VACOAS POPULAR MULTI-PURPOSE
CO-OPERATIVE SOCIETY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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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 on pages 3 to 32 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 2018 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 32 comprise:

- the statement of financial position as at 30 June 2018;
- 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

At 30 June 2018, the Society had a total members' deficit of Rs32,229,440. The loans receivables are at Rs135,270,498, 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.

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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.

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

Kemp Chatteris
Chartered Accountants

28 MAR 2019

Martine Ip Min Wan, FCA
Licensed by FRC

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 Rs	2017 Rs
Interest income			
Interest on loan	3 (i)	**35,095,492**	29,501,334
Bank interest	6	**1,736,656**	1,813,393
		36,832,148	31,314,727
Interest expense			
Interest on deposits	7	**(20,492,796)**	(22,521,584)
Net interest income		**16,339,352**	8,793,143
Other income	8	**6,612,492**	4,065,352
		22,951,844	12,858,495
Operating expenses	9	**(8,658,412)**	(13,863,440)
Profit/(deficit) for the year before taxation		**14,293,432**	(1,004,945)
Taxation	10	-	-
Profit/(deficit) for the year after taxation		**14,293,432**	(1,004,945)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**14,293,432**	(1,004,945)

The notes on pages 7 to 32 form an integral part of these financial statements.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	2018 Rs	2017 Rs
ASSETS			
Non-current assets			
Property, plant and equipment	11	**23,903,098**	26,071,030
Investment properties	12	**419,589,242**	396,885,740
Deferred tax asset	21	**3,986,358**	3,986,358
Total non-current assets		**447,478,698**	426,943,128
Current assets			
Inventory properties	13	**4,207,204**	8,048,861
Loans to members	14	**135,270,498**	194,665,146
Accounts receivable	15	**660,522**	218,052
Cash and cash equivalents		**78,829,658**	72,565,558
Total current assets		**218,967,882**	275,497,617
Total assets		**666,446,580**	702,440,745
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Society's equity holders			
Members' share capital	16	**5,350,317**	5,338,704
Deferred redeemable capital	17	**217,618,725**	217,578,317
Statutory reserve		**21,674,365**	20,959,693
Revaluation reserve		**25,435,723**	25,435,723
General reserve		**268,528**	268,528
Life savings and loan protection fund		**72,985,003**	73,171,634
Accumulated deficit		**(375,562,101)**	(389,140,861)
Net deficit		**(32,229,440)**	(46,388,262)
Non-current liabilities			
Members' deposits	18	**609,942,200**	680,509,230
Retirement scheme	19	**2,758,915**	2,750,715
Solidarity plan	20	**2,018,251**	2,005,760
Total non-current liabilities		**614,719,366**	685,265,705
Current liabilities			
Members' deposits	18	**78,148,767**	56,450,129
Deposits received on morcellement	22	**1,780,000**	3,505,000
Accounts payable	23	**4,027,887**	3,608,173
Total current liabilities		**83,956,654**	63,563,302
Total liabilities		**698,676,020**	748,829,007
Total equity and liabilities		**666,446,580**	702,440,745

Approved by the Board of Directors on 28 MAR 2019 **and signed on its behalf by:**

Chairman **Director** **Director**

The notes on pages 7 to 32 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 2018

	Members' share capital Rs	Deferred redeemable capital Rs	Statutory reserve Rs	Revaluation reserve Rs	General reserve Rs	Life savings and loan protection fund Rs	Accumulated deficit Rs	Total Rs
At 1 July 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 income 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)**
At 1 July 2017	**5,338,704**	**217,578,317**	**20,959,693**	**25,435,723**	**268,528**	**73,171,634**	**(389,140,861)**	**(46,388,262)**
Movement during the year	**11,613**	**40,408**	-	-	-	**(186,631)**	-	**(134,610)**
Total comprehensive income for the year	-	-	-	-	-	-	**14,293,432**	**14,293,432**
Transfer to statutory reserve	-	-	**714,672**	-	-	-	**(714,672)**	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
At 30 June 2018	**5,350,317**	**217,618,725**	**21,674,365**	**25,435,723**	**268,528**	**72,985,003**	**(375,562,101)**	**(32,229,440)**

The notes on pages 7 to 32 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 2018

