

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2017**

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

### Report on the Audit of the Financial Statements

#### Qualified Opinion

In our opinion, except for effects of the matter described in the Basis of Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of **Vacoas Popular Multi-purpose Co-operative Society Limited**, (the "Society") as at 30 June 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Co-operatives Act 2016 (as amended).

#### What we have audited

The financial statements of **Vacoas Popular Multi-purpose Co-operative Society Limited** set out on pages 3 to 28 comprise:

- the statement of financial position as at 30 June 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes comprising significant accounting policies and other explanatory information.

#### Basis for Qualified Opinion

During the year ended 30 June 2017, the Society incurred a deficit after tax of Rs1,004,945 and as of that date, the Society had a total members' deficit of Rs46,388,262. The loans receivables are at Rs194,665,146, 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.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

#### Board members' Responsibilities for the Financial Statements

The board members are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Co-operatives Act 2016 (as amended). They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, they are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members either intend to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

The board members are responsible for overseeing the Society's financial reporting process. On 13 November 2015, the Registrar of Co-operative Societies reconstituted the caretaker board. The caretaker board has been reappointed with effect from 13 November 2016.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members.
- Conclude on the appropriateness of the board members' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Society to express an opinion on the financial statements.

We communicate with the board members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other matter

This report is made solely to the Society's members in accordance with section 73 of the Co-operatives Act 2016 (as amended). Our audit work has been undertaken so that we might state to the Society's members, as a body, 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 audit work, for this report, or for the opinions we have formed.

  
Kemp Chatteris  
Chartered Accountants

01 JUN 2018

  
Martine Ip Min Wan, FCA  
Licenced 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 2017**

	Notes	2017 Rs	2016 Rs
<b>Interest income</b>			
Interest on loans	3 (i)	29,501,334	34,183,969
Bank interest	6	1,813,393	849,825
		<u>31,314,727</u>	<u>35,033,794</u>
<b>Interest expense</b>			
Interest on deposits	7	(22,521,584)	(46,229,162)
<b>Net interest income/(expense)</b>		<b>8,793,143</b>	<b>(11,195,368)</b>
Other income	8	4,065,352	2,543,956
		<u>12,858,495</u>	<u>(8,651,412)</u>
Operating expenses	9	(13,863,440)	(13,053,601)
<b>Deficit for the year before taxation</b>		<b>(1,004,945)</b>	<b>(21,705,013)</b>
Taxation	10	-	-
<b>Net deficit for the year after taxation</b>		<b>(1,004,945)</b>	<b>(21,705,013)</b>
Other comprehensive loss		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,004,945)</b>	<b>(21,705,013)</b>

The notes on pages 7 to 28 form an integral part of these financial statements.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2017**

	Notes	2017 Rs	2016 Rs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	26,071,030	27,306,248
Investment properties	12	396,885,740	14,635,350
Deferred tax asset	21	3,986,358	3,986,358
<b>Total non-current assets</b>		<b>426,943,128</b>	<b>45,927,956</b>
<b>Current assets</b>			
Inventory properties	13	8,048,861	392,224,292
Loans to members	14	194,665,146	264,933,983
Accounts receivable	15	218,052	141,748
Current tax asset	10	-	332,141
Cash and cash equivalents		72,565,558	102,661,112
<b>Total current assets</b>		<b>275,497,617</b>	<b>760,293,276</b>
<b>Total assets</b>		<b>702,440,745</b>	<b>806,221,232</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Society's equity holders</b>			
Members' share capital	16	5,338,704	5,329,047
Deferred redeemable capital	17	217,578,317	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 and loan protection fund		73,171,634	73,118,369
Accumulated deficit		(389,140,861)	(388,135,916)
<b>Net deficit</b>		<b>(46,388,262)</b>	<b>(45,446,239)</b>
<b>Non-current liabilities</b>			
Members' deposits	18	680,509,230	789,460,391
Retirement scheme	19	2,750,715	2,731,315
Solidarity plan	20	2,005,760	2,196,009
<b>Total non-current liabilities</b>		<b>685,265,705</b>	<b>794,387,715</b>
<b>Current liabilities</b>			
Members' deposits	18	56,450,129	39,928,062
Deposits received on morcellement	22	3,505,000	7,568,015
Accounts payable	23	3,608,173	9,783,679
<b>Total current liabilities</b>		<b>63,563,302</b>	<b>57,279,756</b>
<b>Total liabilities</b>		<b>748,829,007</b>	<b>851,667,471</b>
<b>Total equity and liabilities</b>		<b>702,440,745</b>	<b>806,221,232</b>

