

**VACOAS POPULAR MULTI-PURPOSE  
CO-OPERATIVE SOCIETY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2016**

Handwritten initials and signatures: "J.L.", "M", "P", and "M".

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED

This report is made solely to the Society's members, as a body, in accordance with Section 79 of the Co-operatives Act 2005 (as amended). Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Report on the Financial Statements**

We have audited the financial statements of **Vacoas Popular Multi-Purpose Co-operative Society Limited** on pages 3 to 27 which comprise the Statement of Financial Position as at 30 June 2016, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Board Members' Responsibilities for the Financial Statements**

The board members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Co-operatives Act 2005 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

On 13 November 2015, the Registrar of Co-operative Societies reconstituted the caretaker board. The caretaker board has been reappointed for a period of one year with effect from 13 November 2016.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Basis of Qualified Opinion**

At 30 June 2016, the Society had a total members' deficit of Rs45,446,239 and a net deficit before tax of Rs21,705,013. The loans receivables are at Rs264,933,983, net of impairment of Rs337,000,000. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Society's going concern and therefore the Society may be unable to realise its assets and discharge its liabilities in the normal course of business.






INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED (CONTINUED)

*Qualified Opinion*

In our opinion, except for the material uncertainty on going concern, the financial statements present fairly, in all material respects, the financial position of the Society as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Co-operatives Act 2005 (as amended).

  
Kemp Chatteris  
Chartered Accountants

04 MAR 2017


  
Martine Ip Min Wan, FCA,  
Licensed by FRC





**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 Rs	2015 Rs
<b>Interest income</b>			
Interest on loan		34,183,969	43,607,360
Bank interest		849,825	1,719,286
		<u>35,033,794</u>	<u>45,326,646</u>
<b>Interest expense</b>			
Interest on deposits		(46,229,162)	(52,372,561)
<b>Net interest expense</b>		<u>(11,195,368)</u>	<u>(7,045,915)</u>
Other income	6	2,543,956	2,309,671
		(8,651,412)	(4,736,244)
Operating expenses	7	(13,053,601)	(10,646,444)
<b>Deficit for the year before taxation</b>		<u>(21,705,013)</u>	<u>(15,382,688)</u>
Taxation	8	-	-
<b>Net deficit for the year after taxation</b>		<u>(21,705,013)</u>	<u>(15,382,688)</u>
Other comprehensive loss		-	-
<b>Total comprehensive loss for the year</b>		<u><u>Rs (21,705,013)</u></u>	<u><u>(15,382,688)</u></u>

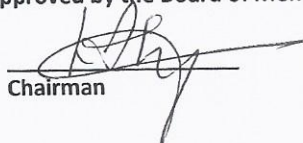
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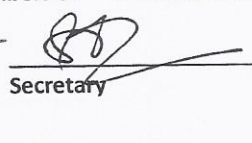
**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2016**

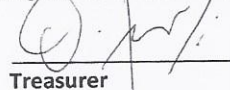
	Notes	2016 Rs	2015 Rs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	27,306,248	29,561,293
Investment properties	10	14,635,350	14,635,350
Deferred tax asset	19	3,986,358	3,986,358
<b>Total non-current assets</b>		<b>45,927,956</b>	<b>48,183,001</b>
<b>Current assets</b>			
Inventories	11	392,224,292	395,806,284
Loans to members	12	264,933,983	348,828,283
Accounts receivable	13	141,748	89,357
Current tax asset	8	332,141	332,141
Cash and cash equivalents		102,661,112	129,414,714
<b>Total current assets</b>		<b>760,293,276</b>	<b>874,470,779</b>
<b>Total assets</b>		<b>Rs 806,221,232</b>	<b>922,653,780</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Society's equity holders</b>			
Members' share capital	14	5,329,047	5,328,047
Redeemable preference shares	15	217,578,317	-
Statutory reserve		20,959,693	20,959,693
Revaluation reserve		25,435,723	25,435,723
General reserve		268,528	268,528
Life savings & loan protection fund		73,118,369	72,990,807
Accumulated deficit		(388,135,916)	(366,430,903)
<b>Total deficit</b>		<b>(45,446,239)</b>	<b>(241,448,105)</b>
<b>Non-current liabilities</b>			
Members' deposits	16	789,460,391	1,056,602,218
Retirement scheme	17	2,731,315	2,709,315
Solidarity plan	18	2,196,009	2,136,465
<b>Total non-current liabilities</b>		<b>794,387,715</b>	<b>1,061,447,998</b>
<b>Current liabilities</b>			
Members' deposits	16	39,928,062	85,948,010
Deposits received on morcellement	20	7,568,015	6,781,504
Accounts payable	21	9,783,679	9,924,373
<b>Total current liabilities</b>		<b>57,279,756</b>	<b>102,653,887</b>
<b>Total liabilities</b>		<b>851,667,471</b>	<b>1,164,101,885</b>
<b>Total equity and liabilities</b>		<b>Rs 806,221,232</b>	<b>922,653,780</b>