	Notes	2018 Rs	2017 Rs
Cash flows from operating activities			
Profit/(deficit) before income tax		**14,293,432**	(1,004,945)
Adjustment for:			
Depreciation on property, plant and equipment	9	**2,229,535**	2,284,729
Other receivables written off		**-**	332,141
Provision for life savings and loan protection fund		**-**	53,265
(Increase)/decrease in value of investment properties		**(3,000,000)**	3,000,000
Operating surplus before working capital changes		**13,522,967**	4,665,190
Changes in operating assets and liabilities			
Decrease in inventory properties	13	**3,841,657**	5,625,441
Decrease in loans to members	14	**41,675,171**	70,268,837
Increase in other assets		**(442,470)**	(76,304)
Decrease in deposits from members		**(49,014,615)**	(92,429,094)
Decrease in other liabilities		**(1,284,595)**	(10,409,370)
Net cash from/ (used in) operating activities		**8,298,115**	(22,355,300)
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	**(61,603)**	(1,049,511)
Acquisition of investment properties	12	**(1,984,025)**	(6,700,400)
Net cash used in investing activities		**(2,045,628)**	(7,749,911)
Cash flows from financing activities			
Net cash proceeds from issuing shares	16	**11,613**	9,657
Net cash generated from financing activities		**11,613**	9,657
Net increase/ (decrease) in cash and cash equivalents		**6,264,100**	(30,095,554)
Cash and cash equivalents at beginning of year		**72,565,558**	102,661,112
Cash and cash equivalents at end of year		**78,829,658**	72,565,558

Non-Cash transaction during the year:

	Notes	2018 Rs	2017 Rs
Acquisition of investment properties	12	**17,719,477**	-
		17,719,477	-

The notes on pages 7 to 32 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 2018

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 board of directors of that time, 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 and subsequent appointment of NJC Associates as the Manager on 02 February 2018.

A second Caretaker board was appointed by the Ministry of Business, Enterprise and Cooperatives on 14 November 2015.

The membership of the Society stood at **5,344** (2017: 5,334) at 30 June 2018. 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 (IFRS)

In the current year, the Society has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee of the IASB that are relevant to its operations and effective for accounting years beginning on 1 July 2017.

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.

Standard	Summary of requirements
Amendments to IAS 7 Disclosure Initiative	The Society has applied these amendments for the first time in the current period. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Society's financial statements.
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	The Society has applied these amendments for the first time in the current period. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise as deductible temporary difference. The application of these amendments has had no impact on the Society's financial statements.

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

2.2 New and revised IFRSs in issue but not yet effective

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2018 and which have not been adopted in these financial statements.

The Society is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and these statements, where applicable, will be applied in the year when they are effective.

Standard	**Summary of amendments**	**Annual periods beginning on or after**
IFRS 9 Financial Instruments	• A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition: • IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. • The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. • IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. • IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	1 January 2018

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

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

Standard	Summary of amendments	Annual periods beginning on or after
IFRS 1, First-time Adoption of International Financial Reporting Standards	Annual Improvements 2014-2016 Cycle: Deletion of short-term exemptions that are no longer applicable.	1 January 2018
IFRS 2, Share-based Payment	Classification and Measurement of Share-based Payment Transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments. The amendments address: • the effects of vesting conditions on the measurement of a cash-settled share based payment; • the accounting requirements for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to equity-settled; and • classification of share-based payment transactions with net settlement features.	1 January 2018
IFRS 3, Business Combinations	Annual Improvements 2015 - 2017 Cycle: Clarification that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.	1 January 2019
IFRS 4, Insurance Contracts	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Two amendments to IFRS 4 to address the interaction between IFRS 4 and IFRS 9: • A temporary exemption from IFRS 9 has been granted to insurers that meet specified criteria; and • An optional accounting policy choice has been introduced to allow an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9	1 January 2018
IFRS 11 Joint Arrangements	Annual Improvements 2015 – 2017 Cycle: Clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	1 January 2019

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

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

Standard	Summary of amendments	Annual periods beginning on or after
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	01 January 2019 Early adoption is permitted only if IFRS 15 is adopted at the same time.
IFRS 10 Consolidated Financial Statements	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	The effective date of this amendment has been deferred indefinitely until further notice

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

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

Standard	Summary of amendments	Annual periods beginning on or after
IAS 23 Borrowing Costs	Annual Improvements 2015 -2017 Cycle: The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IFRS 15 Revenue from Contracts from Customers	• New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. • The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. • The new standard supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue; (c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.	1 January 2018
IAS 40 Investment Property	Transfers of Investment Property: Clarification of the requirements on transfers to, or from, investment property.	1 January 2018

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

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

Standard	Summary of amendments	Annual periods beginning on or after
IFRIC 22 Foreign Currency Transactions and Advance Consideration	This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.	1 January 2019
IFRS 17 Insurance contracts	• IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. • IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. • The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. • Insurance contracts are required to be measured based only on the obligations created by the contracts. • An entity will be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. • This standard replaces IFRS 4 – Insurance contracts.	1 January 2021

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation.