Approved by the Board of Directors on **01 JUN 2018** and signed on its behalf by:

  
Chairman

  
Director

  
Director

The notes on pages 7 to 28 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 2017**

	Members' share capital	Deferred redeemable capital	Statutory reserve	Revaluation reserve	General reserve	Life savings and loan protection fund	Accumulated deficit	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
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 deferred redeemable capital	-	217,578,317	-	-	-	-	-	217,578,317
Total comprehensive loss for the year	-	-	-	-	-	-	(21,705,013)	(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)
At 1 July 2016	5,329,047	217,578,317	20,959,693	25,435,723	268,528	73,118,369	(388,135,916)	(45,446,239)
Additions	9,657	-	-	-	-	53,265	-	62,922
Total comprehensive loss for the year	-	-	-	-	-	-	(1,004,945)	(1,004,945)
At 30 June 2017	5,338,704	217,578,317	20,959,693	25,435,723	268,528	73,171,634	(389,140,861)	(46,388,262)

The notes on pages 7 to 28 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 2017**

	Notes	2017 Rs	2016 Rs
<b>Cash flows from operating activities</b>			
Deficit before income tax		(1,004,945)	(21,705,013)
Adjustment for:			
Depreciation on property, plant and equipment	9	2,284,729	2,328,535
Other receivables written off		332,141	-
Provision for life savings and loan protection fund		53,265	127,562
Impairment of investment properties		3,000,000	-
		<u>4,665,190</u>	<u>(19,248,916)</u>
Operating surplus/(deficit) before working capital changes			
<i>Changes in operating assets and liabilities</i>			
Decrease in inventories	13	5,625,441	3,581,992
Decrease in loans to members	14	70,268,837	83,894,300
Increase in other assets		(76,304)	(52,391)
Decrease in deposits from members		(92,429,094)	(313,161,775)
(Decrease)/increase in other liabilities		(10,409,370)	980,499
Interest paid		-	(253,138)
		<u>(22,355,300)</u>	<u>(244,259,429)</u>
Net cash used in operating activities			
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	11	(1,049,511)	(73,490)
Acquisition of investment properties	12	(6,700,400)	-
		<u>(7,749,911)</u>	<u>(73,490)</u>
Net cash used in investing activities			
<b>Cash flows from financing activities</b>			
Net cash proceeds from issuing shares	16	9,657	1,000
Issue of deferred redeemable capital		-	217,578,317
		<u>9,657</u>	<u>217,579,317</u>
Net cash generated from financing activities			
<b>Net decrease in cash and cash equivalents</b>		<b>(30,095,554)</b>	<b>(26,753,602)</b>
Cash and cash equivalents at beginning of year		102,661,112	129,414,714
Cash and cash equivalents at end of year		<u><u>72,565,558</u></u>	<u><u>102,661,112</u></u>

The notes on pages 7 to 28 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 2017**

**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 Business, Enterprise and Cooperatives had conducted an inquiry under Section 81 of the Co-operatives Act 2005 (superseded by the Cooperatives Act 2016) and identified a number of control deficiencies in a letter dated 05 December 2015.

The then board of directors, having failed to address the control deficiencies, was removed by the Ministry of Business, Enterprise and Cooperatives on 12 January 2015 and replaced by a Caretaker board.

Ernst & Young Mauritius was appointed as the Manager on 13 May 2015 until the appointment of SB Proconsult Ltd as the Manager on 14 November 2015. On 16 November 2017, the contract of SB Proconsult Ltd was terminated and NJC Associates was appointed as the manager effective from 09 February 2018.

The membership of the Society stood at **5,334** (2016: 5,327) at 30 June 2017. 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

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

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 years beginning on 1 July 2016.

**2.1 New and revised IFRSs applied with no material effect on financial statements**

The following relevant new and revised IFRSs have been applied in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported and/or disclosed for the current year but may affect the accounting for future transactions or arrangements.

