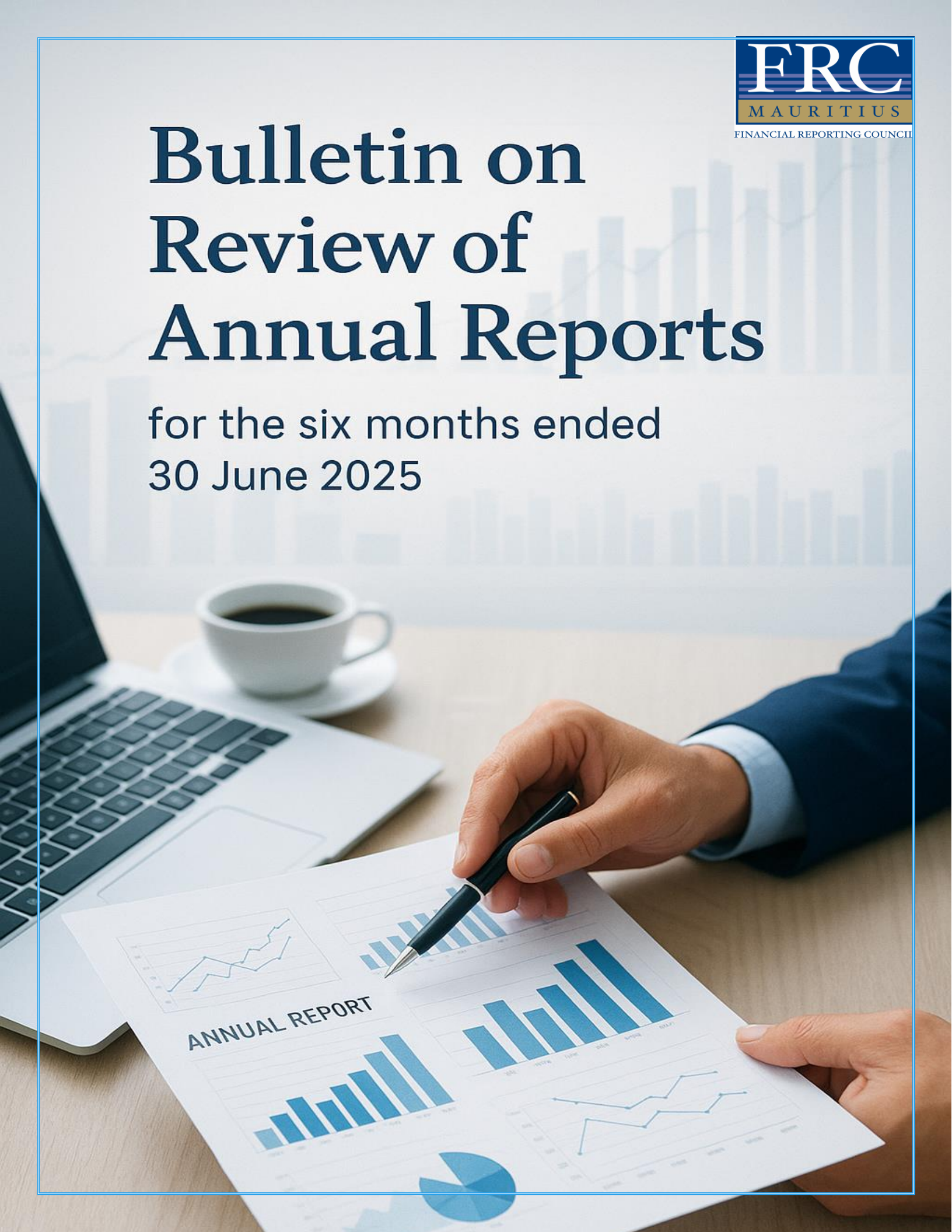
FRC
MAURITIUS
FINANCIAL REPORTING COUNCIL

Bulletin on Review of Annual Reports

for the six months ended 30 June 2025



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PART A – EXECUTIVE SUMMARY

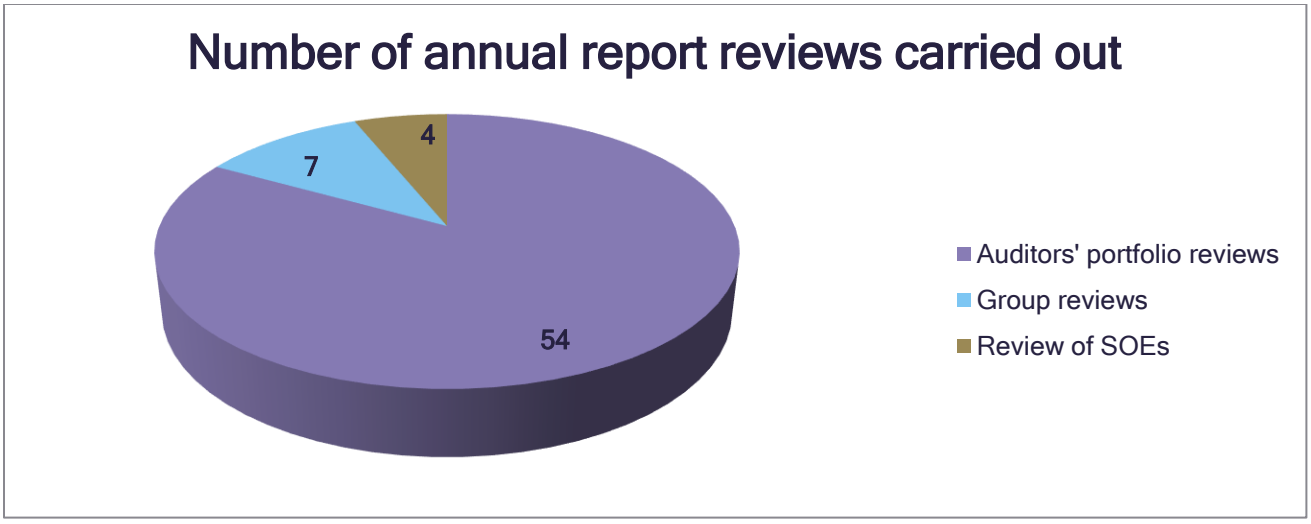
The Financial Reporting Council ("FRC") has as main objective to promote the provision of high-quality reporting of financial and non-financial information by Public Interest Entities ("PIEs").