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

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

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

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

Depreciation is calculated on a 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.

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.

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.

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.

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

(k) Taxation

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

(i) *Current tax*

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

(ii) *Deferred tax*

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

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

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

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

(iii) *Current and deferred tax for the year*

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

(l) Retirement schemes

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

(m) Related parties

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Dividend distribution

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

(o) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

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

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

Prior to 12 January 2015, the risk management was carried out by members of the loan committee, including the Chief Executive Officer and the Accountant. Since the appointment of the then caretaker board by the Ministry of Business, Enterprise and Cooperatives on 12 January 2015 up to 30 June 2018, 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.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors (Continued)

Credit risk (Continued)

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

Liquidity risk

During the year ended 30 June 2018, Rs 63,733,314 (2017: Rs 98,431,478) was repaid to depositors.

There were ten new members during the year ended 30 June 2018 (2017: seven new members).

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
2018				
Accounts payable	**4,027,887**	**-**	**-**	**4,027,887**
Deposits from members	**78,148,767**	**-**	**609,942,200**	**688,090,967**
	82,176,654	**-**	**609,942,200**	**692,118,854**
2017				
Accounts payable	3,608,173	-	-	3,608,173
Deposits from members	59,259,589	-	677,699,770	736,959,359
	62,867,762	-	677,699,770	740,567,532

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 2018

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 2018 and 2017 were as follows:

	2018	2017
	Rs	Rs
Total debt (note 18)	**688,090,967**	736,959,359
Less: cash and cash equivalents	**(78,829,658)**	(72,565,558)
Net debt	**609,261,309**	664,393,801
Net deficit	**(32,229,440)**	(46,388,262)
Total capital	**577,031,869**	618,005,539
Gearing ratio	**105.59%**	107.51%

4.2 (b) Categories of financial instruments

	2018	2017
	Rs	Rs
Financial assets		
Loans and receivables		
Loans to members	**135,270,498**	194,665,145
Accounts receivable	**591,122**	65,400
Cash and cash equivalents	**78,829,658**	72,565,558
	214,691,278	267,296,103
Financial liabilities		
Members' deposits	**688,090,967**	736,959,359
Accounts payable	**4,027,887**	3,608,173
	692,118,854	740,567,532

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.

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 2018 and 30 June 2017 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.

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

(b) Estimates and assumptions (Continued)

4) Going concern

The financial statements have been prepared on a going concern basis of accounting which assumes the settlement of liabilities and the realisation of assets in the normal course of business. As at 30 June 2018, the Society had a members' deficit of Rs 32,229,440 (2017: Rs 46,388,262). 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. 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 board members project to recover part of non-performing loans through the settlement of court cases which are ongoing.

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 16,339,352 (2017: Rs 8,793,143) for the year ended 30 June 2018.

The Society is also considering proposals to sell some of its land.

6. BANK INTEREST

The Society's bank accounts carry interest rates ranging from 0% to 3.4% per annum (2017: 0% to 3.4% per annum).

7. INTEREST ON DEPOSIT

Deposits from members carry the following interest rates:

	2018	2017
Savings accounts	**3%**	3%
Fixed deposit accounts	**4%**	4%

	2018 Rs	2017 Rs
Interest on savings accounts	**18,117,405**	19,660,201
Interest on fixed deposit accounts	**2,375,391**	2,861,383
	20,492,796	22,521,584

8. OTHER INCOME

	2018 Rs	2017 Rs
Rental income	**286,000**	302,700
Profit on sale of land (note 8.1)	**3,158,999**	3,553,881
Entrance fees	**5,000**	3,500
Reversal of impairment on investment property (note 12)	**3,000,000**	-
Other income	**162,493**	205,271
	6,612,492	4,065,352

