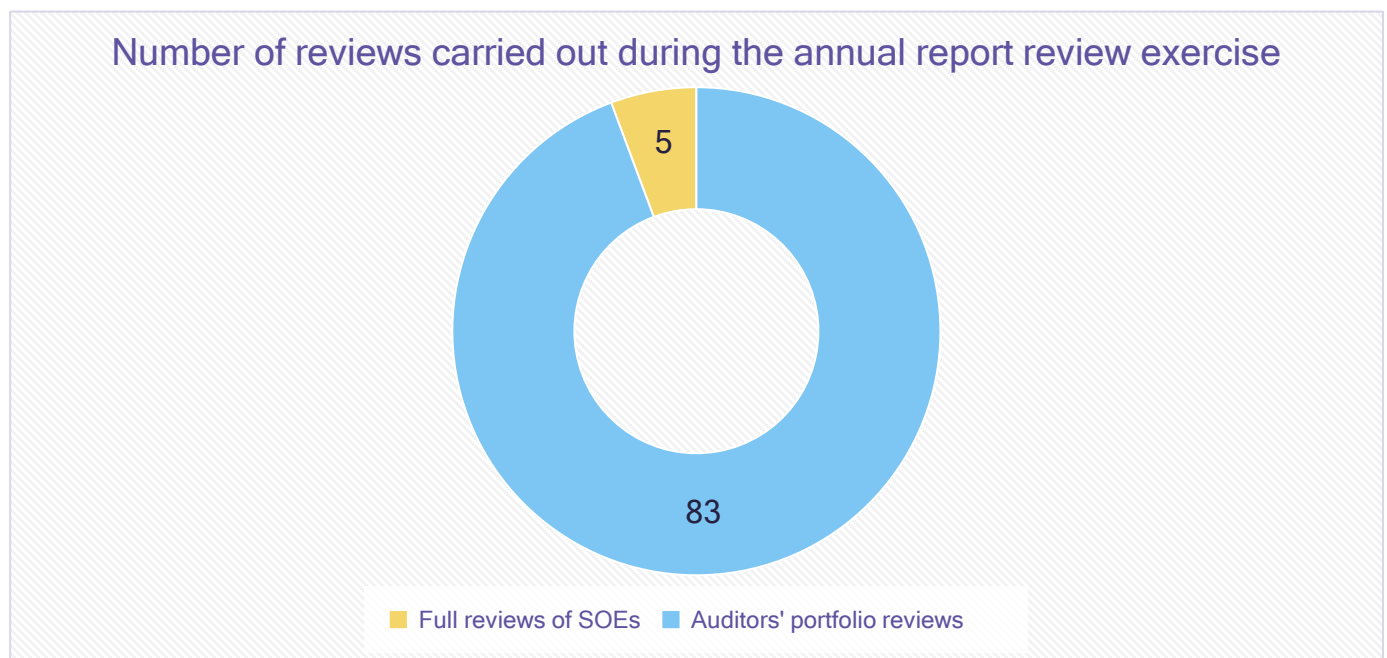
PART A – EXECUTIVE SUMMARY

The Financial Reporting Council (“FRC”) has as main objective to promote the provision of high-quality reporting of financial and non-financial information by Public Interest Entities (“PIEs”). To achieve this objective, FRC conducts the review of the annual reports of entities and State-Owned Enterprises (“SOEs”) classified as PIEs, as part of its monitoring activities, in accordance with Section 76(1) of the Financial Reporting Act (“FRA”).

The annual report reviews assist in promoting confidence in corporate reporting and good corporate governance.

The annual report review exercise focusses on compliance with applicable accounting standards (International Financial Reporting Standards (“IFRSs”) for PIEs other than SOEs) and International Public Sector Accounting Standards (“IPSASs”) for SOEs), the National Code of Corporate Governance for Mauritius (“Code”) and the Mauritius Companies Act 2001 (“MCA”).

FRC has carried out the review of annual reports of 88 PIEs [83 Auditors’ portfolio reviews and 5 full reviews of SOEs] for the six months ended 31 December 2024, as portrayed in the diagram below:



The purpose of this bulletin is to provide an overview of the findings identified by FRC from the annual report review exercise of PIEs. It highlights the non-compliances noted with respect to disclosure requirements of the applicable accounting standards¹, the Code and the MCA. This bulletin may be of assistance to the PIEs in the preparation of high-quality corporate reports.



¹ Section 75 of the FRA requires PIEs to prepare their financial statements in accordance with IFRSs. Nevertheless, Section 75(1A) of the FRA states that entities specified in the first column of the Third Schedule of the FRA, shall prepare financial statements in compliance with IPSASs issued by IFAC.

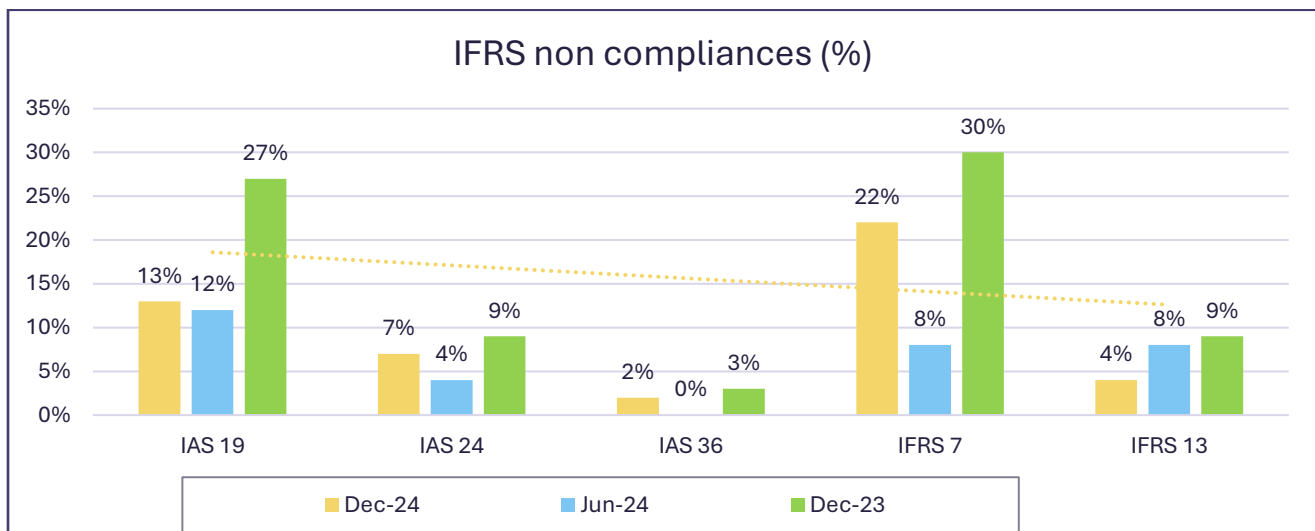
Key findings with regard to International Financial Reporting Standards