To achieve this objective, FRC conducts the review of the annual reports of Companies 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 enhancing the credibility of the financial statements and promoting confidence in corporate reporting among investors, creditors, and other users of the financial statements.

The 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 Financial Reporting Act.

As illustrated in the diagram below, FRC has reviewed 65 annual reports [54 Auditors' portfolio reviews, 7 Group reviews and 4 reviews of SOEs] for the six months ended 30 June 2025:



The purpose of this bulletin is to provide an overview of the findings identified by FRC from the annual report reviews carried out. It highlights the non-compliances noted with respect to the disclosure requirements of the applicable accounting standards[1], the Code and the FRA. This bulletin may be of assistance to 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.

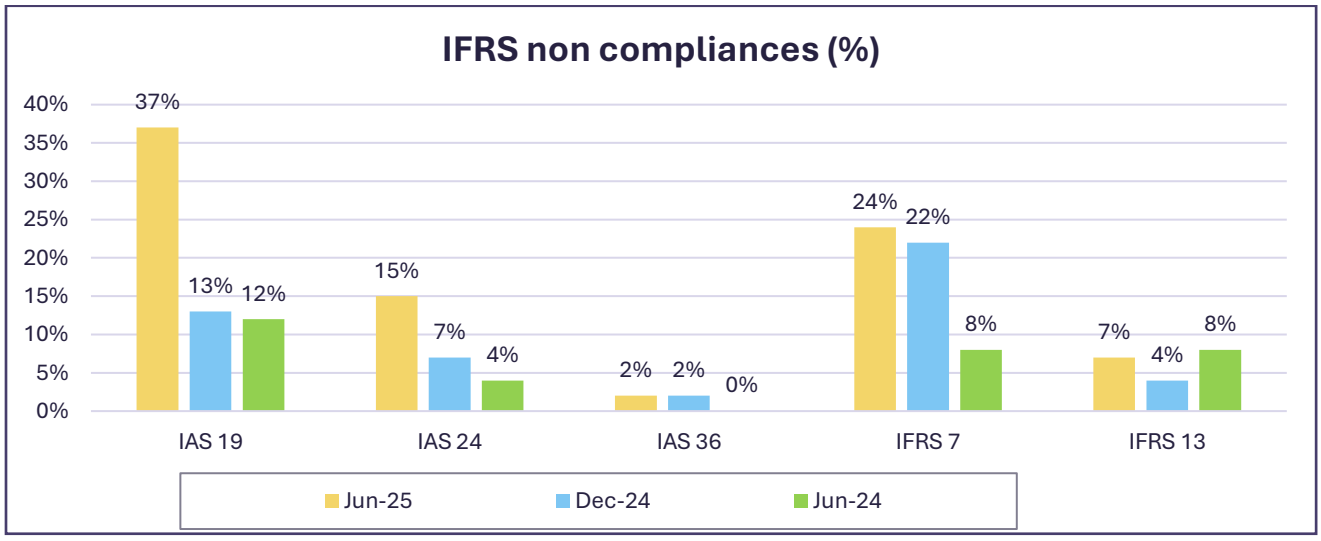
Key findings with regard to International Financial Reporting Standards

FRC observed an increase in the level of compliance in certain IFRSs among the PIEs reviewed as compared to the preceding 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 2024, FRC has changed its review process whereby the audit clients of licensed auditors practising in firms selected for audit practice review were reviewed as part of the annual report review exercise. Under this category of review, FRC has reviewed mostly PIEs falling under Category 4 of the First Schedule of the FRA, representing 80% of the number of PIEs reviewed during this reporting period. 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 30 June 2025, 31 December 2024 and 30 June 2024:



Key findings with respect to the Code of Corporate Governance

FRC observed the following from the annual report review of the 57 PIEs under the Auditor's portfolio reviews and full review of SOEs:

- 15 PIEs, including the 1 SOE, had fully complied with the Code;
- 27 PIEs had provided explanations for not complying with certain sections of the Code, out of which 9 were queried for part compliance;
- 2 PIEs had been queried for partly complying with the Code; and
- 13 PIEs had not reported on the Code and 3 of them were queried for non-compliance and a follow up review will be carried out for 1 PIE to ensure compliance with the Code.

Out of the 13 PIEs who had not reported on the Code:

- 7 entities have confirmed that the principles of the Code have been adopted, and reporting is done by the holding Company, given that they are wholly owned subsidiaries;
- The remaining 1 entity stated that a separate report was not prepared by the Directors, given the special nature of the Company which is essentially family-owned. The Board of Directors composed of the Executive Directors, assumes all the tasks of the Governance Committee and the Audit and Risk Committee. There were no separate functions of Chairman and Chief Executive in the context of the set up described above; and
- 1 PIE undertook to prepare a Corporate Governance Report in the following year.

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

(a) Governance Structure;
(b) The Structure of the Board and its Committees; and
(c) Audit.

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

PART B – INTRODUCTION

Annual reports are crucial for organizations as they offer a comprehensive overview of the Company's performance and financial standing, fostering transparency and accountability to stakeholders. These reports serve as a vital communication tool, informing investors, employees, and the public about the Company's progress, future plans, and overall health.

An annual report, prepared in accordance with the relevant laws and standards, is a vital tool for building trust, attracting investment, and ensuring responsible corporate governance.

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 Mauritius Companies Act.

During this reporting period, FRC has reviewed the annual reports in the portfolio of licensed auditors practising in the audit firms selected for audit practice reviews.

The new system of Quality management, International Standard on Quality Management ("ISQM"), came into effect on 15 December 2022 and as such, FRC had planned to assess the implementation of the quality management systems of the 6 large and 3 medium audit firms. In this regard, the audit clients of licensed auditors selected for firm wide review were reviewed as part of 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 a 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.

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 by PIEs.

"For the six months ended 30 June 2025, FRC reviewed the annual reports of 64 PIEs."