Approved by the Board of Members on 04 March 2017

and signed on its behalf by:

  
Chairman

  
Secretary

  
Treasurer

The notes on pages 7 to 27 form an integral part of these financial statements.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016

	Members' share capital	Rs	Redeemable preference shares	Rs	Statutory reserve	Rs	Revaluation reserve	Rs	General reserve	Rs	Life savings and loan protection fund	Rs	Accumulated deficit	Rs	Total	Rs
At 1 July 2014	5,348,144		-		20,959,693		25,435,723		268,528		72,900,000		(351,048,215)		(226,136,127)	
Additions	71,824		-		-		-		-		90,807		-		162,631	
Withdrawals	(91,921)		-		-		-		-		-		-		(91,921)	
Deficit for the year	-		-		-		-		-		-		(15,382,688)		(15,382,688)	
At 30 June 2015	5,328,047		-		20,959,693		25,435,723		268,528		72,990,807		(366,430,903)		(241,448,105)	
At 1 July 2015	5,328,047		-		20,959,693		25,435,723		268,528		72,990,807		(366,430,903)		(241,448,105)	
Additions	1,000		-		-		-		-		127,562		-		128,562	
Deposits converted into redeemable preference shares	-		217,578,317		-		-		-		-		(21,705,013)		217,578,317	
Deficit for the year	-		-		-		-		-		-		(388,135,916)		(21,705,013)	
At 30 June 2016	5,329,047		217,578,317		20,959,693		25,435,723		268,528		73,118,369		(388,135,916)		(45,446,239)	

The notes on pages 7 to 27 form an integral part of these financial statements.



VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2016

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	Note	2016 Rs	2015 Rs
<b>Cash flows from operating activities</b>			
Deficit before income tax		(21,705,013)	(15,382,688)
Adjustment for:			
Depreciation	9	2,328,535	2,304,282
Interest income		(35,033,794)	(45,326,644)
Interest expense		46,229,162	52,372,561
Provision for life savings and loan protection fund		127,562	90,807
Operating deficit before working capital changes		(8,053,548)	(5,941,682)
<i>Changes in operating assets and liabilities</i>			
Decrease/(increase) in inventories		3,581,992	(2,107,151)
Decrease in loans to members		83,894,300	97,110,159
(Increase)/decrease in other assets		(52,391)	7,641
(Decrease)/increase in deposits from members		(313,161,775)	15,176,677
Increase/(decrease) in other liabilities		980,499	(421,563)
Interest income		35,033,794	48,471,025
Interest expense		(46,482,300)	(82,252,277)
Net cash (used in)/generated from operating activities		(244,259,429)	70,042,829
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(73,490)	(419,476)
Net cash used in investing activities		(73,490)	(419,476)
<b>Cash flows from financing activities</b>			
Net cash proceeds from issuing shares		1,000	(20,097)
Issue of redeemable preference shares		217,578,317	-
Net cash generated from/(used in) financing activities		217,579,317	(20,097)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(26,753,602)	69,603,256
Cash and cash equivalents at beginning of year		129,414,714	59,811,458
Cash and cash equivalents at end of year	Rs	102,661,112	129,414,714

The notes on pages 7 to 27 form an integral part of these financial statements.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**1. GENERAL INFORMATION AND PRINCIPAL ACTIVITY**

Vacoas Popular Multi-Purpose Co-operative Society Limited (the "Society") was registered as a Co-operative Society on 14 April 1977 in accordance with Section 8 of the Co-operative Societies Ordinance No. 51 of 1945. The registered office of the Society is at Morcellement Co-operative, Bonne Terre, Vacoas. The Ministry of Co-operative had conducted an inquiry under Section 81 of the Co-operatives Act 2005 and identified a number of control deficiencies in a letter dated 05 December 2015.

The board of members, having failed to address the control deficiencies, was removed by the Ministry of Co-operatives on 12 January 2015 and replaced by a Caretaker board.

EY Mauritius has been appointed as the Manager as from 13 May 2015 until the appointment of SB Proconsult Ltd as the Manager on 14 November 2015.

A second Caretaker board was appointed by the Ministry of Co-operatives on 14 November 2015. The second caretaker board has been reappointed for a period of one year with effect from 13 November 2016.