FRC observed an increase in the level of compliance in certain IFRSs among the PIEs reviewed as compared to the prior years. Previously, FRC had been focusing on the following categories of PIEs:

- Entities listed on the Stock Exchange of Mauritius (SEM);
- Financial Institutions regulated by the Bank of Mauritius (BOM); and
- Financial Institutions, other than cash dealers, regulated by the Financial Services Commission (FSC).

As from July 2023, FRC has changed its review process and adopted an integrated approach, hence, combining the two main functions of FRC, namely the annual report review and the audit practice review. Under this type of review exercise, FRC has reviewed mostly PIEs falling under Category 4 of the First Schedule of the FRA, representing 60% of the number of PIEs reviewed during the six months period ended 31 December 2024. Most of these entities were either reviewed for the first time or had been reviewed several years back by FRC.

The diagram below illustrates the percentage of non-compliances with IFRSs relating to the periods ended 31 December 2024, 30 June 2024 and 31 December 2023:



Key findings with respect to the Code of Corporate Governance

FRC observed the following from the annual report review of the 88 PIEs:

- 28 PIEs, including the 5 SOEs, had fully complied with the Code;
- 32 PIEs had provided explanations for not complying with certain sections of the Code, out of which 11 were queried for part compliance; and
- 28 PIEs had not reported on the Code and 12 of them were queried for non-compliance.

Out of the 28 PIEs who had not reported on the Code, 15 entities have confirmed that the principles of the Code have been adopted, however, reporting is done by the holding company, given that they are wholly owned subsidiaries. The remaining 1 PIE has stated that a Corporate Governance Report has not been submitted, since a proper governance framework will have to be established within the requirements of the Code and this will be addressed in the next year.

The most common observations made on compliance with the Code were in respect of the following Principles:

- (a) The Structure of the Board and its Committees;
- (b) Director Duties, Remuneration and Performance; and
- (c) Reporting with Integrity.

Part D of this bulletin analyses each of the above topics in further details.



PART B – INTRODUCTION

An annual report, prepared in accordance with the relevant laws and standards instils confidence among the general public and stakeholders who use it for decision making for their respective purposes. It is an extensive financial document that provides quantitative and qualitative information to enable a range of stakeholders (including shareholders, potential investors, regulators and the public) to understand a Company's financial performance, its business model, strategy for future growth and key risks.

As such, annual reports should offer a transparent view of an organisation's activities over the course of a financial year and hence the disclosures provided should be clear and concise as well as relevant and useful to users of financial statements.

As part of its mandate, FRC monitors the annual reports of PIEs in order to promote the provision of high-quality reporting, through ensuring compliance with the requirements of relevant accounting standards, the Code and the MCA.

As from July 2023, to further enhance the quality of reviews, FRC has adopted a different approach in conducting its annual report reviews. The modified review process integrates the two main functions of FRC, namely the annual report review and the audit practice review. As such, the PIEs in the portfolio of licensed auditors selected for onsite audit practice review were reviewed as part of the annual report review exercise. A risk-based approach has also been adopted in the selection of the PIEs from the portfolio of audit clients of licensed auditors, thereby prioritizing entities with higher level of risk, that is, those falling under the following categories of the First Schedule of the FRA:

- Entities listed on the Stock Exchange of Mauritius;
- Financial institutions regulated by the Bank of Mauritius; and
- Insurance companies licensed under the Insurance Act.

With the integrated approach of review, the annual reports of the selected PIEs were reviewed prior to the onsite reviews of the respective auditors, as the findings of the annual report review guide the FRC the areas of the audit to focus on during the audit practice review exercise.

This bulletin describes the main findings identified during the course of the reviews. It provides an overview of the current state of corporate reporting and provides information on shortcomings requiring improvement for PIEs.

“For the six months ended 31 December 2024, FRC reviewed the annual reports of 88 PIEs.”

For the six months period ended 31 December 2024, FRC conducted the reviews of 88 PIEs [83 Auditors’ portfolio reviews and 5 full reviews of SOEs], operating in the various sectors of the economy. The table below shows the number and types of PIEs reviewed and their corresponding sectors:

Types of reviews	Sectors									Total
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	Sugar	Transport	Others	
Listed on SEM	1	1	5	3	-	2	1	1	1	15
Financial institutions regulated by BOM (excluding cash dealers)	6	-	-	-	-	-	-	-	-	6
Financial institutions regulated by FSC	9	-	-	-	-	-	-	-	-	9
Category 4 PIEs as per the FRA	1	20	7	7	1	4	1	-	12	53
SOEs as per the First Schedule of FRA	-	-	-	-	-	-	-	-	5	5
Total	17	21	12	10	1	6	2	1	18	88

For the six months ended 31 December 2024, the following types of reviews have been carried out:

(A) Auditors' Portfolio Reviews

As mentioned above, as from July 2023, an integrated approach was adopted for the annual report reviews. The review process has been modified whereby integration of the 2 functions namely the annual report review and the audit practice review were made at the different stages of the review exercise with the following objectives:

- At the planning stage, the integration would help to consider the potential risks that exist both from the auditor's and the PIE's sides;
- During the review exercise, the integration of the two functions would help to have comfort that the findings in either review exercise are appropriate; and
- After the review exercise, the output of the reviews would be used to further enhance the regulatory system at FRC, more specifically in making policy decision on specific matters.

During the six months ended 31 December 2024, 83 annual reports were reviewed under this category of review. These annual reports have been selected from the portfolio of audit clients of 21 licensed auditors and 4 of these auditors were assessed as part of the audit practice review exercise.