During this reporting period, FRC conducted the reviews of 64 PIEs [54 Auditors' portfolio reviews, 7 Group reviews and 3 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 number of PIEs	No. of Annual Report Reviews
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	Sugar	Others		
Listed on SEM	1	-	-	1	1	-	1	1	**5**	**5**
Financial institutions regulated by BOM (excluding cash dealers)	2	-	-	-	-	-	-	-	**2**	**2**
Financial institutions regulated by FSC	3	-	-	2	-	-	-	-	**5**	**5**
PIEs classified under Category 4 of the FRA	-	10	12	6	13	2	1	5	**49**	**49**
SOEs as per the First Schedule of FRA	-	-	-	-	-	-	-	3	**3**[1]	**4**[1]
Total	**6**	**10**	**12**	**9**	**14**	**2**	**2**	**9**	**64**[1]	**65**[1]

[1] Two annual reports with different year ends were reviewed for 1 SOE, during this reporting period.

The following categories of reviews have been carried out during this reporting period:

(A) Auditors' Portfolio Reviews

As stated above, the audit clients of licensed auditors selected for firm wide review have been reviewed as part of the annual report review exercise.

During the six months ended 30 June 2025, 54 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 practising in the firms selected for audit practice review.

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

Types of reviews	Sectors								Total number of PIEs	No. of Annual Report Reviews
	BIF	Commerce	Industry	Investment	Leisure & Hotels	Property Development	Sugar	Others		
Listed on SEM	1	-	-	-	1	-	1	1	**4**	**4**
Financial institutions regulated by BOM (excluding cash dealers)	2	-	-	-	-	-	-	-	**2**	**2**
Financial institutions regulated by FSC	3	-	-	2	-	-	-	-	**5**	**5**
PIEs classified under Category 4 of the FRA	-	10	12	6	7	2	1	5	**43**	**43**
Total	**6**	**10**	**12**	**8**	**8**	**2**	**2**	**6**	**54**	**54**

(B) Group Reviews

As part of the Group review, FRC has reviewed the annual reports of 7 PIEs in a diversified Group. The objectives of the Group review are:

i) To focus on risky sectors such as property development (real estate) and leisure and hotels, within the Group;

ii) To evaluate the measurement basis adopted by the group and its subsidiaries, more specifically with respect to valuation;

iii) To assess key IFRSs relevant to the activities of the Group;

iv) To assess the impact of the COVID 19 pandemic on the financial situation of the Group and its subsidiaries (liquidity and financial performance of the Group and its subsidiaries);

v) To evaluate whether appropriate policies have been adopted to manage the pandemic; and

vi) To consider other areas specific to the business activity of the selected entity.

Also, as part of this exercise, FRC has laid emphasis on the effect of the particular entity/activity on the Group's financial position and performance.

The holding Company had 30 subsidiaries and 1 associate as at the end of the reporting period. Seven of the entities within the Group were selected for review on a risk based, that is, the PIEs and the nature of activities of these PIEs.

The Group's main activity is in the tourism sector of the leisure industry. It currently owns and/or manages seven properties in the Republic of Mauritius. The parent Company of the Group operates as an investment holding Company.

The Group review exercise revealed the following non-compliances:

- No Corporate Governance Reporting as required by Section 75(2) of the FRA (**1 PIE**);
- Detailed remuneration not disclosed as per Section 221(1)(e) of the Companies Act 2001 (**1 PIE**);
- No statement of compliance as required by Section 75(3) of the FRA (**3 PIEs**);
- No accounting policy for other income as per IAS 1 Paragraph 117 (**1 PI**E);
- Not disclosed the titles of new and amendments to standards and interpretations and the date by which application is required in accordance with Paragraphs 30 & 31(a)-(d) of IAS 8 (**2 PIEs**);
- No disclosure of the amount recognised as expense for defined contribution plan as required by IAS 19 Paragraph 53 (**2 PIEs**);
- No description of the risks to which the pension plan exposed the entity as required by IAS 19 Paragraph 139(b) (**5 PIEs**);
- Not disclosed the expected contributions to the defined benefit plan for the next annual reporting period as per IAS 19 Paragraph 147(b) (**2 PIEs**);
- Not disclosed the objectives, policies and processes for managing foreign currency risk and the methods used to measure the risk as required by IFRS 7 Para 33(b) (**1 PIE**); and

- No reporting on compliance with the Code of Corporate Governance by the auditor, in accordance with Section 39(3) of the FRA (**3 PIEs**).

(C) 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, during that reporting period, FRC has carried out a review of 4 annual reports of 3 SOEs.

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 under the auditors' portfolio category and full review of SOEs.

Out of the 57 PIEs reviewed [54 auditors' portfolio and 3 SOEs], 27 were queried on matters relating to IFRSs, IPSASs, the Code and the Companies Act. This represents 47% of the entities reviewed during this reporting period (31 December 2024: 55%; and 30 June 2024: 56%). A 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 considered by the entities.

The most common IFRSs findings raised during the current period and over the last two periods (31 December 2024 and 30 June 2024) are IAS 19 *Employee benefits,* IAS 24 *Related Party Disclosures* 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 30 June 2025	Six months ended 31 December 2024	Six months ended 30 June 2024
Number of PIEs adopting IFRSs	54	83	26
IAS 19, *Employee Benefits*	37%	13%	12%
IAS 24, *Related Party Disclosures*	15%	7%	4%
IAS 36, *Impairment of Assets*	2%	2%	0%
IFRS 7, *Financial Instruments Disclosures*	24%	22%	8%
IFRS 13, *Fair Value Measurement*	7%	4%	8%

As illustrated in the above table, except for IAS 36 and IFRS 13, the level of IFRS non-compliances has increased as compared to the previous two periods. This is because, as part of the auditor's portfolio review, FRC has reviewed mostly PIEs falling under Category 4 of the First Schedule of the FRA, and most 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 57 PIEs, 44 entities, including the 3 SOEs, had reported on the Code, representing a reporting rate of 77% (31 December 2024: 68% and 30 June 2024: 81%). An increase in reporting rate has been noted as compared to the previous period. This proves that the PIEs are conscious of the need to adopt the Code.