The membership of the Society stood at **5,327** (2015: 5,326) at 30 June 2016. Details of the Society are:

Name of Society	:	Vacoas Popular Multi-Purpose Co-operative Society Limited
Registered number	:	723
Operational Area	:	Upper Plaines Wilhems
Regional Co-operative Centre	:	Henrietta
Year	:	2015/2016

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In the current year, the Society has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2015.

(a) New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant IFRSs were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements – Amendments resulting from the disclosure initiative (effective 1 January 2016)
IAS 7	Statement of Cash Flows – Amendments as result of the Disclosure initiative (effective 1 January 2017)
IAS 12	Income Taxes – Amendments regarding the recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
IAS 16	Property, Plant and Equipment – Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
IAS 19	Employee Benefits – Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)
IAS 38	Intangible Assets – Amendments regarding the classification of acceptable methods of depreciation and amortisation (effective 1 January 2016)
IAS 39	Financial Instruments: Recognition and Measurement -Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective 1 January 2016)



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**  
**(CONTINUED)**

(a) New and revised IFRSs in issue but not yet effective (continued)

IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective 1 January 2016)
IFRS 7	Financial Instruments: Disclosures – Amendments resulting from September 2014 Annual Improvements to IFRSs (effective 1 January 2016)
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 (effective 1 January 2016)
IFRS 9	Financial Instruments – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective on 1 January 2018)
IFRS 11	Joint Arrangements – Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective 1 January 2016)
IFRS 12	Disclosure of interests in Other Entities – Amendments regarding the application of the consolidation exception (effective 1 January 2016)
IFRS 15	Revenue from Contracts with Customers – Original issue (effective 1 January 2017)
IFRS 15	Revenue from Contracts with Customers - Clarifications to IFRS 15 (effective 1 January 2018)
IFRS 16	Leases – Original issue (effective 1 January 2019)

The directors anticipate that these IFRSs will be applied on their effective dates in future periods. The directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted and which have been applied consistently in the preparation of the financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation.

Freehold buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Following initial recognition at cost, freehold land and buildings are revalued at least every five years.

Any revaluation surplus is credited to the revaluation reserve, included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss and other comprehensive income, in which case the increase is recognised in the statement of profit or loss and other comprehensive income. A revaluation deficit is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date or when events or changes in circumstances indicate that the carrying value may be recoverable.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost or valuation of the assets less their estimated residual values over their expected useful lives. The annual rates used are:

Office equipment		20%
Buildings	-	6.7%
Furniture and fittings	-	10%-20%
Computers	-	50%
Motor vehicles	-	25%

No depreciation is charged on freehold land.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the year in which they are incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.



VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Society, are classified as investment properties.

Land held under operating leases is classified and accounted for by the Society as investment property when the rest of the definition of investment property is met.

Investment properties are measured initially at cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially completed, or suspended if the development of the asset is suspended.

After initial recognition, the Society continues to account for the investment properties using the cost model, namely cost less accumulated depreciation less accumulated impairment losses.

Investment properties which are recognised using the cost model are depreciated on a straight-line basis over the period of the lease at the rate of 2%. No depreciation is charged on bare land.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of retirement or disposal.

(d) Cash and cash equivalents

Cash comprises of cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Deposits

Deposits from members are recognised upon receipts of funds.

(f) Other liabilities

Other liabilities are stated at their carrying amounts.

(g) Inventories – land

Bare lands are stated at cost, including borrowing costs. The bare lands will be parcelled within the foreseeable future.





VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Borrowing costs

Borrowing costs (namely interest payable on deposits from members) for specific projects, are capitalised while development work is actively underway and cease once the asset is substantially completed, or suspended if the development of the asset is suspended.

(i) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of profit or loss and other comprehensive income using the effective interest method. The Society does not recognise interests on loans which have a high probability of being unpaid. Such interests are recognised on a cash basis.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss and other comprehensive income.

(j) Financial assets

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those with maturity periods greater than 12 months after the end of reporting year. These are classified as non-current assets. Loans and receivables include accounts receivable, loans to members and cash and cash equivalents.

*Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Society commits to purchase or sell the asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(j) Financial assets (continued)

*Impairment of financial assets*

Assets carried at amortised cost

The Society assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Society uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Society, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) Local economic conditions in Mauritius that correlate with defaults on the assets in the portfolio.

The Society first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Society may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss and other comprehensive income.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Society's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Society intends to settle its current tax assets and liabilities on a net basis.

(iii) Current and deferred tax for the year

Current and deferred taxes are recognised as an expense or income in the statement of profit or loss and other comprehensive income.