IAS 1	Presentation of Financial Statements – Amendments resulting from the disclosure initiative
IAS 16	Property, Plant and Equipment – Amendments regarding the clarification of acceptable methods of depreciation and amortization
IAS 16	Property, Plant and Equipment – Amendments bringing bearer plants into the scope of IAS 16

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

**2.2 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 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 40	Investment Property – Amendments to clarify transfers or property to, or from, investment property (effective 1 January 2018)
IFRS 9	Financial Instruments – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers – Original issue (effective 1 January 2018)
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 board members anticipate that these IFRS will be applied on their effective dates in future years. The board members have not yet had an opportunity to consider the potential impact of the application 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 (“IFRSs”). 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.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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	-	Over 15 years
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 2017**

**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 or its useful lives at the rate of 2% per annum. 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 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) Inventory properties - land

Bare lands are stated at cost.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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 given that these loans are considered irrecoverable.

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 2017**

**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 2017**

**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.



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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 then caretaker board by the Ministry of Business, Enterprise and Cooperatives on 12 January 2015 up to 30 June 2017, 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 2017**

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

**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.

*Liquidity risk*

During the year ended 30 June 2016 the Society converted 20% of all deposits into deferred redeemable capital and made a first 15% refund of deposit to members. During the year ended 30 June 2017, Rs 98,431,478 was repaid to depositors.

There were seven new members during the year ended 30 June 2017.

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>2017</b>				
Accounts payable	3,608,173	-	-	3,608,173
Deposits from members	59,259,589	-	677,699,770	736,959,359
	<u>62,867,762</u>	<u>-</u>	<u>677,699,770</u>	<u>740,567,532</u>
<b>2016</b>				
Accounts payable	9,783,679	-	-	9,783,679
Deposits from members	39,928,062	-	789,460,391	829,388,453
	<u>49,711,741</u>	<u>-</u>	<u>789,460,391</u>	<u>839,172,132</u>

**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 2017**

**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 2017 and 2016 were as follows:

	2017 Rs	2016 Rs
Total debt (note 18)	<b>736,959,359</b>	829,388,453
Less: cash and cash equivalents	<b>(72,565,558)</b>	(102,661,112)
Net debt	<b>664,393,801</b>	726,727,341
Total equity	<b>(46,388,262)</b>	(45,446,240)
Total capital	<b>618,005,539</b>	681,281,101
Gearing ratio	<b>107.51%</b>	106.67%

**4.2 (b) Categories of financial instruments**

	2017 Rs	2016 Rs
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Loans to members	<b>194,665,145</b>	264,933,983
Accounts receivable	<b>65,400</b>	30,200
Cash and cash equivalents	<b>72,565,558</b>	102,661,112
	<b>267,296,103</b>	367,625,295
<b>Financial liabilities</b>		
Members' deposits	<b>736,959,359</b>	829,388,453
Accounts payable	<b>3,608,173</b>	9,783,679
	<b>740,567,532</b>	839,172,132

**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 years.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**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 expensed 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 2017 and 30 June 2016 approximates 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 MULTIPURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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

*(b) Estimates and assumptions (continued)*

4) Going concern

During the year ended 30 June 2017, the Society incurred a deficit after tax of Rs1,004,945 (2016:Rs21,705,013) and as of that date, the Society had a members' deficit of Rs 46,388,262 (2016: Rs 45,446,239). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Society's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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. The Society has converted 20% of the deposits from members into deferred redeemable capital on 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 deferred redeemable capital has reduced the total deficit by Rs 217,578,317 at 1 July 2015. Following, the reduction in interest rates from 6% to 4% per annum on fixed deposits and from 4.5% to 3% per annum on Savings, as approved by the general assembly, effective 1 July 2016, the society has generated net interest income of Rs 8,793,143 for the year ended 30 June 2017.

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 Society projects to recover part of non-performing loans through the settlement of court cases which are ongoing.

**6. BANK INTEREST**

The Society's bank accounts carry interest rates ranging from 0% to 3.4% per annum (2016: 0% to 3.4% per annum).