It is worth noting that, out of the remaining 13 entities:

- 4 PIEs did not apply the principles of the Code; and
- 9 entities had provided explanations for not reporting on the Code.

Furthermore, 11 out of the 57 PIEs who had reported on the Code have been queried for part compliance, representing 19% of the whole population (31 December 2024: 13% and 30 June 2024: (19%)). The level of non-compliances with the Code has increased as compared to the previous period.

PART D: MAIN FINDINGS FROM REVIEWS OF PIES

1.0 COMPLIANCES WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Out of the 54 PIEs reviewed as part of the auditors' portfolio review, 20 entities were queried on the following requirements of IASs/IFRSs:

(a) IAS 1 – Presentation of Financial Assets

The review exercise revealed the following non-compliances with respect to the requirements of IAS 1:

- **5 PIEs falling under Category 4 of the First Schedule of the FRA** [1 in commerce sector, 3 in industry and 1 in sugar] had included irrelevant accounting policies in their notes to the accounts;
- A description of the nature and purpose of the revaluation and amalgamation reserves had not been provided by **3 PIEs falling under Category 4 of the First Schedule of the FRA** [1 operating in commerce sector and 2 in industry];
- **2 PIEs falling under Category 4 of the First Schedule of the FRA,** operating in the industry sector had not disclosed summary quantitative data about what it manages as capital; and
- The set of financial statements of **1 PIE falling under Category 4 of the First Schedule of the FRA** operating in the industry sector, did not include a statement of changes in equity.

(b) IAS 2 - Inventories

The cost formula used for measuring inventories had not been disclosed by **1 PIE** operating in the commerce sector and **falling under Category 4 of the First Schedule of the FRA.**

(c) IAS 16 - Property, Plant and Equipment

As regards compliance with the requirements of IAS 16:

- **1 PIE falling under Category 4 of the First Schedule of the FRA**, operating in the commerce sector had not disclosed the measurement bases used for determining the gross carrying amount of its property, plant and equipment, the depreciation methods and the useful lives or the depreciation rates used; and
- **1 PIE falling under Category 4 of the First Schedule of the FRA** in the leisure & hotel sector had not disclosed the effective date of the revaluation of its assets; and
- The revaluation of freehold buildings and plant and machinery was not done with sufficient regularity by **1 PIE falling under Category 4 of the First Schedule of the FRA** operating in the industry sector.

(d) IAS 19, Employee Benefits

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

- **8 PIEs falling under Category 4 of the First Schedule of the FRA** [3 in commerce sector, 2 in industry, 1 in leisure & hotels, 1 in others and 1 in sugar] had not provided a description of the risks to which the defined benefit plan exposed the entities;
- **1 PIE falling under Category 4 of the First Schedule of the FRA** operating in the commerce sector had not disclosed a description of any funding arrangements and funding policy that affect future contributions;
- The expected contributions to the plan for the next annual reporting period had not been disclosed by **7 PIEs falling under Category 4 of the First Schedule of the FRA** [2 in commerce sector, 2 in industry, 1 in property development, 1 sugar & 1 in others]; and
- **3 PIEs falling under Category 4 of the First Schedule of the FRA** [2 in commerce sector and 1 in sugar] had not disclosed information about the maturity profile of its defined benefit obligation; and
- **1 PIE falling under Category 4 of the First Schedule of the FRA,** operating in the others sector had not disclosed:
  - The details on fair value of plan assets;

- The assumptions used to determine the present value of the defined benefit obligation; and
- A sensitivity analysis for each significant assumption and the methods and assumptions used in preparing the sensitivity analysis.

(e) IAS 24 - Related Party Disclosures

The following non-compliances were identified with respect to the requirements of IAS 24:

- **2 PIEs falling under Category 4 of the First Schedule of the FRA**, operating in commerce and property development sector respectively 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 **6 PIEs falling under Category 4 of the First Schedule of the FRA** [2 in commerce sector, 2 in industry, 1 in investment & 1 in others].

(f) IAS 36 - Impairment of Assets

The events and circumstances that led to the recognition of impairment loss on investment in joint venture had not been provided by **1 PIE falling under Category 4 of the First Schedule of the FRA**, in the property development sector.

(g) IAS 40 - Investment Property

1 PIE falling under Category 4 of the First Schedule of the FRA and operating in others sector had not disclosed a reconciliation of its investment property at the beginning and end of the financial year.

(h) IAS 41 - Agriculture

1 PIE classified under Category 4 of the First Schedule of the FRA, operating in the sugar sector had not provided:

- A description of the non-financial measures or estimates of the physical quantities of each group of biological assets at the end of the period and output of agricultural produce during the period; and

- The financial risk management strategies related to agricultural activity.

(i) IFRS 7 - Financial Instruments: Disclosures

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

- **12 entities falling under Category 4 of the First Schedule of the FRA** [3 in commerce sector, 2 in industry, 1 in investment, 3 in leisure & hotels, 1 in property development, 1 in sugar and 1 in others] had not disclosed the objectives, policies and processes for managing financial risks; and
- A sensitivity analysis for price 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 PIE falling under Category 4 of the First Schedule of the FRA** operating in the sugar sector.

(j) IFRS 13 - Fair Value Measurement

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

- **2 entities classified under Category 4 of the First Schedule of the FRA** [1 in industry sector and 1 in others] had not disclosed a description of the valuation technique(s) and the inputs used in the fair value measurement for assets measured at fair value; and
- **2 PIEs falling under Category 4 of the First Schedule of the FRA** operating in the commerce and in sugar sector had not provided the level of fair value hierarchy for consumable biological assets and buildings, respectively.

(k) IFRS 15 - Revenue from Contracts with Customers

2 PIEs classified under Category 4 of the First Schedule of the FRA operating in the leisure & hotels sector had not disclosed the amounts of revenue recognised from contracts with customers separately from other sources of revenue.

(l) IFRS 16 - Leases

2 PIEs classified under Category 4 of the First Schedule of the FRA operating in the commerce and leisure & hotels sector were queried regarding non-disclosure of maturity analysis for lease liabilities.

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").