The table below illustrates the categories of PIEs and their corresponding sectors under the auditors' portfolio reviews category:

Types of reviews	Sectors									Total
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	Sugar	Transport	Others	
Listed on SEM	1	1	5	3	-	2	1	1	1	15
Financial institutions regulated by BOM (excluding cash dealers)	6	-	-	-	-	-	-	-	-	6
Financial institutions regulated by FSC	9	-	-	-	-	-	-	-	-	9
Category 4 PIEs as per the FRA	1	20	7	7	1	4	1	-	12	53
Total	17	21	12	10	1	6	2	1	13	83

(B) Review of Annual Reports of SOEs

As required by Section 76 of the FRA, FRC monitors the annual reports and corporate governance reports of SOEs listed in the First Schedule of the FRA, to ensure that the annual reports of these entities are in compliance with IPSASs and the Code.

In this connection, FRC had carried out the annual report review of 5 SOEs during that reporting period.



PART C: ANNUAL REPORT REVIEWS: TREND IN QUALITY REPORTING

This part of the bulletin focusses on the level of compliance observed following the annual report review exercise.

It is to be noted that 48 PIEs, out of the 88 reviewed, were queried on matters relating to IFRSs, IPSASs, the Code and the MCA. This represents 55% of the entities reviewed during the six months ended 31 December 2024 (30 June 2024: 56% and 31 December 2023: 64%). A slight decrease has been noted in the level of findings from the annual reports of PIEs and hence, in the number of letters issued to PIEs on the observations identified.

In response to FRC's observations, most PIEs provided explanations and undertook to comply with the non-compliances raised and to take remedial actions in light of FRC's comments. FRC would continue to monitor such undertakings to ensure that the non-compliances raised in previous reviews are being considered by the entities.

The most common IFRSs findings raised during the current period and over the last two periods (30 June 2024 and 31 December 2023) are IAS 19 *Employee benefits* and IFRS 7 *Financial Instruments Disclosures*. Of note, the observations made throughout the periods were not for the same PIEs.



The table below depicts the level of non-compliances with the most common IFRSs:

IFRS requirements	Level of non-compliances with IFRSs (%)		
	Six months ended 31 December 2024	Six months ended 30 June 2024	Six months ended 31 December 2023
Number of PIEs adopting IFRSs	83	26	33
IAS 19, <i>Employee Benefits</i>	13%	12%	27%
IAS 24, <i>Related Party Disclosures</i>	7%	4%	9%
IAS 36, <i>Impairment of Assets</i>	2%	0%	3%
IFRS 7, <i>Financial Instruments Disclosures</i>	22%	8%	30%
IFRS 13, <i>Fair Value Measurement</i>	4%	8%	9%

As illustrated in the above table, except for IFRS 13, the level of IFRS non-compliances have increased as compared to the previous periods. This is because, as part of the auditor's portfolio review, FRC has mostly reviewed PIEs falling under Category 4 of the First Schedule of the FRA, and the majority of these entities were being reviewed for the first time or had not been recently reviewed by FRC.

On the Corporate Governance side, similar to the previous periodic bulletin, not all of the PIEs reviewed had adopted the Code. Out of the 88 PIEs reviewed, 60 entities, including the 5 SOEs, had reported on the Code, representing a reporting rate of 68% for the six months ended 31 December 2024 (30 June 2024: 81% and 31 December 2023: 69%). A decrease in reporting rate has been noted as compared to the previous period.

It is worth noting that, out of the remaining 28 entities:

- 12 PIEs were queried for not applying the Code: and
- 16 entities had provided explanations for not reporting on the Code.

As mentioned above, this is primarily because FRC has reviewed PIEs falling under Category 4 of the First Schedule of the FRA as part of its annual report review exercise and these entities have either never been reviewed in the past or reviewed long time back.

Furthermore, 11 out of the 60 PIEs who had reported on the Code have been queried for part compliance, representing 13% of the whole population (30 June 2024: 5 PIEs (19%) and 31 December 2023: 6 PIEs (17%)). It is good to note that the level of non-compliances with the Code has decreased as compared to the previous 2 periods.



PART D: MAIN FINDINGS FROM REVIEWS OF PIES

1.0 COMPLIANCES WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Out of the 83 PIES reviewed during the six months ended 31 December 2024 as part of the auditors' portfolio review, 34 entities were queried relating to the following IFRS requirements:

(a) IAS 2, Inventories

Biological assets had been incorrectly classified as inventories instead of IAS 41, *Agriculture* by **1 PIE** operating in the others sector and **falling under Category 4 of the First Schedule of the FRA**.

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

1 FSC regulated entity operating in the investment sector and **3 PIES falling under Category 4 of the First Schedule of the FRA** [1 in commerce sector, 1 in industry and 1 in others] had not disclosed a discussion of the impact that initial application of IFRS is expected to have on the entity's financial statements or if that impact is not known

or reasonably estimable, a statement to that effect.

(c) IAS 16, Property, Plant and Equipment

1 PIE falling under Category 4 of the First Schedule of the FRA, operating in the commerce sector had not disclosed the following regarding property, plant and equipment:

- the effective date of the revaluation;
- whether an independent valuer was involved; and
- the carrying amount that would have been recognised had the assets been carried under the cost model.

(d) IAS 19, Employee Benefits

Non compliances identified with respect to employee benefits were as follows:

- **1 Category 4 PIE**, operating in the commerce sector had not disclosed the amount recognised as an expense for its defined contribution plan;
- **9 PIEs falling under Category 4 of the First Schedule of the FRA** [1 BIF sector, 2 in commerce, 1 in industry, 3 in others, 1 in property development and 1 in sugar] had not provided a description of the risks to which the defined benefit plan exposed the entities;
- A description of any funding arrangements and funding policy that affect future contributions and the expected contributions to the plan for the next annual reporting period had not been disclosed by **1 Category 4 PIE** in others sector; and
- **1 Category 4 PIE** [in property development sector] had not disclosed information about the maturity profile of its defined benefit obligation.

(e) IAS 24, Related Party Disclosures

As regard the requirements of IAS 24:

- **1 entity listed on SEM** [operating in the industry sector], **1 FSC regulated entity** [in the investment sector] and **3 PIEs falling under Category 4 of the First Schedule of the FRA** [in commerce sector] had been queried on the terms and conditions for the related party outstanding balance; and
- Key management compensation in its different categories had not been disclosed by **1 Category 4 PIE** in others sector.

