

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2020

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 Rs	2019 Rs
Interest income			
Interest on loans	3 (i)	10,675,325	20,242,360
Bank interest	5	475,962	799,064
		11,151,287	21,041,424
Interest expense			
Interest on deposits	6	(11,111,296)	(12,643,404)
Net interest income		39,991	8,398,020
Other income	7	3,384,499	597,794
		3,424,490	8,995,814
Operating expenses	8	(6,984,012)	(7,427,292)
(Loss)/Profit for the year before taxation		(3,559,522)	1,568,522
Taxation	9	-	-
(Loss)/Profit for the year after taxation		(3,559,522)	1,568,522
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(3,559,522)	1,568,522

The notes on pages 7 to 29 form an integral part of these financial statements.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	Notes	2020 Rs	2019 Rs
ASSETS			
Non-current assets			
Property, plant and equipment	10	20,160,793	22,008,380
Investment properties	11	421,496,142	421,489,242
Deferred tax asset	20	3,986,358	3,986,358
Total non-current assets		445,643,293	447,483,980
Current assets			
Inventory properties	12	4,207,204	4,207,204
Loans to members	13	82,738,353	100,698,154
Accounts receivable	14	790,242	1,393,612
Cash and cash equivalents		16,237,539	30,907,663
Total current assets		103,973,338	137,206,633
Total assets		549,616,631	584,690,613
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Society's equity holders			
Members' share capital	15	5,357,288	5,355,287
Deferred redeemable capital	16	217,618,725	217,618,725
Statutory reserve		21,674,365	21,752,791
Revaluation reserve		25,435,723	25,435,723
General reserve		268,528	268,528
Life savings and loan protection fund		72,980,528	72,985,003
Accumulated deficit		(377,631,527)	(374,072,005)
Net deficit		(34,296,370)	(30,655,948)
Non-current liabilities			
Members' deposits	17	505,045,142	549,786,712
Retirement scheme	18	320,718	2,741,915
Solidarity plan	19	1,555,925	1,844,011
Total non-current liabilities		506,921,785	554,372,638
Current liabilities			
Members' deposits	17	49,766,615	54,231,857
Deposits received	21	3,388,830	1,780,000
Accounts payable	22	23,835,771	4,962,066
Total current liabilities		76,991,216	60,973,923
Total liabilities		583,913,001	615,183,361
Total equity and liabilities		549,616,631	584,690,613

Approved by the Board of Directors on and signed on its behalf by:


Chairman


Director


Director

The notes on pages 7 to 29 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 2020

	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 2018	5,350,317	217,618,725	21,674,365	25,435,723	268,528	72,985,003	(375,562,101)	(32,229,440)
Movement during the year	4,970	-	-	-	-	-	-	4,970
Total comprehensive income for the year	-	-	-	-	-	-	1,568,522	1,568,522
Transfer to statutory reserve	-	-	78,426	-	-	-	(78,426)	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
At 30 June 2019	5,355,287	217,618,725	21,752,791	25,435,723	268,528	72,985,003	(374,072,005)	(30,655,948)
At 1 July 2019	5,355,287	217,618,725	21,752,791	25,435,723	268,528	72,985,003	(374,072,005)	(30,655,948)
Movement during the year	(2,001)	-	(78,426)	-	-	(4,475)	-	(80,900)
Total comprehensive income for the year	-	-	-	-	-	-	(3,559,522)	(3,559,522)
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
At 30 June 2020	5,357,288	217,618,725	21,674,365	25,435,723	268,528	72,980,528	(377,631,527)	(34,296,370)

The notes on pages 7 to 29 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 2020

	Notes	2020 Rs	2019 Rs
Cash flows from operating activities			
(Loss)/Profit before income tax		(3,559,522)	1,568,522
<i>Adjustment for:</i>			
Depreciation on property, plant and equipment	10	1,847,587	1,894,718
Increase in value of investment properties		(6,900)	-
Retirement benefit obligation written off		(2,421,197)	-
Operating (deficit)/ surplus before working capital changes		(4,140,032)	3,463,240
<i>Changes in operating assets and liabilities</i>			
Decrease in loans to members	13	17,959,801	32,672,344
Decrease/(Increase) in other assets		603,370	(733,090)
Decrease in deposits from members		(49,206,812)	(84,072,398)
Increase in other liabilities		18,873,705	742,939
Increase in deposit on morcellement		1,608,830	-
Decrease in solidarity Fund		(288,086)	-
Net cash used in operating activities		(14,589,224)	(47,926,965)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	-	-
Acquisition of investment properties	11	-	-
Net cash used in investing activities		-	-
Cash flows from financing activities			
Net cash proceeds from issuing shares	15	2,001	4,970
Other adjustments		(82,901)	-
Net cash (used in)/ generated from financing activities		(80,900)	4,970
Net decrease in cash and cash equivalents		(14,670,124)	(47,921,995)
Cash and cash equivalents at beginning of year		30,907,663	78,829,658
Cash and cash equivalents at end of year		16,237,539	30,907,663
Non-Cash transaction during the year:			
		2020 Rs	2019 Rs
Acquisition of investment properties	11	-	1,900,000
		-	1,900,000