(l) Retirement schemes

Retirement schemes consist of lump sum payments payable to employees at the time of retirement in accordance with Employment Law in Mauritius. It also consists of a contributory deposit scheme administered by the Society, as prescribed by an independent salary review report.

(m) Related parties

For the purposes of these financial statements, parties are considered to be related to the Society if they have the ability, directly or indirectly, to control the Society or exercise significant influence over the Society in making financial and operating decisions, or vice versa, or where the Society is subject to common control or common significant influence. Related parties may be individuals or other entities.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Dividend distribution

Dividend distribution to the Society's members is recognised as a liability in the Society's accounts in the year in which the dividend is approved by the Society's members.

(o) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Society is the Mauritian Rupee. The financial statements are presented in Mauritian Rupee which is the Society's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

4. FINANCIAL RISK MANAGEMENT

4.1 *Financial risk factors*

The Society's activities expose it to a variety of financial risks, which includes credit risk, liquidity risk and market risk (interest rate risk and foreign currency risk).

The Society's business involves taking on risks through loans to members, in a targeted manner and managing them professionally. The core functions of the Society's risk management are to identify all key risks for the Society, measure these risks, manage the risk positions and determine capital allocations.

The Society's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Society's financial performance.

The Society defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Prior to 12 January 2015, the risk management was carried out by members of the loan committee, including the Chief Executive Officer and the Accountant. Since the appointment of the caretaker board by the Ministry of Co-operatives on 12 January 2015 up to 30 June 2016, no new loans were granted.

*Foreign currency risk*

The Society is not exposed to any foreign currency risk since all transactions are in Mauritian Rupees.

*Cash flow and interest rate risk*

The Society's income and operating cash flows are exposed to interest rate risk as it borrows at variable rates. The Society's policy is to manage its interest cost using a mix of fixed and variable rate debts.

*Credit risk*

Credit risk is the risk of suffering financial loss, should any of the Society's customers or market counterparties fail to fulfil their contractual obligations to the Society. Credit risk arises mainly from loans and advances together with loan commitments arising from such lending activities.





VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2016

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors (continued)

Credit risk (continued)

The credit worthiness of borrowers may be affected by various factors such as an economic downturn, lack of liquidity, an unexpected change in government policy or death. Any of these events could lead the Society to incur losses.

At 30 June 2016, the Society was facing significant concentration of credit risk. During the year ended 30 June 2016, management could not implement any debt recovery initiative with a view of mitigating the high concentration of credit risk associated with non-performing loans.

Liquidity risk

During the year ended 30 June 2016 the Society converted 20% of all deposits into redeemable preference shares and made a first 15% refund of deposit to members. There was one new member during the year ended 30 June 2016.

The table below analyses the Society's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year Rs	Over one year and up to two years Rs	Over two years and up to five years Rs	Total Rs
<b>2016</b>				
Accounts payable	9,783,679	-	-	9,783,679
Deposits from members	39,928,062	-	789,460,391	829,388,453
	<b>Rs 49,711,741</b>	-	<b>789,460,391</b>	<b>839,172,132</b>
	=====	=====	=====	=====
<b>2015</b>				
Accounts payable	9,924,373	-	-	9,924,373
Deposits from members	85,948,010	-	1,056,602,218	1,142,550,228
	<b>Rs 95,872,383</b>	-	<b>1,056,602,218</b>	<b>1,152,474,601</b>
	=====	=====	=====	=====

4.2 (a) Capital risk management

The primary objectives of the Society, when managing capital, are to safeguard the Society's ability to continue as going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Society manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Society may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

4. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

4.2 (a) *Capital risk management (continued)*

The Society monitors capital using a gearing ratio, which is net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and bank balances. Total capital comprises all components of equity plus net debt.

The gearing ratios as at 30 June 2016 and 2015 were as follows:

	2016 Rs	2015 Rs
Total debts (note 16)	829,388,453	1,142,550,228
Less: cash and cash equivalents	(102,661,112)	(129,414,714)
Net debt	726,727,341	1,013,135,514
Total equity	(45,446,240)	(241,448,105)
Total capital	Rs 681,281,101	771,687,409
Gearing ratio	106.7%	131.3%

4.2 (b) *Categories of financial instruments*

	2016 Rs	2015 Rs
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Loans to members	264,933,983	348,828,283
Accounts receivable	141,748	89,357
Cash and cash equivalents	102,661,112	129,414,714
	Rs 367,736,843	478,332,354
<b>Financial liabilities</b>		
Members' deposits	829,388,453	1,142,550,228
Accounts payable	9,783,679	9,924,373
	Rs 839,172,132	1,152,474,601

5. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES**

The preparation of the Society's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.



VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES (CONTINUED)

(a) Judgements

In the process of applying the Society's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

1) Impairment of loans receivable

In determining whether the loans receivable are impaired, the Society evaluates, among other factors, the duration and extent to which the recoverable amount is less than its book value; and the financial health of and short term business outlook for the loan debtor, including factors such as industry and sector performance, unexpected changes in government policy and operational and financing cash flow.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Society based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Society. Such changes are reflected in the assumptions when they occur.

1) Revaluation of freehold land and buildings

The Society measures freehold land and buildings at revalued amounts with changes in fair value being recognised in equity. The Society had engaged an independent valuation specialist to determine fair value based on prevailing market data. The revaluation of the freehold land and building is performed at least every five years.

2) Life Savings and Loan Protection Fund

The Society provides against life savings and loan protection in respect of members who have contracted loans based on their life savings. Upon death of member, the loans due by them is written off against this Fund, provided their account has been serviced regularly, and the balance on their life savings is repaid to the deceased member's heirs. The amount expended in the financial statements is based on actual figures paid to heirs and loans covered. An actuarial valuation has been undertaken to assess the adequacy of the Fund as at 30 June 2014. Management estimates that the fair value of the fund as at 30 June 2016 and 30 June 2015 approximate their fair value at 30 June 2014.

3) Retirement Scheme

The retirement benefit plan is a partly funded one and is also an undiscounted plan. It comprises gratuity payable on retirement to employees under the Employment Rights Act 2008. Presently, the plan is not determined using actuarial valuation which takes into account the discount rate, future salary increases, mortality rates and pension increases.



VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES (CONTINUED)

(b) *Estimates and assumptions (continued)*

4) Going concern

The financial statements have been prepared on a going concern basis of accounting which assumes the settlement of liabilities and the realisation of assets in the normal course of business. For the year ended 30 June 2016, the Society incurred a loss before taxation of Rs21,705,013 (2015: Rs15,382,688) and at year end the Society had a cash and cash equivalents balance of Rs102,661,112 (2015: Rs129,414,714). As at 30 June 2016, the Society had a members' deficit of Rs45,446,239 (2015: Rs241,448,105). The Society has converted 20% of the deposits from members into redeemable preference shares at 1 July 2015 further to the unanimous vote of members at the Special General Meeting held on 24 October 2015. The conversion of the deposits into redeemable preference shares has reduced the deficit by Rs217,578,317 at 1 July 2015. The financial statements have been prepared on a going concern basis on the assumption of the continued support of the Society's members. Within the next 12 months, the Directors project to recover part of non-performing loans through the settlement of court cases which are ongoing.

Furthermore the reduction in interest rates to from 6% to 4% on FD and from 4.5% to 3% on Savings, as approved by the general assembly, effective July 2016, will improve the operational results.

The society is also considering joint venture proposals to re-launch operational activity and property development projects.

6. OTHER INCOME

	2016 Rs	2015 Rs
Rental income	284,000	341,500
Profit on sale of land	2,195,647	1,320,759
Early disbursement fees	-	75,052
Processing fees	-	162,591
Entrance fees	500	21,000
Other income	63,809	388,769
	Rs 2,543,956	2,309,671
	=====	=====



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**7. OPERATING EXPENSES**

	2016 Rs	2015 Rs
Salaries and related costs (See note below)	5,091,494	4,168,783
AGM expenses	274,800	58,173
Depreciation	2,328,535	2,304,282
Provision for life savings and loan protection fund	-	49,980
Building security alarm services	32,495	28,700
Car expenses	48,278	88,719
Committee allowances	523,000	228,588
Computer maintenance and consumables	120,525	11,749
Education and training	-	197,236
Insurance	89,058	74,218
External audit fees	241,500	230,000
Internal audit fees	-	50,000
Legal and professional fees	3,121,944	1,309,122
Licences and annual fees	33,925	4,200
Software annual maintenance	180,000	180,000
Motor vehicle insurance	8,500	9,500
Municipality rates	30,814	28,146
Postage	16,432	14,539
Stationery	191,722	66,661
Bank charges	57,553	43,778
Utility expenses	406,859	317,947
Advertising	32,666	803,186
Building maintenance	130,997	17,915
Community development activities	16,760	237,388
General expenses	75,744	123,634
	----- Rs 13,053,601 =====	----- 10,646,444 =====
<i>Salaries and related costs:</i>	4,805,371	3,672,302
Wages and salaries	157,545	213,096
Other related cost, NPF	91,933	155,877
Travel and passage benefit	36,645	127,508
Other allowances	----- Rs 5,091,494 =====	----- 4,168,783 =====
Number of persons employed at year end (Full time)	----- 7 =====	----- 9 =====



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**8. TAXATION**

*Income tax*

The Society is liable to income tax at 15% (2015: 15%) on its chargeable income. The Society has an accumulated tax loss of Rs81,839,598 (2015: Rs63,025,660) and therefore the Society does not have any current tax liability as the accumulated tax losses are available for offset against future taxable profits.