(f) IAS 36, Impairment of Assets

The following non-compliances were identified with respect to the requirements of IAS 36:

- **1 PIE classified under Category 4 of the First Schedule of the FRA**, operating in the others sector, had not disclosed the following with respect to its cash generating unit:

- A description of management's approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information; and
 - The period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash generating unit (group of units), an explanation of why that longer period is justified.
- The main events and circumstances that led to the recognition of the impairment loss on intangible assets had not been provided by **1 Category 4 PIE**, in the others sector.

(g) IFRS 3, Business Combinations

Non compliances identified with respect to IFRS 3 were as follows:

- The amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period and the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period had not disclosed by **1 DEM listed PIE** operating in the commerce sector; and
- **1 PIE classified under Category 4 of the First Schedule of the FRA**, in the property development sector, had not disclosed the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree.

(h) IFRS 7, Financial Instruments: Disclosures

The following non-compliances were identified with respect to financial instruments:

- **1 DEM listed PIE** [operating in the others sector], **1 FSC regulated entity** [in the investment sector] and **14 entities classified under Category 4 of the First Schedule of the FRA** [6 in commerce sector, 1 in investment, 2 in property development, 1 in sugar and 4 in others] had not disclosed the objectives, policies and processes for managing financial risks; and
- **1 FSC regulated entity** [operating in the investment sector] and **1 Category 4 PIE** in others sector had not disclosed a maturity analysis for non-derivative financial liabilities; and
- A sensitivity analysis for each type of market risk to which the entity was exposed at the end of the reporting period and the methods and assumptions used in preparing the sensitivity analysis had not been disclosed by **1 FSC regulated entity**

[in investment sector] and **1 Category 4 PIE** in commerce sector.

(i) IFRS 13, Fair Value Measurement

Non compliances noted with respect to IFRS 13 were as follows:

- **1 DEM listed PIE** operating in the others sector and **1 entity classified under Category 4 of the First Schedule of the FRA** [in commerce sector] had not disclosed a description of the valuation technique(s) and the inputs used in the fair value measurement for financial instruments; and
- **2 Category 4 PIEs** operating in the commerce and investment sector had not provided the level of fair value hierarchy for unquoted investments and property, plant and equipment respectively.

(j) IFRS 16 Leases

One PIE classified under Category 4 of the First Schedule of the FRA operating in the others sector was queried regarding maturity analysis of lease liabilities as well as a maturity analysis of

minimum of each of the first five years
and a total of the amounts for the
remaining years.

2.0 COMPLIANCES WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

To ensure consistency in the application of accounting standard in the Public Sector and in line with Government reform to develop a modern accounting and reporting framework, the Financial Reporting Act requires SOEs classified as PIEs to prepare their financial statements under IPSAS framework.

In July 2023, amendments have been made to the First Schedule of the Financial Reporting Act 2004 whereby 9 additional statutory bodies have been classified as PIEs, hence increasing the number of SOEs classified as PIEs from 16 to 25. As per the FRA, 24 of the PIEs are required to prepare their financial statements under IPSAS framework and the remaining 1 shall adopt IFRSs as issued by the International Accounting Standards Board (“IASB”).

FRC monitors the annual reports and corporate governance reports of the SOEs to ensure that the entities are in compliance with IPSASs and the National Code of Corporate Governance, as per Section 76 of the Financial Reporting Act.

FRC has conducted the annual report review of 5 SOEs and 2 of them were queried on the following requirements of IPSASs:

(a) IPSAS 1, Presentation of Financial Statements

The following was not disclosed in the annual report of **1 SOE**:

- Qualitative information about the entity’s objectives and processes for managing capital, including a description

of what is managed as capital, the nature of externally imposed capital requirements, if applicable, and how these are incorporated into capital management and how the entity is meeting its capital management objectives; and

- Quantitative data regarding what is managed as capital.

(b) IPSAS 13, Leases

One of the SOEs had not disclosed the future minimum lease payment under non-cancellable operating lease.

(c) IPSAS 16, Investment Property

There was a mismatch in the accounting policy for investment property disclosed in the notes to the accounts of **one of the SOEs** reviewed.

(d) IPSAS 17, Property, Plant and Equipment

The methods and significant assumptions used in estimating fair values for property, plant and equipment were not disclosed in the annual report of **one of the SOEs**.

(e) IPSAS 39, Employee Benefits

One of the SOEs had not disclosed a description of the risks to which it was exposed to, through the defined benefit pension plan.



3.0 COMPLIANCES WITH THE NATIONAL CODE OF CORPORATE GOVERNANCE

As per Section 75(2) of the FRA, PIEs are required to adopt corporate governance in accordance with the National Code of Corporate Governance.

The Code introduces a principles-based approach and requires application on an “apply and explain” basis. It aims at establishing principles for good corporate governance leading to transparency, accountability and a long-term perspective.

The following 8 corporate governance principles have been designed to be applicable to all organisations covered by the Code:

- Principle 1: Governance Structure
- Principle 2: The Structure of the Board and its Committees
- Principle 3: Director Appointment Procedures
- Principle 4: Director Duties, Remuneration and Performance
- Principle 5: Risk Governance and Internal Control
- Principle 6: Reporting with Integrity
- Principle 7: Audit
- Principle 8: Relations with Shareholders and Other Key Stakeholders

3.1 Auditors' Portfolio Reviews

The observations made from the annual report reviews of the 83 PIEs are:

- 23 PIEs had fully applied the 8 principles of the Code;
- 32 PIEs had provided explanations for not complying with certain sections of the Code, out of which 11 were queried for part compliance (Details provided in Sections A & B below);
- 12 PIEs had been queried for not applying the principles of the Code (Details provided in Section B below); and

- 16 PIEs had provided explanations in their annual report for not reporting on the Code (See Section C below).

3.2 Review of Annual Report of SOEs

It is good to note that all the 5 SOEs reviewed during the six months ended 31 December 2024 had reported on the Code and had applied the principles of the Code.