**7. INTEREST ON DEPOSIT**

Deposits from members carry the following interest rates:

	<b>2017</b>	2016
Savings accounts	<b>3%</b>	4%
Fixed deposit accounts	<b>4%</b>	6%
	<b>2017</b>	2016
	<b>Rs</b>	<b>Rs</b>
Interest on savings accounts	<b>19,660,201</b>	8,285,044
Interest on fixed deposit accounts	<b>2,861,383</b>	37,944,118
	<b>22,521,584</b>	46,229,162
	=====	=====

As from 1 July 2016, the Society has reduced interest on members' deposits from 4% to 3% per annum on savings accounts and 6% to 3.7% per annum on fixed deposit accounts.

**8. OTHER INCOME**

	<b>2017</b>	2016
	<b>Rs</b>	<b>Rs</b>
Rental income	<b>302,700</b>	284,000
Profit on sale of land (note 8.1)	<b>3,553,881</b>	2,195,647
Entrance fees	<b>3,500</b>	500
Other income	<b>205,271</b>	63,809
	<b>4,065,352</b>	2,543,956
	=====	=====

**VACOAS POPULAR MULTIPURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

8.1	<b>PROFIT ON SALE OF LAND</b>	<b>2017</b>	2016
		Rs	Rs
	Gross proceeds on sale of land (note 22)	<b>9,855,015</b>	6,171,000
	Cost of land (note 13)	<b>(5,625,441)</b>	(3,581,992)
	Land transfer tax	<b>(675,693)</b>	(393,361)
		<b>3,553,881</b>	2,195,647
		=====	=====
9.	<b>OPERATING EXPENSES</b>	<b>2017</b>	2016
		Rs	Rs
	Salaries and related costs	<b>1,529,012</b>	1,837,744
	AGM expenses	<b>125,406</b>	274,800
	Depreciation	<b>2,284,729</b>	2,328,535
	Management Fees (note 9.1)	<b>2,403,500</b>	3,253,750
	Building security alarm services	<b>34,000</b>	32,495
	Car expenses	<b>55,922</b>	48,278
	Committee allowances	<b>630,750</b>	523,000
	Computer maintenance and consumables	<b>10,954</b>	120,525
	Insurance	<b>47,258</b>	89,058
	External audit fees	<b>253,000</b>	241,500
	Internal audit fees	<b>75,000</b>	-
	Legal and professional fees	<b>1,147,217</b>	3,121,944
	Licences and annual fees	<b>88,699</b>	33,925
	Software annual maintenance	<b>180,000</b>	180,000
	Motor Vehicle Insurance	<b>11,259</b>	8,500
	Municipality rates	<b>30,813</b>	30,814
	Postage	<b>7,650</b>	16,432
	Stationery	<b>154,136</b>	191,722
	Bank charges	<b>58,755</b>	57,553
	Land surveying and related fees	<b>448,200</b>	-
	Utility expenses	<b>400,764</b>	406,859
	Advertising	<b>31,602</b>	32,666
	Building maintenance (note 9.2)	<b>312,049</b>	130,997
	Community development activities	<b>17,686</b>	16,760
	General expenses	<b>86,558</b>	75,744
	Other receivables written off (note 10)	<b>332,141</b>	-
	Impairment of investment properties (note 12)	<b>3,000,000</b>	-
	Overseas travelling (note 9.3)	<b>106,380</b>	-
		<b>13,863,440</b>	13,053,601
		=====	=====
	Number of persons employed at year end (Full time)	<b>9</b>	7
		=====	=====

9. OPERATING EXPENSES (continued)

9.1 Management fees	2017 Rs	2016 Rs
Management fees – SB Proconsult Ltd	2,403,500	1,293,750
Management fees – EY Mauritius	-	1,960,000
	<u>2,403,500</u>	<u>3,253,750</u>
	=====	=====
9.2 Building maintenance	2017 Rs	2016 Rs
Pest control and fire extinguishers services	12,291	17,458
Renovation works	156,947	-
Plumbing and electrical repairs	57,007	55,038
Maintenance of air-conditioning system	33,824	32,433
Cleaning expenses	51,980	26,068
	<u>312,049</u>	<u>130,997</u>
	=====	=====
9.3 Overseas travelling *	2017 Rs	2016 Rs
Air tickets	45,800	-
Accommodation costs	60,580	-
	<u>106,380</u>	<u>-</u>
	=====	=====

\* Overseas travelling relates to the mission to the Republic of South Africa by the former President and former Manager to discuss with potential investors.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**10. TAXATION**

*Income tax*

The Society is liable to income tax at 15% (2016: 15%) on its chargeable income. The Society has an accumulated tax loss of Rs78,120,391(2016: Rs 81,839,598) 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 Mauritius income tax laws.

