

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
Interest income			
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>
Interest expense			
Interest on deposits	7	(22,521,584)	(46,229,162)
Net interest income/(expense)		8,793,143	(11,195,368)
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)
Deficit for the year before taxation		(1,004,945)	(21,705,013)
Taxation	10	-	-
Net deficit for the year after taxation		(1,004,945)	(21,705,013)
Other comprehensive loss		-	-
Total comprehensive loss for the year		(1,004,945)	(21,705,013)

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
ASSETS			
Non-current assets			
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
Total non-current assets		426,943,128	45,927,956
Current assets			
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
Total current assets		275,497,617	760,293,276
Total assets		702,440,745	806,221,232
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Society's equity holders			
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)
Net deficit		(46,388,262)	(45,446,239)
Non-current liabilities			
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
Total non-current liabilities		685,265,705	794,387,715
Current liabilities			
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
Total current liabilities		63,563,302	57,279,756
Total liabilities		748,829,007	851,667,471
Total equity and liabilities		702,440,745	806,221,232

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
Cash flows from operating activities			
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			
Cash flows from investing activities			
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			
Cash flows from financing activities			
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			
Net decrease in cash and cash equivalents		(30,095,554)	(26,753,602)
Cash and cash equivalents at beginning of year		<u>102,661,112</u>	<u>129,414,714</u>
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
2017				
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>
2016				
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)	736,959,359	829,388,453
Less: cash and cash equivalents	(72,565,558)	(102,661,112)
Net debt	664,393,801	726,727,341
Total equity	(46,388,262)	(45,446,240)
Total capital	618,005,539	681,281,101
Gearing ratio	107.51%	106.67%

4.2 (b) Categories of financial instruments

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

	2017	2016
Savings accounts	3%	4%
Fixed deposit accounts	4%	6%
	2017	2016
	Rs	Rs
Interest on savings accounts	19,660,201	8,285,044
Interest on fixed deposit accounts	2,861,383	37,944,118
	22,521,584	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

	2017	2016
	Rs	Rs
Rental income	302,700	284,000
Profit on sale of land (note 8.1)	3,553,881	2,195,647
Entrance fees	3,500	500
Other income	205,271	63,809
	4,065,352	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	PROFIT ON SALE OF LAND	2017	2016
		Rs	Rs
	Gross proceeds on sale of land (note 22)	9,855,015	6,171,000
	Cost of land (note 13)	(5,625,441)	(3,581,992)
	Land transfer tax	(675,693)	(393,361)
		3,553,881	2,195,647
		=====	=====
9.	OPERATING EXPENSES	2017	2016
		Rs	Rs
	Salaries and related costs	1,529,012	1,837,744
	AGM expenses	125,406	274,800
	Depreciation	2,284,729	2,328,535
	Management Fees (note 9.1)	2,403,500	3,253,750
	Building security alarm services	34,000	32,495
	Car expenses	55,922	48,278
	Committee allowances	630,750	523,000
	Computer maintenance and consumables	10,954	120,525
	Insurance	47,258	89,058
	External audit fees	253,000	241,500
	Internal audit fees	75,000	-
	Legal and professional fees	1,147,217	3,121,944
	Licences and annual fees	88,699	33,925
	Software annual maintenance	180,000	180,000
	Motor Vehicle Insurance	11,259	8,500
	Municipality rates	30,813	30,814
	Postage	7,650	16,432
	Stationery	154,136	191,722
	Bank charges	58,755	57,553
	Land surveying and related fees	448,200	-
	Utility expenses	400,764	406,859
	Advertising	31,602	32,666
	Building maintenance (note 9.2)	312,049	130,997
	Community development activities	17,686	16,760
	General expenses	86,558	75,744
	Other receivables written off (note 10)	332,141	-
	Impairment of investment properties (note 12)	3,000,000	-
	Overseas travelling (note 9.3)	106,380	-
		13,863,440	13,053,601
		=====	=====
	Number of persons employed at year end (Full time)	9	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.

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

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