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

8.1 PROFIT ON SALE OF LAND

	2018 Rs	2017 Rs
Gross proceeds on sale of land (note 22)	**7,283,500**	9,855,015
Cost of land (note 13)	**(3,856,657)**	(5,625,441)
Land transfer tax	**(267,844)**	(675,693)
	3,158,999	3,553,881

9. OPERATING EXPENSES

	2018 Rs	2017 Rs
Salaries and related costs	**2,129,497**	2,535,012
AGM expenses	**86,473**	125,406
Depreciation of property, plant and equipment	**2,229,535**	2,284,729
Management fees (note 9.1)	**1,259,721**	1,397,500
Building security alarm services	**27,600**	34,000
Car expenses	**52,433**	55,922
Committee allowances	**578,879**	630,750
Computer maintenance and consumables	**33,126**	10,954
Insurance	**95,626**	47,258
External audit fees	**253,000**	253,000
Internal controller fees	**105,000**	75,000
Legal and professional fees	**761,014**	1,147,217
Licences and annual fees	**47,438**	88,699
Software annual maintenance	**180,000**	180,000
Motor vehicle insurance	**19,730**	11,259
Municipality rates	**-**	30,813
Postage	**4,512**	7,650
Stationery	**97,158**	154,136
Bank charges	**31,657**	58,755
Land surveying and related fees	**28,750**	448,200
Utility expenses	**278,512**	400,764
Advertising	**-**	31,602
Building maintenance (note 9.2)	**189,630**	312,049
Community development activities	**-**	17,686
General expenses	**169,121**	86,558
Other receivables written off (note 10)	**-**	332,141
Impairment of investment properties (note 12)	**-**	3,000,000
Overseas travelling (note 9.3)		106,380
	8,658,412	13,863,440

Number of persons employed at year end (Full time)	**6**	9

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

9. OPERATING EXPENSES (CONTINUED)

9.1 Management fees

	2018 Rs	2017 Rs
Management fees – NJC Associates Ltd	**368,471**	-
Management fees – SB Proconsult Ltd	**891,250**	897,500
Management fees – EY Mauritius	-	500,000
	1,259,721	1,397,500

9.2 Building maintenance

	2018 Rs	2017 Rs
Pest control and fire extinguishers services	**21,900**	12,291
Renovation works	**142,881**	156,947
Plumbing and electrical repairs	**9,940**	57,007
Maintenance of air-conditioning system	**3,709**	33,824
Cleaning expenses	**11,200**	51,980
	189,630	312,049

9.3 Overseas travelling*

	2018 Rs	2017 Rs
Air tickets	-	45,800
Accommodation costs	-	60,580
	-	106,380

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

10. TAXATION

Income tax

The Society is liable to income tax at 15% (2017: 15%) on its chargeable income. The Society has an accumulated tax loss of Rs 65,032,206 (2017: Rs 78,120,391) and therefore, the Society does not have any current tax liability as the accumulated tax losses are available for offset against future taxable profits.

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

	2018	2017
	Rs	Rs
Charge :		
Current tax charge	-	-
Deferred tax charge	-	-
	-	-
Current tax asset:		
At 1 July	-	(332,141)
Less tax current asset written off during the year	-	332,141
At 30 June	-	-

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:

	2018	2017
	Rs	Rs
Profit/(deficit) before tax	**14,293,432**	(1,004,945)
Tax @ 15% (2017:15%)	**2,144,015**	(150,742)
Non-deductible expenses	**4,819**	505,476
Non-taxable income	**(450,000)**	(2,910)
Deferred tax movement not recognised	**(1,698,834)**	(351,824)
	-	-