3.3 Level of compliance with the Code

A. Details of explanations provided by the PIEs who have not applied the requirements of the Code

For those 32 PIEs that have provided explanations for not applying certain requirements of the Code, the following were noted:

▪ Principle 1: Governance Structure (11 PIEs)

The following observations were noted:

- The board had resolved that the company would not adopt a board charter and code of ethics.
- The appropriate job description of key senior governance positions; organisational chart, statement of major accountabilities within the organisation and the company's constitution had not been published on the company's website.

- No compliance, approval, monitoring and review process for the organisation's constitution, code of ethics, organisational chart, job descriptions of senior governance positions, board's charter and major accountabilities within the organisation.
- The company did not have a website.

The explanations provided by the entities in question with respect to the above were as follows:

- The board had resolved that the company would not adopt a board charter for the current financial year as

the contents of a board charter were already covered in the company's constitution and the prevailing legislations, rules and regulations.

- Adoption of a charter is complementary to law and articles, not compulsory under the law and had not been adopted by the Company. Nevertheless, the board will take initiatives to adopt a charter in the following year.
- A code of ethics had already been prepared and will be implemented in the organisation.
- Once the charter is adopted, it will be reassessed on an annual basis.
- The drafting of the organisation's code of ethics, board charter and job descriptions of the key senior governance positions is in progress and would be completed in the subsequent year.
- In view of the working arrangements between the Company and its holding company, the board of directors had adopted the code of ethics applicable at holding level.
- The Company deemed it sufficient that the information to be published on the website, is available for consultation,

upon request in writing from the Company Secretary.

- The company's website will be updated with the relevant requirements of the Code.
- The website is under construction and needful will be done to incorporate the organisational chart on the website.
- The company did not have a website and feels that, the creation and maintenance of a website was not necessary due to the nature of the business. However, the board will ensure that the information is made available to the relevant stakeholders upon request.
- The Company's website was revamped and all relevant documents were available at the registered office address of the Company.
- As directors' responsibilities are already set out in the Articles, the Companies Act 2001 and the terms of reference of its risk and audit committee, the board elected not to adopt a charter for the financial year under review.

▪ Principle 2: The Structure of the Board and its Committees (29 PIEs)

The main findings noted were as follows:

- The board of directors did not consist of adequate number of executive and independent directors.
- The board of directors did not comprise of any/adequate number of female director.
- The role of the Chairman and Chief Executive Officer was carried out by the same person.
- The company did not have any director.
- Only directorships in public and listed companies were disclosed. Details of other directorships were not disclosed.
- A chairperson had not been appointed.
- A company secretary had not been appointed.
- Audit (risk management) and corporate governance committees had not been constituted.
- The audit and risk committee was not composed of a majority of independent directors.
- The chairperson of the audit and risk committee was not independent.

- The board considered that the director is deemed independent notwithstanding the fact that he had served on the board for more than 9 years from the date of his first election.
- Committees comprised of only two members and were chaired by the chairperson of the board.
- No board meetings were held.

The explanations provided with respect to the above were as follows:

- Although there was only one executive director on the board, it was of the view that the input of the financial controller, who was in attendance at board meetings, provided an appropriate balance to board deliberations.
- The company did not have any executive directors and independent directors in the light of the Shareholders' Agreement between the Government of Mauritius and the PIE.
- The company was of the view that the size and level of diversity of the board is commensurate with its sophistication and scale of the business.
- The board was satisfied that one independent director is adequate for the smooth running of the business.

- The executive director was present at board meetings as well as the administration and finance manager. The board is of the view that the above is in line with the code's spirit for executive presence on the board.
- According to the provisions of the existing shareholders' agreement, the directors were nominated by the holding company. While remaining committed to sustaining the highest standards of corporate governance, the board was of the opinion that having independent directors on its board, is not applicable in the circumstances of the Company. However, there were independent directors on the board of the listed holding company.
- The board was in the process of recruiting an additional independent director.
- The board is looking for a second female independent director to comply with the principle of independent director as well as the requirement for at least 25% of the directors on the board to be female.
- Discussions are being held with the main shareholder regarding the requirement for gender representation and the appointment of additional

independent directors in the board membership.

- The board reviews its size on an annual basis and considers the present size as appropriate for the current scope and nature of the group's operations. The board believes that there is sufficient balance of power and authority given the composition, structure and processes of its current board.
- The audit and risk committee was composed of one independent director and two non-executive directors. The Board was comfortable with the present mix of categories of Director and deems it of sufficient calibre to assume the responsibilities as set out in the terms of reference of this committee.
- The board was of the view that the composition of the committee as well as profile of the chairman and of the members was adequate to achieve the main duties of this committee.
- The board was satisfied that the chairman's experience, skills and knowledge will be beneficial to the company, despite the chairperson being a non-executive director.
- The chairperson of the audit committee was not an independent director but was appointed to ensure smooth

running of the committee and compliance with the processes and procedures of the holding company.

- Appointment of independent directors and female directors will be submitted to the approval of the shareholders at the forthcoming annual meeting.
- The board was confident that its current directors systematically and constantly act with complete independent judgement in discharging of their duties and obligations, including managing the affairs of the company and the board had determined that two additional independent directors need not be appointed at this stage.
- The board was of the view that the absence of executive and independent directors did not adversely affect the company as the current directors had demonstrated strong independence in character and judgement in the discharge of their responsibilities. The board was satisfied that its actual composition is well balanced and commensurate with the Company's ownership structure, size and area of business.
- The board was of opinion that the joint venture agreement set in place provided and promote an efficient, transparent

and ethical functioning/ decision making processes of the company and hence considered appropriate not to appoint any independent directors.

- In the light of the organisational structure of the group, the board of directors believed that the role of Chairman and Chief Executive Officer is thus efficiently carried out by the same person.
- The board considered that the director was deemed independent notwithstanding the fact that he had served on the Board for more than 9 years from the date of his first election. The Board was also of the view that the members of the group audit and risk committee had sufficient financial management expertise and experience to discharge their responsibilities properly, and a quorum of two members was required for a meeting of the said committee.
- The board decided to disclose only directorships in public and listed companies. Details of other directorships were available at the Company's registry.
- Given the size of the company and close relationship which exists between the latter and its subsidiaries, the board had

not deemed it necessary to establish subcommittees and delegate its authority. However, all matters relating to audit and risk management were also taken at the level of company whilst those matters relating to remuneration and directors' appointment were taken at the group's remuneration and nomination committee.