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

FRC has reviewed 4 annual reports of 3 SOEs and the following observations were made following the reviews:

(a) IPSAS 1 - Presentation of Financial Statements

One of the SOEs was queried on the following requirements of IPSAS 1:

- Nature of the reclassification, the amount of each item or class of items reclassified and the reason for the reclassification; and
- Key assumptions and other key sources of estimation uncertainty that have been applied for any item of assets and/or liabilities of the financial statements.

(b) IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors

The possible impact that application of new standards will have on the entities' financial statements in the period of initial application was not disclosed by **2 of the SOEs** reviewed.

(c) IPSAS 16 - Investment Property

One of the SOEs was queried on the methods and significant assumptions applied in determining the fair value of the entity's investment property.

(d) IPSAS 17 - Property, Plant and Equipment

One of the SOEs was requested to state whether an independent valuer was involved in the revaluation of its assets. The PIE was also queried on the following requirements of IPSAS 17:

- The methods and significant assumptions applied in estimating the assets' fair values;
- The extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms, or were estimated using other valuation techniques;
- The revaluation surplus, indicating the change for the period; and
- Regularity of the revaluations made.

(e) IPSAS 29 - Financial Instruments: Recognition and Measurement & Disclosures

2 of the SOEs were queried on the following disclosure requirements:

- Initial recognition and subsequent measurement basis used for receivables and payables (**1 SOE**);
- The objectives, policies and processes for managing credit risk and the methods used to measure the risk (**1 SOE**);
- The amount that best represents its maximum exposure to credit risk at the end of the reporting period, information about the credit quality of financial assets that are neither past due nor impaired and the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated (**1 SOE**);
- Analyses of the age of financial assets that are past due as at the end of the

reporting period but not impaired and of financial assets that are individually determined to be impaired (**1 SOE**);

- Summary quantitative data about its exposure to currency risk, a sensitivity analysis for the risk to which the entity was exposed to at the end of the reporting period and the methods and assumptions used in preparing the analysis (**1 SOE**); and
- The assumptions applied in determining the fair values of available for sale assets (**1 SOE**).

(f) IPSAS 38 - Disclosure of Interest in Other Entities

One of the SOEs did not disclose the nature of risks associated with its interest in associate and the domicile of the associate in which it operates.

(g) IPSAS 39 - Employee Benefits

The following disclosure requirements were not complied with:

- A description of the risks to which the defined benefit plan exposed the entity (**1 SOE**); and
- The funding arrangements and funding policy that affect future contributions of the defined benefit pension plan (**1 SOE**).

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 54 PIEs are as follows:

- 14 PIEs had fully applied the 8 principles of the Code;
- 25 PIEs had provided explanations for not complying with certain sections of the Code, out of which 9 were queried for part compliance (Details provided in Sections A & B below);
- 2 PIEs had been queried for partly applying with the Code (Details provided in Section B below);

- 4 PIEs did not apply with the principles of the Code and 3 of them had been queried in that respect. A follow up review to ensure compliance with the Code will be carried out for the remaining 1 PIE (Details provided in Section B below); and
- 9 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 3 SOEs/4 annual reports reviewed included reporting on the Code. 1 of the SOEs had fully complied with all the principles whilst 2 had provided explanations for not complying with certain sections of the Code.

3.3 Level of compliance with the Code

A. <u>Details of explanations provided by the PIEs who have not applied some of the principles of the Code</u>

The following were observed for those 27 PIEs (including 2 SOEs) that have provided explanations for not applying certain requirements of the Code:

▪ *<u>Principle 1: Governance Structure (11 PIEs)</u>*

The following observations were noted:

- The relevant requirements as recommended by the Code were not published on the Company's website.
- The Board of Directors did not adopt a Board charter and a code of ethics.
- There were no job descriptions of the key senior governance positions.
- The Company did not have a website.

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

- The website of the Company is continuously updated to provide maximum information both to business partners as well as shareholders.

- The Board believes that all material information on the Company and its governance framework, as recommended to be disclosed on the website as per the Code, are available to Shareholders and stakeholders through the Annual Report & Financial Statements filed at the Registrar of Companies.
- Management is considering to incorporate other documents as recommended by the Code under an investor relations section of the website.
- There was no written description of the key senior governance positions posted on the website of the Company. Every person holding a senior governance position is fully aware of his/her key responsibilities in line with the Constitution of the Company and the Code.
- Being a wholly owned subsidiary, there is no distinct website for the subsidiary. Any important information/communication is reflected on the website of the holding Company.
- The Board of Directors did not adopt a Board charter since it believes that the responsibilities of the Directors should not be confined to a Charter. For the year under review, the Board, nevertheless, confirmed that it performed within the ambit of the provisions of a Shareholders' agreement in place, in addition to the applicable legislations and regulations. Similarly, the Directors, being the same Directors of the parent Company, adhere to the Board Charter which had been implemented at the Group level.
- A Board charter shall be adopted in the subsequent year.
- Due to the size and complexity of activities of the Company, the Directors deemed it not necessary to adopt a Board Charter as per the provisions of the Mauritius Companies Act 2001. There is already a Board charter, at Group level.
- A charter for the Board had not been developed as its composition, renewal of membership, terms of reference as well as the conduct of its meetings are already provided for in the Act of the SOE.
- The Company’s commitment to ethical standards was supported by the code of conduct which has been adopted at the Group level for all its

employees, officers, Directors, and suppliers. This code of conduct demonstrated not only its unwavering commitment to provide outstanding service but ensured that its business was done according to the highest ethical standards.

- The Company is committed to high standards of integrity and ethical behaviour in dealing with all its stakeholders. Its code of conduct is in line with the code of ethics of the Group which is available on the website.
- While the Company is already committed to the highest standards of compliance with laws and regulations, integrity and ethics in dealing with all of its stakeholders, it will consider adopting a code of ethics during the next financial year, and compliance to same will be evaluated on a yearly basis.
- The Board did not adopt a Board charter as it is guided by the provisions of the Company's constitutive documents including the Shareholder's Agreement, its Memorandum & Articles of Association and prevailing legislation, rules and regulations such as the Mauritius Companies Act 2001, the Financial Reporting Act 2004 and the Code.
- The position statements are in progress and shall be approved in the next Board meeting.
- A position statement for the chairperson of the Board, the CEO and the Board secretary will be developed.