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Fixtures and fittings	Office equipment	Computer equipment	Motor vehicle	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Cost:							
At 30 June 2016	9,500,000	26,000,000	1,920,322	1,248,629	742,548	731,293	40,142,792
Additions	-	390,000	72,490	94,283	492,738	-	1,049,511
At 30 June 2017	**9,500,000**	**26,390,000**	**1,992,812**	**1,342,912**	**1,235,286**	**731,293**	**41,192,303**
Additions	-	**50,000**	-	**11,603**	-	-	**61,603**
At 30 June 2018	**9,500,000**	**26,440,000**	**1,992,812**	**1,354,515**	**1,235,286**	**731,293**	**41,253,906**
Accumulated depreciation:							
At 30 June 2016	-	8,710,000	1,688,593	997,355	709,303	731,293	12,836,544
Charge for the year	-	1,768,130	138,785	98,200	279,614	-	2,284,729
At 30 June 2017	-	**10,478,130**	**1,827,378**	**1,095,555**	**988,917**	**731,293**	**15,121,273**
Charge for the year	-	**1,771,480**	**111,185**	**100,501**	**246,369**	-	**2,229,535**
At 30 June 2018	-	**12,249,610**	**1,938,563**	**1,196,056**	**1,235,286**	**731,293**	**17,350,808**
Net book values:							
30 June 2018	**9,500,000**	**14,190,390**	**54,249**	**158,459**	-	-	**23,903,098**
30 June 2017	9,500,000	15,911,870	165,434	247,357	246,369	-	26,071,030

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 23,690,390, (2017: 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 2018

12. INVESTMENT PROPERTIES

	2018 Rs	2017 Rs
Bare lands		
Cost:		
At 1 July	**396,885,740**	14,635,350
Additions during the year:		
- Cash	**1,984,025**	6,700,400
- Non-cash	**17,719,477**	-
Transfer from inventory properties during the year	-	378,549,990
Movement in value of investment properties	**3,000,000**	(3,000,000)
At 30 June	**419,589,242**	396,885,740

Investment properties consist of bare lands situated at Calodyne, Flic en Flac, Nouvelle France, Pont Bon Dieu Salazie (including buildings), Hermitage Ile D'Ambre, Curepipe and La Caverne. In 2017, 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 these lands; hence, the addition has been classified under investment properties.

The building on the land at Pont Bon Dieu had been impaired for Rs 3,000,000 during the year ended 2017. During the year ended 30 June 2018, the impairment amounting to Rs 3,000,000 on the building at Pont Bon Dieu had been reversed in light of new information available to the Society regarding the disposal of the freehold property.

During the year ended 30 June 2018, the Society had acquired freehold properties amounting to Rs 19,060,715 at the Sales by Levy auction as a result of favourable court judgements in favour of the Society against the members with non-performing loans. The Society is in the process of disposing these properties subject to the approval of the upcoming Annual General Meeting of the Society.

Flic en Flac Land

On 04 June 2017, the Society had decided to sell the two plots of land at Flic en Flac, thus explaining the reclassification of the land from inventory properties to investment properties in line with IAS 40.

Investment properties are accounted for under the 'cost model' as per IAS 40 Investment Properties. Depreciation is not charged as it consists only of bare land.

13. INVENTORY PROPERTIES

	2018 Rs	2017 Rs
Bare lands (at cost)	**4,207,204**	8,048,861
Bare lands:		
At 1 July	**8,048,861**	392,224,292
Add expenditures capitalised during the year	**15,000**	-
Disposals (Note 8.1)	**(3,856,657)**	(5,625,441)
Less transfer to investment properties	-	(378,549,990)
At 30 June	**4,207,204**	8,048,861

Bare lands consist of 5 remaining reserved lots of land and the green space at Camp Ithier Morcellement.

14. LOANS TO MEMBERS

	2018 Rs	2017 Rs
At 1 July	**531,665,146**	601,933,983
Repayments	**(59,394,648)**	(70,268,837)
	472,270,498	531,665,146
Less: Provision for impairment loss (see note below)	**(337,000,000)**	(337,000,000)
At 30 June	**135,270,498**	194,665,146
Provision for impairment loss:		
At 1 July and at 30 June	**337,000,000**	337,000,000

As stated in note 3, the Society has not recognised interest on loans which were past due but not yet paid as at 30 June 2018, 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

	2018 Rs	2017 Rs
Deposits	**15,000**	15,000
Tax deducted at source on rental income	**54,400**	43,400
Prepayments (mainly recoverable legal fees)	**525,122**	137,652
Rental income receivable	**66,000**	22,000
	660,522	218,052

16. STATED CAPITAL

	2018 Rs	2017 Rs
At 1 July	**5,338,704**	5,329,047
Shares issued	**11,613**	9,657
At 30 June	**5,350,317**	5,338,704

17. DEFERRED REDEEMABLE CAPITAL

	2018 Rs	2017 Rs
At 30 June (note 18)	**217,618,725**	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 of the Society is in excess of Rs300 million and the partial redemption will be allowed as long as the above criteria is respected.