- The entity was set up as a Trust and not a company. In this context, it had no board of directors, no board committees and no company secretary.
- Being a wholly owned subsidiary, the company had taken benefit from the exemption for the setting up of the various board committees. The holding company had all the committees and sub-committees in place.
- All board committees functions were discharged by the board.
- The Company did not have a chairperson. Most decisions were taken by board resolution circulated in lieu of holding board meetings. The company is planning on appointing a chairperson in the coming year.
- No physical board meeting was held during the year. The board usually pass written resolutions in lieu of holding a meeting. The sole shareholder was

required to take cognizance of the meeting and approve the decisions taken by the board.

- The Company did not have its own corporate governance committee, as it did not have any independent director on its board. It is the corporate governance committee of the listed holding company which was responsible for the corporate governance issues at group level.
- In the guidance notes for groups and subsidiaries, subsidiary companies are not required to have separate sets of board committees. Notwithstanding the Company did have separate committees of which the audit and risk committee had only two members and was chaired by the chairperson of the board. The non-compliances arose because of the sale of shares by a shareholder who had a representative on the committee whose place had not been filled by the majority shareholder. The constitution, shareholders agreements, committees, etc will all be reviewed.

■ Principle 3: Director Appointment Procedures (4 PIEs)

Four of the PIEs reviewed did not have a formal, rigorous and transparent process for the appointment, election, induction, orientation and succession of directors.

The explanations provided in that respect were as follows:

- The process and procedures for the induction, election and re-election of board representatives was consistent with the group procedures and existing shareholders agreements.
- The succession planning process, including that of senior executives and the nomination process of directors had been partly delegated to the corporate governance committee.
- Formal succession planning and induction process were done informally.
- A formal induction and orientation programme were not strictly required given the nature and non complexity of operations. Directors benefit from the orientation and training dispensed by the group. The chairperson and the managing director were readily available to provide necessary

information on the company and its activities to newly appointed directors as and when required.

■ Principle 4: Director Duties, Remuneration and Performance (13 PIEs)

The issues identified were as follows:

- No (formal) evaluation of the board and of its individual directors.
- The company did not have any board evaluator to measure the transparency, accountability and effectiveness of board members.
- No conflict of interest and related-party transactions policies were in place.
- The company secretary did not maintain any interest register.
- There were no information, information technology and information security governance policies.
- Information security policy had not been published on the company's website.

The explanations provided with respect to the above were as follows:

- The board and its individual directors were not evaluated formally for the year under review. However, the board evaluation had been carried out in an informal manner and the

comments/observations of directors were noted and addressed/are being addressed.

- The evaluation of the board evaluation and of its individual directors evaluation had been exceptionally rescheduled for completion in the subsequent year given that the board focused on the major restructuring exercise for the company and also due to the substantial movements at board level in the current year.
- The board evaluation and the director evaluation will be carried out in the subsequent year.
- No appraisal of the board performance was carried out during the as the company had been set up recently. Such exercise will be carried out in the subsequent year.
- The Company currently did not have any board evaluator to measure the transparency, accountability and effectiveness of board members. The employment of a board evaluator in the following year was under discussion and the decision of the board is yet to be concluded.
- No conflict of interest and related-party transactions policies but same was done at arm's length in line with good

accounting & taxation policies. The above policies were being drafted and should be implemented as from the coming year.

- All conflict of interest and related-party transactions would be conducted in accordance with the conflicts of interest and related-party transaction policy and code of ethics applicable at holding level.
- Though the board had not adopted any conflict of interests' policy, it had put in place procedures for the disclosure and review of any potential or actual conflicts with the adoption of the group's conflict of interest declaration form which was signed by all directors of the Company.
- For confidentiality and security reasons, the information security policy had not been published on the website of the company.
- The company did not have any written information, information technology and information security governance policies in place. However, the company conforms to the Mauritius data Protection Act and other regulations, to ensure data is appropriately dealt with. Management had been working on an information security policy and this will be finalised in the following financial year to ensure that the organization has

adequate business reliance arrangements in place for business continuity.

- The policy on information technology is available at the company.
- Given the existing working arrangement with a related entity, its IT policy is applicable.
- As at date, there was no conflict of interest between the board and the company. Moreover, the company secretary did not maintain any interest register and the board resolved that the company, being a private company, could dispense of the need of maintaining an interest register.

■ Principles 5: Risk Governance and Internal Control (4 PIEs)

Four of the PIEs had no whistle blowing policy and had not disclosed its principal risks and uncertainties faced by the organisation and risks that threaten the business model, future performance, liquidity and solvency of the business

In that respect, the following explanations were provided:

- The Board will put in place a whistle blowing framework in the following year.
- The Company intends to implement a whistleblowing policy for use by all its employees, stakeholders, and members of the public so that people are encouraged to disclose information about fraud, bribery, financial misconduct and other form of corruption or theft.
- Principal risks and uncertainties faced by the organisation and risks that threaten the business model, future performance, liquidity and solvency of the business were discussed internally by the board but was not disclosed in this report due to sensitivity of the information:
- The Company did not have a formal whistleblowing policy in place, Nevertheless management has an open-door policy to reveal any misconduct or malpractice which can affect the business operation and reputation and eliminates the risks linked with non-disclosure of misconduct or malpractice to go unnoticed by the board and management.

▪ *Principles 6: Reporting with Integrity (13 PIEs)*

The main observations relating to the Principle 6 were as follows:

- No assessment of the organisations' environmental, social governance position performance and outlook.
- The board had presented a fair, balanced and understandable assessment of the Group's financial, environmental, social and governance position performance and outlook in its annual report but not on its website.
- An annual report was not published on the company's website.
- Relevant requirements of the Code were not published on the company's website.

The explanations provided in that respect were as follows:

- The group had published in 2022 its eighth sustainability report, following the Global Reporting Initiative (GRI) Standards. Based on this report and the upcoming ones, they will be able to continuously improve their economic, social and environmental performance. This report is available on the website of the group.