The foregoing is based on current interpretation and practice and is subject to any future changes in Mauritian income tax laws.

	2016 Rs	2015 Rs
<i>Charge :</i>	-	-
Current tax charge	-	-
Deferred tax charge	-----	-----
Rs	-----	-----
<i>Current tax asset:</i>		
At 1 July and at 30 June	Rs (332,141)	(332,141)
	=====	=====

*Reconciliation between applicable income tax and effective income tax:*

	2016 Rs	2015 Rs
Rs	(21,705,013)	(15,382,688)
Deficit before tax	=====	=====
Tax @ 15% (2015:15%)	(3,255,752)	(2,307,403)
Non-deductible expenses	11,290	7,497
Others	272,372	247,226
Unutilised tax losses	2,972,090	2,052,680
	-----	-----
Rs	-----	-----

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VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2016

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land Rs	Building Rs	Fixtures and fittings Rs	Office equipment Rs	Computer equipment Rs	Motor vehicle Rs	Total Rs
<i>Cost:</i>							
At 1 July 2014	Rs 9,500,000	26,000,000	1,890,596	851,879	676,058	731,293	39,649,826
Transfer to investment properties	-	-	22,726	396,750	-	-	419,476
At 30 June 2015	Rs 9,500,000	26,000,000	1,913,322	1,248,629	676,058	731,293	40,069,302
Additions	-	-	7,000	-	66,490	-	73,490
At 30 June 2016	Rs 9,500,000	26,000,000	1,920,322	1,248,629	742,548	731,293	40,142,792
<i>Accumulated depreciation:</i>							
At 1 July 2014	Rs -	5,226,000	1,086,273	511,128	649,033	731,293	8,203,727
Charge for the year	-	1,742,000	298,756	236,501	27,025	-	2,304,282
At 30 June 2015	Rs -	6,968,000	1,385,029	747,629	676,058	731,293	10,508,009
Charge for the year	-	1,742,000	303,564	249,726	33,245	-	2,328,535
At 30 June 2016	Rs -	8,710,000	1,688,593	997,355	709,303	731,293	12,836,544
<i>Net book values:</i>							
30 June 2016	Rs 9,500,000	17,290,000	231,729	251,274	33,245	-	27,306,248
30 June 2015	Rs 9,500,000	19,032,000	528,293	501,000	-	-	29,561,293
<b>Revaluation of land and building</b>							

The land and buildings of the Society were revalued on 22 June 2012 by Mr Ng Tong Ng Wah, Sworn Land Surveyor, based on open market value. It is the Society's policy to revalue its land and building every five years.



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**10. INVESTMENT PROPERTIES**

	2016 Rs	2015 Rs
<i>Bare lands:</i>		
Cost:		
At 1 July and 30 June	Rs <b>14,635,350</b> =====	14,635,350 =====

Investment properties consist of bare lands situated at Mapou and at La Caverne. Management does not have any immediate plan for the use of these lands, hence, its classification under investment properties. Investment properties are accounted for under the 'cost model' as per IAS 40 Investment Properties. Depreciation is not charged as it consists only of bare land.

**11. INVENTORIES**

	2016 Rs	2015 Rs
Bare lands (at cost)	<b>392,224,292</b> =====	395,806,284 =====
<i>Bare lands:</i>		
At 1 July	<b>395,806,284</b>	393,467,447
Additions	-	4,389,902
Disposals	<b>(3,581,992)</b>	(2,051,065)
At 30 June	Rs <b>392,224,292</b> =====	395,806,284 =====

*Melrose and Camp Ithier Morcellement*

Bare lands consist of 2 sites namely at Melrose and Camp Ithier. These have been 'parcelled' and are being sold to members.

*Flic en Flac Project*

Two plots of land of an extent of **27A 15P** (residential land) and **10A 84P** (agricultural land) have been acquired in Flic en Flac in 2012 and 2013 respectively. These are planned to be parcelled in the near future, subject to approval from the relevant authorities. Deposits, on which interest is payable, have been accepted from members to partly finance the acquisition of land for development. The related borrowing costs, (namely interest payable on deposits), that have been capitalised in the cost of the land during the year ended 30 June 2014 amounted to **Rs 14,922,590**. No interest was capitalised during the year ended 30 June 2015 and 2016 as there is no active project on the bare land.