- *Principle 2: The Structure of the Board and its Committees (24 PIEs)*

The main findings were as follows:

- The Board of Directors did not consist of any/adequate number of Executive, Non-Executive, Independent and female Director.
- Details of other directorships were not disclosed.
- There were no Board meetings held during the year under review.
- Audit (risk management) and Corporate Governance Committees were not constituted.
- The chairperson of the Audit and Risk Committee was not independent.

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

- Although the Company has not appointed an Executive Director, a clear reporting structure has been put in place to effectively manage the day-to-day affairs of the Company.
- The Company did not appoint an Independent Director as the Shareholders and the Board are of the view that its current size, mix of skills, competencies, expertise, knowledge and gender representation is appropriate to enable it to carry out its duties and responsibilities in an effective and competent manner.
- Having due consideration to its business, its ownership and governance structures, the Board is of view that it will not bring additional benefits of having at least two Independent and two Executive Directors.
- There was no Independent Director on the Board and it comprised of only one Executive Director. Despite this fact, the members of the Board are satisfied that it is well balanced based on the skills, experience and knowledge of the organisation to allow the Directors to discharge their responsibilities towards the Company and its Shareholders effectively.
- The Board believes that it has an appropriate balance of Executive, Non-Executive and Independent

  Non-Executive Directors with the adequate skills, expertise, and experience, having regard to the size and nature of the business and therefore complies with the recommendations of the Code.
- The Company is considering the appointment of an Independent Director.
- All shareholders were represented on the Board by experienced Directors who show independence of mind when participating in the Board decisions and the shareholders were closely involved in the Company's operations.
- The Board is considering the appointment of a female Director and the recruitment process is still ongoing as the Company remains committed in finding the suitable candidate.
- The Board is actively looking for an Independent Director and willing to move towards gender equality.
- Taking into consideration the size of the Company and the scope and nature of its operations, the Board is of the opinion that the current number of 6 Directors including 1 Executive Director

is adequate for the smooth running of the Company and for enabling effective decision making.

- The Code recommends that a Board should have an appropriate balance of Executive, Non-Executive and Independent Directors. However, the shareholders of the Company believe that there was no need to appoint any Independent Director/Non-Executive Director on the Board of the Company at this stage. The members of the Board of the Company sit on the Board of Directors of the parent Company, that comprises enough Independent/Non-Executive directors and any significant matter relating to the Company is discussed at the level of the Board of the parent Company. Nevertheless, the Company aims at maintaining a Board that comprises directors with a broad range of skills, expertise and experience who can effectively understand and manage the issues arising in the Company's business, review and challenge the performance of management and optimise the Company's performance. Given the governance structure of the Group, a Board of two members comprising of two Executives, namely the Chief Executive Officer and the Chief Finance Officer, was deemed appropriate.
- The Board of Directors is aware that the Board should consist of Directors from both genders. Consideration will be given for the next appointment.
- The Board is considering the appointment of a female Director and the recruitment process is still ongoing as the Company remains committed in finding the suitable candidate.
- Even though no female Director had been appointed on the Board of the Company, gender diversity has been given due consideration in the composition of the parent Company's Board of Directors with one female Director serving as Non-Executive Director.
- Due to the size and complexity of activities of the Company, the Directors do not consider the recruitment of an Independent Director a necessity to add value to the Company as there were already 3 Directors. All decisions were taken at Group level which have Independent Directors on the Board.
- The Board of Directors is of the view that the current composition is adequate for the effective execution of its responsibilities.

- The Board has initiated procedures for the appointment of Independent Directors.
- All shareholders are represented on the Board by experienced Directors who shows independence of mind when participating in the Board decisions and the shareholders are closely involved in the Company's operations.
- In line with its charter, the Board endeavours at all times to ensure that it has an appropriate mix of Directors who have a diversity of skills, experience, and expertise in the banking and financial services industry and who actively contribute to Board discussions and the decision-making process. At this stage, the Company has not deemed it necessary to appoint additional Independent Non-Executive or Executive Directors since the actual Board composition is commensurate with the Company's ownership structure and that other senior executives are invited to attend Board meetings as and when required for reporting purposes.
- The Company has decided not to disclose the other directorships of the Directors as this information is available upon request at the registered office of the Company.
- The Company did not have any sub-Committees, and all decisions were taken by the Board.
- There were no Board meetings held during the year under review. Discussions pertaining to the affairs of the Company were either taken up at Group level or by way of written resolutions, signed by all Directors in accordance with Clause 7 of the Eighth Schedule of the Companies Act 2001.
- Matters relating the composition of the Board, salary review and good governance were either taken up at the level of the Board of Directors of the holding company or among the members of the Corporate Governance, Nomination and Remuneration Committee but no minutes were taken. The Board of Directors thereafter ratified the relevant decisions at the Board meetings.
- At this stage, the Board believes that there is no need to set up separate Board Committees. This is taken up at the level of the parent Company.
- As the Company affairs are discussed at Group level, the Board considers that it would be a waste of resources and

duplication of tasks to set up a separate Corporate Governance Committee and separate Audit & Risk Committee.

- The Board will consider the establishment of a Family Council and Assembly as recommended by the National Code of Corporate Governance 2016 for Family Companies (Unlisted).
- Due to the nature of the activities of the Company, there are no Board Committees in place for the Company for the moment.
- The Company is in the process of reviewing the Audit and Risk composition.
- The Board has designated the Non-Executive Chairman of the Audit and Risk Committee on account of his experience and skills.
- The role of the Chairman of the Audit and Risk Committee is assumed by a Non-Executive Director but with his financial expertise, he strives at bringing an independent mindset to the discussions and decisions taken at both the Audit and Risk Committee and Board levels.
- Members of the Audit and Risk Committee have sufficient financial management expertise and experience to discharge their responsibilities properly.

- *Principle 3: Director Appointment Procedures (7 PIEs)*

Seven of the PIEs reviewed did not develop a succession plan and two of the entities did not have a formal induction and orientation programme.