- Due to the nature of its activities, the company's operation had no major impact on environment.
- The company was of the opinion that the website was mostly focused towards commercial and operational information proposed to visitors together with information about the freeport environment.
- The board has resolved that the annual report will not be uploaded on the website of the company due to the sensitive nature of the information in the annual report.
- The annual report was not published on the company's website but same will be done when the website will be operational in the subsequent year.
- Management will ensure that all required disclosures are published in full on the group's/company's website.
- The board considers that existent disclosures are in line with the size of the company, for the time being.
- The board believes that all material information on the company and its governance framework, recommended to be disclosed on the website as per the Code, was available to shareholders and stakeholders. The company was using

the group's corporate website and was in the process of launching its own website.

- Given the family shareholding structure, board and shareholders decided not to proceed with website disclosures at this point of time.
- Given the private nature of the business and the governance structure of the company, the company considered that its annual report already provides sufficient information to its shareholders. Moreover, the company's current website already provides the information relevant to its other stakeholders.

▪ *Principles 7: Audit (7 PIEs)*

The issues identified were as follows:

- No internal audit function.
- No tendering exercise performed every 7 years for external audit services.
- The audit committee had not discussed critical policies, judgements and estimates with the external auditor.

The following explanations had been provided in respect of the above:

- No internal audit function had been set up as the company did not have any employee and management services had been outsourced. The board was

satisfied that the service provider had adequate controls, processes, and systems in place.

- The internal audit function was carried out at group level. All employees were requested to assist the group internal audit in fulfilling its roles and responsibilities.
- Due to the low complexity of the business, there was no specific defined internal audit function within the company. However, the holding company had an existing structure for internal audit and an internal audit team is sent to the company's premises on a frequent basis for internal audit inspection and assistance.
- The external auditor was appointed since the company's incorporation, following a restricted tender exercise. The audit partner was rotated after 4 years. Given that the company has a limited life of 10 years, the board was of view that it would not be cost effective nor in the best interest of the company to put the external audit contract out to tender after 7 years as recommended by the Code.
- The board had not established an audit committee. However, needful was being done to set-up the committee and

to ensure that it functions as required under the code. Once the committee was set-up, there should be confirmation that the audit committee had discussed critical policies, judgements and estimates with the external auditor.

- The external auditors met the members of the audit committee of the holding company to discuss on the financial statements of the group and the accounting principles and guidelines adopted.
- The audit and risk committee annually reviewed the operational risk register, which involved discussions about areas that could pose significant risks to the company and its operations. For the year under review, no areas were identified as having high risk exposure. However, in future, if it is determined that certain areas may pose a risk to the company, the audit and risk committee plan to establish an internal audit function to mitigate those risks. Additionally, the audit and risk committee relied on the board of the company for risk management, control and governance processes.

B. Details of non-compliances for PIEs who had partly complied/not complied with the Code

As mentioned above, **2 listed PIEs** [1 in industry and 1 in property development], **1 FSC regulated entity** in the investment sector and **8 PIEs falling under Category 4 of the First Schedule of the FRA** [3 commerce, 1 industry, 2 others and 2 property development] had partly complied with the Code and the following were not disclosed in the corporate governance report of these 11 PIEs:

- Statement that the board had approved its charter, its organisation's code of ethics, appropriate job descriptions of the key senior governance positions and a statement of accountabilities;
- Organisational chart;
- Name of chairperson of the board;
- The attendance record of directors at board meetings;
- Identification of directors who ordinarily reside in Mauritius;
- A discussion of how the organisation monitored and evaluated significant expenditures on information technology;
- Chairperson of the audit and risk committee;

- Remuneration policy for its directors;
- Affirmation that the board or a specified committee had reviewed the adequacy of directors' and senior executives' remuneration,
- Details of the remunerations paid to each individual director;
- Assurance that the non-executive directors did not receive remuneration in the form of share options or bonuses associated with organisation performance;
- Whether an evaluation of the effectiveness of the committees and individual directors were conducted;
- Statement that the company secretary had maintained an interests register and that the register was available to shareholders upon written request to the Company Secretary;
- Report on whistle-blowing rules and procedures;
- Information on the length of tenure of the current audit firm and when a tender was last conducted;
- Description of non-audit services rendered by the auditor; and
- An explanation of how the auditor's objectivity and independence were safeguarded if the external auditor had provided non-auditing services.

Additionally, the following were observed from the corporate governance report of the 11 PIEs, who had partly complied with the Code:

- The board did not comprise of any female director, sufficient number of non-executive and independent directors.
- The audit and risk committee was chaired by a non-executive director, instead of an independent director.
- The corporate governance committee was chaired by the chairperson of the board and did not comprise of a majority of non-executive directors, which is not in line with the requirements of the Code.

Of note, **12 PIEs falling under Category 4 of the First Schedule of the FRA** [5 commerce, 3 industry, 3 investment and 1 others] had been queried for not applying the principles of the Code. One of the PIEs has confirmed that the Corporate Governance Report is prepared by the ultimate holding and the Code applies to all companies within the group. The remaining PIEs undertook to report on the Code in the subsequent years.

C. Details of explanations provided by the PIEs for not applying the Code

16 PIEs falling under Category 4 of the First Schedule of the FRA [7 commerce, 1 industry, 1 investment, 1 leisure & hotels, 4 others, 1 property development and 1 sugar] had provided explanations for not reporting on the Code. The explanations provided were as follows:

- Corporate Governance Reports had not been prepared since the PIEs are wholly owned subsidiaries and the holding companies already comply with the Code by providing a full and comprehensive Corporate Governance Report in their annual report and making the disclosures required by the Code (*15 PIEs*); and
- Due to restructuring, the company is now required to submit a Corporate Governance Report, but the board decided not to do so, since a proper governance framework will have to be established within the requirements of the Code. This will be addressed in the subsequent year (*1 PIE*).



4.0 COMPLIANCE WITH THE GUIDELINES ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In 2013, FRC had issued Guidelines on Compliance with the Code of Corporate Governance pursuant to Sections 6(2)(f) and 75 of the FRA. These Guidelines set out the essential principles of Corporate Governance and facilitate the compliance and monitoring tasks of FRC.

The above Guidelines on Corporate Governance require PIEs to interalia:

- (a) Submit a statement of compliance together with the Corporate Governance Report and the annual report;
- (b) State the extent of compliance with the requirements of the Code of Corporate Governance; and
- (c) Give explanations in the Statement of Compliance whenever they have not complied with any requirement of the Code.