	<b>2017</b>	<b>2016</b>
	<b>Rs</b>	<b>Rs</b>
<i>Charge :</i>		
Current tax charge	-	-
Deferred tax charge	-	-
	-----	-----
	-	-
	=====	=====
<i>Current tax asset:</i>		
At 1 July	<b>(332,141)</b>	(332,141)
Less tax current asset written off during the year	<b>332,141</b>	-
	-----	-----
<b>At 30 June</b>	-	(332,141)
	=====	=====

The tax current asset written off relates to tax paid under the Advance Payment System in prior years that was considered irrecoverable.

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

	<b>2017</b>	<b>2016</b>
	<b>Rs</b>	<b>Rs</b>
Deficit before tax	<b>(1,004,945)</b>	(21,705,013)
	-----	-----
Tax @ 15% (2016:15%)	<b>(150,742)</b>	(3,255,752)
Non-deductible expenses	<b>505,476</b>	11,290
Others	<b>203,149</b>	272,372
Unutilised tax losses	<b>(557,883)</b>	2,972,090
	-----	-----
	-	-
	=====	=====

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 30 JUNE 2017

1.1. 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 30 June 2015	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
<b>At 30 June 2016</b>	<b>9,500,000</b>	<b>26,000,000</b>	<b>1,920,322</b>	<b>1,248,629</b>	<b>742,548</b>	<b>731,293</b>	<b>40,142,792</b>
Additions	-	390,000	72,490	94,283	492,738	-	1,049,511
<b>At 30 June 2017</b>	<b>9,500,000</b>	<b>26,390,000</b>	<b>1,992,812</b>	<b>1,342,912</b>	<b>1,235,286</b>	<b>731,293</b>	<b>41,192,303</b>
<i>Accumulated depreciation:</i>							
At 30 June 2015	-	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
<b>At 30 June 2016</b>	<b>-</b>	<b>8,710,000</b>	<b>1,688,593</b>	<b>997,355</b>	<b>709,303</b>	<b>731,293</b>	<b>12,836,544</b>
Charge for the year	-	1,768,130	138,785	98,200	279,614	-	2,284,729
<b>At 30 June 2017</b>	<b>-</b>	<b>10,478,130</b>	<b>1,827,378</b>	<b>1,095,555</b>	<b>988,917</b>	<b>731,293</b>	<b>15,121,273</b>
<i>Net book values:</i>							
<b>30 June 2017</b>	<b>9,500,000</b>	<b>15,911,870</b>	<b>165,434</b>	<b>247,357</b>	<b>246,369</b>	<b>-</b>	<b>26,071,030</b>
30 June 2016	9,500,000	17,290,000	231,729	251,274	33,245	-	27,306,248
Revaluation of land and building							

The land and buildings of the Society were valued on 7 July 2017 by NP JEETUN Chartered Valuation Surveyors, Sworn Land Surveyor, based on open market value. It is the Society's policy to revalue its land and building every five years.

The board members estimate that the freehold land and building of Rs 25,411,870, approximate their fair value and are of opinion that the carrying amount of the assets should not be revalued upwards.



**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**12. INVESTMENT PROPERTIES**

	2017 Rs	2016 Rs
Bare lands		
Cost:		
At 1 July	14,635,350	14,635,350
Additions	6,700,400	-
Transfer from inventories	378,549,990	-
Impairment of investment properties	(3,000,000)	-
	<u>396,885,740</u>	<u>14,635,350</u>
At 30 June	=====	=====

Investment properties consist of bare lands situated at Mapou and at La Caverne. During the year, the Society acquired land and building at Pont Bon Dieu amounting to Rs 6,700,400. Management does not have any immediate plan for the use of this land, hence, the addition has been classified under investment properties. The building on the land at Pont Bon Dieu has been impaired by Rs 3,000,000 during the year ended 30 June 2017 based on a valuation report dated 22 December 2016.