The explanations provided in that respect were as follows:

- Since the appointment of Directors is subject to Shareholders' approval, the Board is considering the aspect of succession planning for both its members and senior management personnels.
- The responsibility of ensuring succession planning falls within the ambit of the Corporate Governance, Ethics, Nomination and Remuneration Committee of the holding Company who has reviewed the succession plan for the key executives of the Group.
- No succession plan has been put in place by the Board. Same shall be finalised and approved in the next financial year.

- No formal induction and orientation programme exists at the Company for new Directors. The Chairman and the Directors 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 (9 PIEs)*

The issues identified were as follows:

- No formalised conflict of interest and related-party transactions policies were in place.
- There were no information, information technology and information security governance policies.
- No (formal) evaluation of the Board and of its individual Directors.
- Directors' remuneration and a statement of the remuneration policy were not provided.

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

- A Conflict of Interest/Related Party Transactions Policy had recently been reviewed and approved by the Board of the parent Company and also applies to the Directors of the Company. All conflicts of interest and related party transactions were conducted in accordance with the Group's policy and Code of Conduct.
- Information Technology and Information Security Policy were taken up at Group level whereby the policies were being updated in line with the European Union General Data Protection Regulations. An IT Steering Committee ("ITSC") composed of representatives of management team ensured that companies within the Group were involved in critical information technology decision-making which are based on organisational goals. The ITSC meets on a quarterly basis, at which, major information technology investments are considered for approval. A budget for information technology is allocated annually, based on business needs for the financial year. A clear process has been determined to drive Information technology projects from start to end, while adopting a cost/time effective approach.
- No evaluation of the Board and Directors were carried out during the year under review since the Directors of the Board have been appointed in the light of their

wide range of skills and competence acquired through several years of working experience and professional background.

- No Board evaluation since the Independent Directors were appointed in the second half of the financial year. A Corporate Governance Committee had been recently and rightly constituted to enable the latter to proceed with the organization of a Board Evaluation framework as detailed in the Charte D'Evaluation de Conseil D'Administration. The Company shall be in a better position to report on same in the forthcoming year.
- As at date no evaluation as to the effectiveness of the Board or its Committees was conducted. Such exercise was made at the level of the Group. Moreover, a questionnaire to that effect will be drafted. When finalised, all Directors of the Company will have a duty to fill it in every year.
- An evaluation of the effectiveness of the Board and its individual Directors will be considered in the next financial year.
- Board evaluation is taken up at the level of the parent Company.
- The Company adheres to the remuneration policy of its parent Company. The Board has reviewed the adequacy of the General Manager's remuneration including its form.
- Directors' remuneration has not been disclosed since, as per the Shareholder Resolution, the Company does not need to comply with Sections 219 to 221 of the Companies Act 2001.

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

Three of the PIEs had no whistle blowing policy and 1 entity had not disclosed a description of the process by which the Board derived assurance that the internal control systems were effective.

In that respect, the following explanations were provided:

- The Company did not have any formal whistle-blowing rules and procedures in place. The management at Head Quarters had put in place a system where the employees can communicate directly with them via email or correspondence. All mail and correspondence received by top management were carefully scrutinised and corrective actions were taken accordingly but anonymous

correspondences were not taken into consideration.

- Given the nature and type of business that the Company conducts, there is no whistle blowing rules and procedures in place as per the market practice.
- No internal controls review was carried out during the year. The Company acknowledges that there may be risks or deficiencies in its internal controls and works in close collaboration with external auditors to identify significant weaknesses in internal controls.

▪ *Principles 6: Reporting with Integrity (9 PIEs)*

The main observations relating to Principle 6 were as follows:

- A copy of the annual report and relevant documents as recommended by the Code were not published on the Company's website.
- The Company did not maintain a website.
- No assessment of the organisations' environmental, social governance position performance and outlook.

The explanations provided in that respect were as follows:

- The Company, being a private Company, communicates directly with its shareholder and other stakeholders and did not deem it necessary to have a website for this purpose. Moreover, the Board believes that sufficient information is available to shareholders in the Annual Report and financial statements filed at the Registrar of Companies, which is in public domain.
- Management is considering publishing the annual report for this financial year on its website and incorporate other documents as recommended by the Code under investor relations section of the website.
- Due to its shareholding structure with only one shareholder, the Directors do not deem it necessary to have a separate website. The Directors believe that sufficient information is available to the stakeholders in the financial statements filed at the Registrar of Companies, which is in the public domain.
- The Board considers that the Company does not have the need to create a website as it is wholly owned by a single Shareholder, which takes all Shareholder's decisions. The latter has a website and follows the principles of Corporate Governance.

- Given the nature of the industry the Company operates in, no corporate information, such as the annual reports, are published on the website.
- The website of the Company is continuously updated to provide maximum information both to business partners as well as shareholders.
- An assessment of the organisations' environmental, social governance position performance and outlook were dealt with at the level of holding Company.

▪ *Principles 7: Audit (5 PIEs)*

An internal audit function had not been established by 5 PIEs.

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

- The Board will consider the appointment of an internal auditor in the next financial year.
- There is no internal audit function within the Company. Oversight of the financial reporting process is made by the Board of Directors.
- Being a wholly owned subsidiary, the Company relies on the Internal audit function of the parent Company.
- Since the Company is owner managed, the Board did not consider it beneficial to establish an internal audit function. Oversight of the financial reporting process is made by the Board of Directors. However, the Directors assess the need for an internal audit function on an annual basis.

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

As highlighted in Section 3.1 above, **11 PIEs falling under Category 4 of the First Schedule of the FRA** [1 operating in commerce sector, 6 in industry, 2 in leisure & hotels and 2 in others] had been queried for partly complying with the Code and the non-compliances identified were as follows:

- The Board did not comprise of any/sufficient number of Non-Executive and Independent Directors.
- No statement that the Board:
  - Had approved its charter, appropriate job descriptions of the

key senior governance positions and a statement of accountabilities; and

- Assumes responsibilities for succession planning and has reviewed the professional development and ongoing education of Directors.