18 MEMBERS' DEPOSITS

	2018 Rs	2017 Rs
At 1 July	**736,959,359**	829,388,453
Interest credited to deposits	**20,424,900**	22,437,282
Interest paid	**(2,307,495)**	(1,820,043)
Repayment of members' deposit	**(63,733,314)**	(98,431,478)
Set-off of deposits against loans	**(3,252,483)**	(14,614,855)
At 30 June	**688,090,967**	736,959,359

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

	2018 Rs	2017 Rs
Payable within 1 year	**78,148,767**	56,450,129
Payable after 1 year	**609,942,200**	680,509,230
	688,090,967	736,959,359

The members' deposits are classified as follows:

	2018 Rs	2017 Rs
Savings accounts	**625,590,967**	674,459,359
Fixed deposits *	**62,500,000**	62,500,000
	688,090,967	736,959,359

* 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.

19. RETIREMENT SCHEME

	2018	2017
	Rs	Rs
At 1 July	**2,750,715**	2,731,315
Staff contribution	**8,200**	19,400
At 30 June	**2,758,915**	2,750,715

20. SOLIDARITY PLAN

	2018	2017
	Rs	Rs
At 1 July	**2,005,760**	2,196,009
Add:		
Receipts from new members	**18,817**	11,131
Top up by members	**948,657**	1,321,846
	2,973,234	3,528,986
Less:		
Account maintenance fees	**(6,238)**	(10,716)
Solidarity plan withdrawn	**(18,011)**	(20,016)
Payments to heirs of deceased members	**(930,734)**	(1,492,494)
At 30 June	**2,018,251**	2,005,760

21. DEFERRED TAX ASSET

Deferred income tax is calculated on all temporary differences under the liability method using a tax rate of 15% (2017: 15%).

	2018	2017
	Rs	Rs
At 1 July and 30 June	**3,986,358**	3,986,358

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

	At 30 June 2018	At 30 June 2017
	Rs	Rs
Deferred tax asset		
Revaluation reserve	**3,858,937**	3,858,937
Retirement benefits	**150,000**	150,000
	4,008,937	4,008,937
Deferred tax liability		
Accelerated capital allowances	**(22,579)**	(22,579)
Net deferred income tax asset	**3,986,358**	3,986,358

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.

22. DEPOSITS RECEIVED ON MORCELLEMENT

	2018	2017
	Rs	Rs
At 1 July	**3,505,000**	7,568,015
Received during the year	**5,558,000**	5,840,000
Transfer upon sales of land (note 8.1)	**(7,283,500)**	(9,855,015)
Refund of down payment	**-**	(48,000)
At 30 June	**1,780,000**	3,505,000

23. ACCOUNTS PAYABLE

	2018	2017
	Rs	Rs
Interest payable on members' deposits	**67,896**	67,896
Management fees –SB ProConsult Ltd	**-**	506,000
Management fees –NJC Associates Ltd	**160,000**	-
Software maintenance	**270,000**	90,000
Utilities	**41,800**	61,059
Audit fees	**368,000**	241,500
Refund to members	**191,510**	45,249
Short terms employee benefits	**714,048**	642,208
Legal fees	**1,135,339**	956,818
Payables towards the set-up of solar system	**-**	154,543
Advances to contractors	**119,750**	119,750
Accrued expenses for boundary wall for Flic en Flac land	**342,787**	-
Other payables and accruals	**616,757**	723,150
	4,027,887	3,608,173

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

24. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2018, the Society had transactions with related parties. The balances at year end and transactions during the year with related parties were as follows:

	2018 Rs	2017 Rs
Under capital and reserves:		
Deferred redeemable capital	**2,222,931**	2,017,917
Under payables:		
Deposits from related parties	**7,018,089**	6,689,187
Compensation of key management personnel:		
Management fees – SB ProConsult Ltd	**891,250**	2,403,500
Management fees – NJC Associates Ltd	**368,471**	-
	1,259,721	2,403,500

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 3.70% per annum.

25. EVENTS AFTER THE REPORTING DATE

On 10 November 2018, the Board of Directors has approved the repayment of an additional 15% (2017: 10%) of the deposits from members net of any charge and security on deposit. A total of Rs 78,148,767 (2017: Rs56,450,129) has been repaid between 01 July 2018 and 28 February 2019 (1 July 2017 to 30 April 2018).

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