*Flic en Flac Land*

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. 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, 2016 and 2017 as there is no active project on the bare land.

The land from Flic en Flac was initially classified as inventories as the Society had the positive intent to develop the land for residential purposes for its members. However, on 4 June 2017, the Board decided to sell the two plots of land at Flic en Flac, thus explaining the reclassification of the land from inventories to investment properties in line with IAS 40 Investment Property.

Investment properties are accounted for under the 'cost model' as per IAS 40 Investment Property.

**13. INVENTORY PROPERTIES**

	2017 Rs	2016 Rs
Bare lands (at cost)	8,048,861	392,224,292
	<u>=====</u>	<u>=====</u>
<i>Bare lands:</i>		
At 1 July	392,224,292	395,806,284
Disposals	(5,625,441)	(3,581,992)
Transfer to investment properties	(378,549,990)	-
	<u>8,048,861</u>	<u>392,224,292</u>
At 30 June	=====	=====

*Melrose and Camp Ithier Morcellement*

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

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**14. LOANS TO MEMBERS**

	2017 Rs	2016 Rs
At 1 July	601,933,983	685,828,283
Repayments	(70,268,837)	(83,894,300)
	<u>531,665,146</u>	<u>601,933,983</u>
Less: Provision for impairment loss (see note below)	(337,000,000)	(337,000,000)
	<u>194,665,146</u>	<u>264,933,983</u>
<i>Provision for impairment loss:</i>		
At 1 July and at 30 June	<u>337,000,000</u>	<u>337,000,000</u>

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 2017, 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% per annum and 18% per annum, 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.

**15. ACCOUNTS RECEIVABLE**

	2017 Rs	2016 Rs
Deposits	15,000	15,000
Tax deducted at source on rental income	44,500	30,200
Prepayments	137,652	96,548
Rental income receivable	20,900	-
	<u>218,052</u>	<u>141,748</u>

**16. STATED CAPITAL**

	2017 Rs	2016 Rs
At 1 July	5,329,047	5,328,047
Shares issued	9,657	1,000
	<u>5,338,704</u>	<u>5,329,047</u>

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**17. DEFERRED REDEEMABLE CAPITAL**

	<b>2017</b>	2016
	<b>Rs</b>	Rs
At 30 June (note 18)	<b>217,578,317</b>	217,578,317
	=====	=====

On 1 July 2015, 20% of the deposits payable were converted into deferred redeemable capital further to the special general meeting held on 24 October 2015. The deferred redeemable capital shall be redeemed at the option of the Society effective from 1 August 2020 and the redemption will only be done if the net assets value of the Society is in excess of Rs 300 Million; and that partial redemption will be allowed as long as the above criteria is respected.

**18 MEMBERS' DEPOSITS**

	<b>2017</b>	2016
	<b>Rs</b>	Rs
At 1 July	<b>829,388,453</b>	925,000,382
Interest credited to deposits	<b>22,437,282</b>	46,482,301
Interest paid	<b>(1,820,043)</b>	(253,139)
Deposits converted into deferred redeemable capital (note 17)	-	(217,578,317)
Repayment of members' deposit	<b>(98,431,478)</b>	(113,374,231)
Set-off of deposits against loans	<b>(14,614,855)</b>	(28,691,528)
	=====	=====
Deposits – property development	-	217,802,985
	=====	=====
At 30 June	<b>736,959,359</b>	829,388,453
	=====	=====

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

	<b>2017</b>	2016
	<b>Rs</b>	Rs
Payable within 1 year	<b>56,450,129</b>	39,928,062
Payable after 1 year	<b>680,509,230</b>	789,460,391
	=====	=====
	<b>736,959,359</b>	829,388,453
	=====	=====

The members' deposits are classified as follows:

	<b>2017</b>	2016
	<b>Rs</b>	Rs
Savings accounts	<b>674,459,359</b>	238,221,626
Fixed deposits *	<b>62,500,000</b>	591,166,827
	=====	=====
	<b>736,959,359</b>	829,388,453
	=====	=====

\* On 30 November 2016, all fixed deposits outstanding as at that date had been reclassified under savings accounts in line with the resolution of the Special General Meeting held on 16 October 2016. Additionally some members have opted to maintain their fixed deposits amounting to Rs 62,500,000 in December 2016 and January 2017.