- An organisational chart had not been included in the report.
- There were no attendance records of Directors at Board and Committee meetings.
- Details of other directorship held and identification of Directors who ordinarily reside in Mauritius had not been provided.
- Short biographies of each Directors that include experience, skills, expertise and continuing professional development had not been disclosed.
- The name of members of the Committees were not provided.
- No disclosure of remunerations paid to each individual Director.
- No indication whether an evaluation of the effectiveness of the Committees and individual Directors were conducted.
- No disclosure whether Company Secretary had maintained an interests register and that the register was available to shareholders upon written request to the Company Secretary.
- A description of how the internal audit function maintains its independence and objectivity had not been provided.
- No statement that the structure, organisation and qualifications of the key members of the internal audit function is listed on the organisation's website.
- The approach taken to appoint or reappoint the external auditor, the length of tenure of the current audit firm and when a tender was last conducted had not been provided.
- No explanation of how the auditor's objectivity and independence were safeguarded if the external auditor had provided non-auditing services.
- The relevant principles as recommended by the Code and the annual report had not been published on the Company's website.

Of note, **4 PIEs falling under Category 4 of the First Schedule of the FRA** [3 commerce and 1 leisure & hotels] did not report on the Code. Only 3 of the PIEs were queried on this matter and a follow-up review will be carried out, to ensure compliance with the Code, for the remaining 1 entity.

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

9 PIEs falling under Category 4 of the First Schedule of the FRA [3 commerce, 1 industry, 2 investment, 1 others and 2 property development] had provided explanations for not reporting on the Code. The explanations provided were as follows:

- Corporate Governance Reports have not been prepared since the PIEs, being wholly owned subsidiaries have availed of the exemption not to prepare Corporate Governance Reports since the ultimate holding companies, already comply with the Code and prepare comprehensive reports, explaining how the principles of the Code have been applied *(7 PIEs)*; and

- Given the structure relating to its shareholding and management, the Company did not deem it necessary to comply with the Code for the current reporting period. As such, a Corporate Governance Report as required by the National Code of Corporate Governance of Mauritius, will be prepared and included in the Annual Report of the Company in the subsequent year *(1 PIE)*; and

- The Company subscribes to the fundamental principles of Corporate Governance and in particular to the ethical principles which dictate the conduct of the Company and its Directors towards all the stakeholders be they shareholders, employees, customers, business partners or the community. Given the special nature of the Company which is essentially family-owned, the Board of Directors composed of the Executive Directors, assumes all the tasks of the Governance Committee and the Audit and Risk Committee. There were no separate functions of Chairman and Chief Executive in the context of the set up described above. In this regard, a separate governance report was not prepared by the Directors *(1 PIE)*.

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

In 2013, FRC 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 54 PIEs reviewed under this category of review, **4 PIEs falling under Category 4 of the First Schedule of the FRA** [1 commerce, 1 industry, 1 investment and 1 leisure & hotels] had not enclosed a Statement of Compliance in their annual report.

Additionally, the statement of **1 PIE falling under Category 4 of the First Schedule of the FRA**, operating in the industry sector, was not dated.

4.2 Review of Annual Reports of SOEs

One of the SOEs reviewed had been queried for not including a Statement of Compliance in its annual report, in accordance with the above guideline.

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 has published Guidelines on Corporate Governance for auditors to assist in their reporting on Corporate Governance and help with 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 54 annual report reviews:

- The auditors of **4 PIEs classified under Category 4 of the First Schedule of the FRA** [1 entity operating in commerce, 1 in industry, 1 in investment and 1 in sugar]

were queried for not reporting on consistency with the requirements of the Code; and

- The auditors of **4 PIEs falling under Category 4 of the First Schedule of the FRA** [2 operating in commerce sector and 2 in industry] 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

The audit reports of **2 of the SOEs** reviewed did not include reporting on consistency with the requirements of the Code. A follow-up review would be carried out in the entities' subsequent annual reports, to ensure compliance on same.

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 54 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 Boards of **3 PIEs falling under Category 4 of the First Schedule of the FRA**, operating in the industry sector did not include Independent Directors;

- The Shareholders of **4 PIEs falling under Category 4 of the First Schedule of the FRA** [1 operating in commerce sector, 1 industry, 1 others and 1 sugar] agreed to dispense with the obligation to prepare Annual Reports, despite this exemption is not applicable to PIEs;

- **3 PIEs falling under Category 4 of the First Schedule of the FRA** [2 commerce and 2 others] had not disclosed the remuneration and benefits paid to Directors, on an individual basis; and

- One Independent Director of **a PIE falling under Category 4 of the First Schedule of the FRA,** operating in the industry 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.

Out of 54 reviewed under the auditors' portfolio review, 24 PIEs were queried for partially/not fully complying with the requirements of IFRSs, the Code and the Companies. These entities had been audited by 9 auditors practising in 6 different audit firms.

The following were observed regarding the 24 above mentioned PIEs:

- 11 entities representing 46% of the population queried, were audited by 7 auditors practising in 5 different big audit firms; and
- The remaining 13 PIEs (54%) were audited by 2 auditors practising in a medium firm.

The table below provides further details of PIEs with non-compliances regarding IFRSs, the Code and Companies Act, 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 Companies Act
Large Audit Firm (5)	9	5	2
Medium Audit Firm (1)	13	10	8

Of note, the population of PIEs queried did not include entities audited by auditors practising in small audit firms or as sole practitioners. This is because, as mentioned in Part B above, the PIEs in the portfolio of audit clients of licensed auditors selected for audit practice review were reviewed as part of the annual report review exercise.

Additionally, **4 auditors practising in 3 big audit firms** and **2 auditors in a medium audit firm** were queried on the following:

- No reporting on compliance with the Code of Corporate Governance;
- Reporting on the Code under "Other Information" paragraph, rather than in the "Report on Legal and Other Regulatory Requirements" paragraph; and
- Material uncertainty relating to going concern.

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:

- **2 PIEs falling under Category 4 of the First Schedule of the** [1 operating in commerce sector and 1 in industry], in the following areas:

  - Submission of a Corporate Governance Report; and
  - Appointment of Independent Directors in the Board.

- Auditors' reporting on consistency with the requirements of the Code of Corporate Governance for **2 SOEs**.