<u>Flic-en-Flac</u>		
Purchase	(27A	- 260,000,000
Proc	10A	- 77,000,000
		337,000,000

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**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**12. LOANS TO MEMBERS**

	2016 Rs	2015 Rs
At 1 July	685,828,283	782,938,442
Disbursements	-	62,448,841
Repayments	(83,894,300)	(159,559,000)
	<u>601,933,983</u>	<u>685,828,283</u>
Less: Provision for impairment loss (see note below)	(337,000,000)	(337,000,000)
	<u>264,933,983</u>	<u>348,828,283</u>
At 30 June	Rs 264,933,983	348,828,283
	=====	=====
<i>Provision for impairment loss:</i>		
At 1 July and t 30 June	Rs 337,000,000	337,000,000
	=====	=====

As stated in note 3, the Society has not recognised interest on loans which were past due but not yet paid as at 30 June 2016, in line with the Society's accounting policy. Repayment of loans advanced to members is made through check off from ministries/parastatal bodies, standing orders or cash payment. The period for the repayment of a loan is specified in the loan agreement so as to secure repayment or instalments of repayment at the earliest date compatible with the resources of the borrower. A borrower member may at any time during the business hours of the Society repay a loan granted to him either in whole or in part prior to maturity or to the date of any instalment due. Interest on the loan advanced to members is charged daily at rates between 6% p.a. and 18% p.a., depending on the type of loan, on a reducing balance basis.

Loans to members also consist of mortgage loans where the member has given security in the form of fixed and floating charges on his or her personal assets and in some cases on their company's assets.

**13. ACCOUNTS RECEIVABLE**

	2016 Rs	2015 Rs
Other receivables and prepayments	Rs 141,748	89,357
	<u>141,748</u>	<u>89,357</u>

**14. STATED CAPITAL**

	2016 Rs	2015 Rs
At 1 July	5,328,047	5,348,144
Shares issued	1,000	71,824
	<u>5,329,047</u>	<u>5,419,968</u>
Shares redeemed	-	(91,921)
At 30 June	Rs 5,329,047	5,328,047
	<u>5,329,047</u>	<u>5,328,047</u>



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**15. REDEEMABLE PREFERENCE SHARES**

	2016 Rs	2015 Rs
At 30 June (note 16)	Rs <b>217,578,317</b> =====	-

**16. MEMBERS' DEPOSITS**

	2016 Rs	2015 Rs
At 1 July	<b>925,000,382</b>	937,033,217
Deposits converted into redeemable preference shares (note 15)	<b>(217,578,317)</b>	-
New / renewed deposits	-	404,741,716
Transfer to renewed deposits	<b>(34,819,934)</b>	(416,774,551)
	<b>672,602,131</b>	925,000,382
Deposits – property development	<b>156,786,322</b>	217,549,846
At 30 June	Rs <b>829,388,453</b> =====	1,142,550,228 =====

The maturity profile of deposits held at 30 June is as follows:

	2016 Rs	2015 Rs
Payable within 1 year	<b>39,928,062</b>	85,948,010
Payable after 1 year	<b>789,460,391</b>	1,056,602,218
	<b>829,388,453</b> =====	1,142,550,228 =====

On 1 July 2015, 20% of the deposits payable were converted into zero coupon redeemable preference shares further to the special general meeting held on 24 October 2015.

**17. RETIREMENT SCHEME**

	2016 Rs	2015 Rs
At 1 July	<b>2,709,315</b>	2,673,515
Staff contribution	<b>22,000</b>	35,800
At 30 June	Rs <b>2,731,315</b> =====	2,709,315 =====

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**18. SOLIDARITY PLAN**

	2016 Rs	2015 Rs
At 1 July	2,136,465	2,087,310
Add:		
Receipts from new members	7,780	34,999
Top up by members	294,836	263,617
Contribution from existing members to deceased members	394,411	220,359
	<u>2,833,492</u>	<u>2,606,285</u>
Less:		
Solidarity plan withdrawn	(1,800)	(27,152)
Contribution from existing members to deceased members	(394,411)	(220,359)
Payments to heirs of deceased members	(241,272)	(222,309)
At 30 June	Rs <u>2,196,009</u>	<u>2,136,465</u>

The Fund of the above scheme is operated in a separate bank account of the Society.

**19. DEFERRED TAX ASSET**

Deferred income tax is calculated on all temporary differences under the liability method using a tax rate of 15% (2015: 15%).