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**19. RETIREMENT SCHEME**

	<b>2017</b>	2016
	Rs	Rs
At 1 July	<b>2,731,315</b>	2,709,315
Staff contribution	<b>19,400</b>	22,000
	<u>2,750,715</u>	<u>2,731,315</u>

**20. SOLIDARITY PLAN**

	<b>2017</b>	2016
	Rs	Rs
At 1 July	<b>2,196,009</b>	2,136,465
<i>Add:</i>		
Receipts from new members	<b>11,131</b>	7,780
Top up by members	<b>1,321,846</b>	689,247
	<u>3,528,986</u>	<u>2,833,492</u>
<i>Less:</i>		
Account maintenance fees	<b>(10,716)</b>	-
Solidarity plan withdrawn	<b>(20,016)</b>	(1,800)
Payments to heirs of deceased members	<b>(1,492,494)</b>	(635,683)
At 30 June	<u>2,005,760</u>	<u>2,196,009</u>

**21. DEFERRED TAX ASSET**

Deferred income tax is calculated on all temporary differences under the liability method using a tax rate of 15% (2016: 15%).

	<b>2017</b>	2016
	Rs	Rs
At 1 July and 30 June	<b>3,986,358</b>	3,986,358

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

	<b>At 30 June 2017 Rs</b>	<b>At 30 June 2016 Rs</b>
<i>Deferred tax asset</i>		
Revaluation reserve	<b>3,858,937</b>	3,858,937
Retirement benefits	<b>150,000</b>	150,000
	<u>4,008,937</u>	<u>4,008,937</u>
<i>Deferred tax liability</i>		
Accelerated capital allowances	<b>(22,579)</b>	(22,579)
Net deferred income tax asset	<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.

**VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**22. DEPOSITS RECEIVED ON MORCELLEMENT**

	2017 Rs	2016 Rs
At 1 July	7,568,015	6,781,504
Received during the year	5,840,000	6,957,511
Transfer upon sales of land	(9,855,015)	(6,171,000)
Refund of down payment	(48,000)	-
At 30 June	<u>3,505,000</u>	<u>7,568,015</u>

**23. ACCOUNTS PAYABLE**

	2017 Rs	2016 Rs
Interest payable on members' deposits	155,132	6,604,327
Management fees – Ernst & Young Mauritius	-	1,000,000
Management fees – SB ProConsult Ltd	506,000	172,500
Software maintenance	90,000	30,000
Utilities	61,059	21,790
Audit fees	241,500	471,500
Short terms employee benefits	642,208	425,585
Legal fees	956,818	846,229
Payables towards the set-up of solar system	154,543	-
Advances to contractors	119,750	20,250
Other payables and accruals	681,163	191,498
	<u>3,608,173</u>	<u>9,783,679</u>

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**FOR THE YEAR ENDED 30 JUNE 2017**

**24. RELATED PARTY TRANSACTIONS**

During the year ended 30 June 2017, the Society had transactions with related parties. The balances at year end and transactions during the year with related parties were as follows:

	2017 Rs	2016 Rs
<i>Under receivables:</i>		
Loans advanced to related parties	-	18,385,309
	=====	=====
<i>Under capital and reserves:</i>		
Deferred redeemable capital	<b>2,017,917</b>	2,017,917
	=====	=====
<i>Under payables:</i>		
Deposits from related parties	<b>6,689,187</b>	6,733,782
	=====	=====
<i>Compensation of key management personnel:</i>		
Management fees – SB ProConsult Ltd	<b>2,403,500</b>	1,293,750
Management fees – EY Mauritius	-	1,960,000
	-----	-----
	<b>2,403,500</b>	3,253,750
	=====	=====

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% per annum and 14% per annum. 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 3% per annum and 3.7% per annum.

**25. EVENTS AFTER THE REPORTING DATE**

The Board of Directors has approved the repayment of additional 10% of the deposits from members net of any charge and security on deposit. A total of Rs 56,450,129 has been repaid in respect to this repayment from 1 July 2017 to 30 April 2018.

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