4.1 Auditors' Portfolio Reviews

Out of the 83 PIEs reviewed under the auditor's portfolio review, **14 PIEs falling under Category 4 of the First Schedule of the FRA** [7 commerce, 2 industry, 2 investment and 3 others] did not include a statement of compliance in their annual report.

4.2 Review of Annual Reports of SOEs

It is good to note that **all the 5 SOEs** reviewed had complied with the Guidelines on Corporate Governance and had enclosed a statement of compliance in their annual report.

5.0 REPORTING BY AUDITORS IN COMPLIANCE WITH SECTION 39(3) OF THE FINANCIAL REPORTING ACT

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. Also, FRC had published Guidelines on Corporate Governance for auditors to assist in their reporting on Corporate Governance and help compliance with the Code as detailed below:

- In 2013, FRC issued the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2013 which provides for the format of the auditors' reports as per the requirements of the Old Code of Corporate governance.
- In 2019, the above Guideline was repealed and was replaced by the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2019 which updates the form and content of auditors' reporting on corporate governance, in line with the principles of the Revised Code of Corporate Governance.
- In 2022, the FRC made amendments to the Financial Reporting Council (Reporting on Compliance with the Code of Corporate Governance) Guidelines 2019, whereby the auditor's report on compliance with the Code of Corporate Governance should be presented under the "Reporting on other legal requirements" paragraph and should appear under the "Financial Reporting Act" subparagraph, in the Auditor's Report.

5.1 Auditors' Portfolio Reviews

Out of the 83 annual report reviews:

- The auditors of **7 PIEs classified under Category 4 of the First Schedule of the FRA** [4 entities operating in commerce, 1 in investment, 1 in others and 1 in leisure & hotels] had not reported on consistency of the requirements of the Code; and

- 1 auditor of a **listed entity** in the property development sector and 1 **Category 4 PIE** in the investment sector had reported on the Code under the ‘Other information’ Paragraph instead of under “Report on Other Legal and Regulatory Requirements” paragraph.

5.2 Review of Annual Reports of SOEs

It is good to note that the auditors of **all the 5 SOEs** reviewed had reported on the consistency of the requirements of the Code.



6.0 COMPLIANCE WITH THE MAURITIUS COMPANIES ACT 2001

As required by the Mauritius Companies Act 2001, the board of every company shall, prepare an annual report on the affairs of the entity during the accounting period ending on that date.

As part of the annual report review of the 83 PIEs, the annual reports were reviewed to ensure compliance with the relevant requirements of the Mauritius Companies Act 2001.

The following were observed from the annual report review exercise:

- The board of **1 listed entity** operating in the industry sector and **1 Category 4 PIE** in the others sector did not include at least 2 independent directors;
- One independent director of **1 PIE falling under Category 4 of the First Schedule of the FRA** [operating in investment sector] had cross directorship through involvement in other companies or other organisations;
- The shareholders of **1 Category 4 PIE** in the industry sector agreed to dispense with the obligation to prepare Annual Report under Section 218(2) of the Companies Act 2001, despite this exemption is not applicable to PIEs;
- **6 PIEs falling under Category 4 of the First Schedule of the FRA** [1 commerce, 1 industry, 2 investment and 2 others] had not disclosed the remuneration and benefits paid to directors, on an individual basis; and
- One independent director of **a Category 4 PIE operating** in the others sector had served on the board for more than nine years from the date of his first election, thus impairing the independence of the director.

7.0 DETAILS OF NON-COMPLIANCES PER CATEGORIES OF AUDITORS

A PIE is required to have its annual report audited by a licensed auditor as per Section 195 of the Companies Act 2001 and Section 33 of the FRA. It is the auditor's responsibility to form an opinion on the PIE's financial statements and issue an auditor's report as a result of an audit of the financial statements.

Following the review exercise, out of 83 reviewed under the auditors' portfolio review, 46 PIEs had been queried for partially/not fully complying with the requirements of IFRSs, the Code and the MCA. These entities had been audited by 14 auditors practising in 8 different audit firms.

The following were observed regarding the 46 above mentioned PIEs:

- 35 entities representing 76% of the population queried, were audited by 3 different big audit firms; and
- The remaining 11 PIEs (24%) were audited by 5 medium/small audit firms.

The table below provides further details of PIEs with non-compliances regarding IFRSs, the Code and MCA, per categories of audit firm:

Categories of Audit Firm	Number of PIEs not/partly complying with IASs / IFRSs	Number of PIEs not/partly complying with the Code	Number of PIEs not/partly complying with the MCA
Large Audit Firm (3)	24	20	8
Medium Audit Firm (5)	8	8	3

Of note, **9 auditors practising in 4 big firms** and **1 auditor in a medium/small audit firm** were queried on the following:

- Nature of the non-audit services provided by the auditor and the measures put in place to ensure that the provision of the non-audit services did not impinge on the auditor's independence;
- No reporting on compliance with the Code of Corporate Governance; and
- Reporting on the Code under "Other Information" paragraph, rather than in the "Report on Legal and Other Regulatory Requirements" paragraph.



PART E: FOLLOW UP ISSUES



During the course of the review, FRC considered the issues noted from the PIE's annual reports reviews that would require follow up in the respective entities' next annual reports.

In this regard, FRC will carry out close monitoring and follow up for **3 PIEs falling under Category 4 of the First Schedule of the** [2 operating in industry sector and 1 in others]. The areas that would require follow-up are as follows:

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|---|---|
| <ul style="list-style-type: none"> ○ <i>International Financial Reporting Standards Disclosures:</i> <ul style="list-style-type: none"> • Ageing analysis for trade receivables; • Maturity analysis for liquidity risk, lease liabilities and lease payments to be received; and • Recognition of provision with respect to a court case. | <ul style="list-style-type: none"> ○ <i>Compliance with the Code and Guidelines:</i> <ul style="list-style-type: none"> • Incorrect reference made to old Code of Corporate Governance with respect to board committees; and • Submission of a Corporate Governance Report ○ <i>Mauritius Companies Act 2001:</i> <ul style="list-style-type: none"> • One independent director had served on the board for more than nine years from the date of this first election. |
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