	2016 Rs	2015 Rs
At 1 July and 30 June	Rs <u>(3,986,358)</u>	<u>(3,986,358)</u>

The movement in deferred income tax assets and liabilities during the year is as follows:

	At 1 July 2015 Rs	At 30 June 2016 Rs
<i>Deferred tax asset</i>	(3,858,937)	(3,858,937)
Revaluation reserve	(150,000)	(150,000)
Retirement benefits	<u>(4,008,937)</u>	<u>(4,008,937)</u>
<i>Deferred tax liability</i>	22,579	22,579
Accelerated capital allowances	<u>22,579</u>	<u>22,579</u>
Net deferred income tax asset	Rs <u>(3,986,358)</u>	<u>(3,986,358)</u>

A deferred tax asset movement has not been recognised in respect of the tax losses carried forward as the directors consider that it is not probable that foreseeable profit will be available against which the unused tax losses can be utilised.



19. DEFERRED TAX ASSET (CONTINUED)

	At 1 July 2014 Rs	At 30 June 2015 Rs
<i>Deferred tax asset</i>		
Revaluation reserve	(3,858,937)	(3,858,937)
Retirement benefits	(150,000)	(150,000)
	<u>(4,008,937)</u>	<u>(4,008,937)</u>
<i>Deferred tax liability</i>		
Accelerated capital allowances	22,579	22,579
Net deferred income tax asset	Rs (3,986,358)	(3,986,358)
	<u>=====</u>	<u>=====</u>

20. DEPOSITS RECEIVED ON MORCELLEMENT

	2016 Rs	2015 Rs
At 1 July	6,781,504	5,037,150
Received during the year	6,957,511	5,169,354
Transfer upon sales of land & refund of down payment	(6,171,000)	(3,425,000)
At 30 June	Rs 7,568,015	6,781,504
	<u>=====</u>	<u>=====</u>

21. ACCOUNTS PAYABLE

	2016 Rs	2015 Rs
Interest payable on members' deposits	6,604,327	6,857,465
Other payables and accruals	3,179,352	3,066,908
	Rs 9,783,679	9,924,373
	<u>=====</u>	<u>=====</u>

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**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**22. RELATED PARTY TRANSACTIONS**

During the year ended 30 June 2016, the Society had transactions with related parties. The balances at year end and transactions during the year with related parties were as follows:

	<b>2016</b>	<b>2015</b>
	<b>Rs</b>	<b>Rs</b>
<i>Receivables:</i>		
Loans advanced to related parties	<b>Rs 18,385,309</b>	<b>21,380,223</b>
	=====	=====

The amounts receivable from related parties arise from loans advanced to them. Most loans are secured following normal procedures whereas some are secured mainly by personal guarantees. The loans bear interest at rates between 9% p.a. and 14% p.a. There are no provisions held against receivables from related parties.

The payables to related parties arise from deposits received from them. The deposits bear interest at rates between 4% p.a. and 6% p.a.

	<b>2016</b>	<b>2015</b>
	<b>Rs</b>	<b>Rs</b>
<i>Compensation of key management personnel:</i>		
Board members' remuneration and short-term benefits	<b>523,000</b>	<b>228,588</b>
Management's remuneration and short-term benefits	<b>2,253,750</b>	<b>1,021,241</b>
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	<b>Rs 2,776,750</b>	<b>1,249,829</b>
	=====	=====

**23. EVENTS AFTER THE REPORTING DATE**

On 27 June 2016, the board has approved a second batch of repayment of 10% of the deposits from members net of any charge and security on deposit. A total of Rs39,928,062 has been repaid in respect to this repayment from 1 July 2016 to 21 October 2016.

Handwritten signatures and initials in blue ink at the bottom of the page, including a large circular signature on the left and several smaller initials and marks to the right.



Date : 25.01.2017

The Chairman

Vacoas Popular Multipurpose Cooperative Society

Vacoas

**Re: Internal Audit Report for the year ending June 2016**

Dear Sir,

Following my appointment as Internal Controller dated 30<sup>th</sup> April 2016, an Internal Audit of the Society was carried out for the quarter ending June 2016.

The objective of the exercise was to obtain assurance that there are procedures and controls put in place by management and applied in accordance with the rules of the society.

During the exercise, books and relevant documents were examined. Information and explanations were gathered from management and staff members.

A report on observations and recommendations for the quarter ending June 2016 has been submitted to the Board in September 2016 for appropriate actions.

The system of control put in place is in compliance with the rules of the society.

Yours faithfully



V. Dunpath  
Internal Controller