The notes on pages 7 to 29 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 2020

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 **5,390** (2019: 5,388) at 30 June 2020. 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. ADOPTION 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 2019.

IAS 12	Income Taxes - Amendments resulting from Annual Improvements 2015–2017 Cycle (income tax consequences of dividends)
IAS 19	Plan Amendment, Curtailment or Settlement
IAS 23	Borrowing Costs - Amendments resulting from Annual Improvements 2015–2017 Cycle (borrowing costs eligible for capitalisation)
IAS 28	Investments in Associates and Joint Ventures – Amendments regarding long-term interests in associates and joint ventures
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)
IFRS 9	Financial Instruments -Amendments to address the classification of particular pre-payable financial assets

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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

IFRS 11 Joint Arrangements - Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)

IFRS 16 Leases

IFRIC 23 Uncertainty Over Income Tax Treatments

At the reporting date, the following Standards were in issue but not yet effective.

IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of material (effective for annual periods beginning on or after 1 January 2020)

IAS 28 Investments in Associates and Joint Ventures – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture – (Deferred indefinitely)

IAS 39 Financial Instruments – Recognition and Measurement – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective for annual periods beginning on or after 1 January 2020)

IFRS 3 Business Combinations – Amendments to clarify the definition of a business – Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020

IFRS 7 Financial Instruments: Disclosures – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective for annual periods beginning on or after 1 January 2020)

IFRS 9 Financial Instruments: Disclosures – Amendments regarding pre-replacement issues in the context of the IBOR reform (effective for annual periods beginning on or after 1 January 2020)

IFRS 10 Consolidated Financial Statements – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture – (Deferred indefinitely)

The directors anticipate that the adoption of the above Standards and Interpretations in future years will have no material impact on the financial statements of the Society in the year of initial application.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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 4.

(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.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES

(b) Property, plant and equipment

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.

(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.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventory properties – land

Bare lands are stated at cost.

(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

Other receivables measured at amortised cost

Other receivables are amounts due from the Company for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the management fee receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided below.

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. Other receivables at amortised costs are subsequently carried at amortised cost using the effective interest method.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (continued)

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.

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 financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risks since initial recognition of the respective financial instrument.

The Society recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Society's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (continued)

For all other financial instruments, the Society recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However if the credit risk on the financial instrument has not increased significantly since initial recognition, the Society measures the loss allowance for the financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting period.

For financial assets measured at amortised cost, the expected credit losses is estimated as the difference between all contractual cash flows that are due to the Society in accordance with the contract and all the cash flows that the Society expects to receive, discounted at the original effective interest rate.

The Society recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(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.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Taxation (continued)

(iii) *Deferred tax (continued)*

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.

(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.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

4. 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.

(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 2020 and 30 June 2019 approximates their fair value at 30 June 2014.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

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

(b) Estimates and assumptions (continued)

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.

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 2020, the Society had a members' deficit of Rs 34,296,370 (2019: Rs 30,655,948). 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 4% to 2.70% per annum on fixed deposits and from 3% to 2% per annum on Savings, as approved by the general assembly of 21 April 2019, effective 1 July 2018, the Society has generated net interest income of Rs 39,991 (2019: Rs 8,398,020) for the year ended 30 June 2019.

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

5. BANK INTEREST

The Society's bank accounts carry interest rates ranging from 0% to 3.4% per annum (2019: 0% to 3.4% per annum).

6. INTEREST ON DEPOSIT

Deposits from members carry the following interest rates:

	2020	2019
Savings accounts	2%	2%
Fixed deposit accounts	2.70%- 3.25	2.70%- 3.25%
	2020	2019
	Rs	Rs
Interest on savings accounts	9,774,336	10,533,965
Interest on fixed deposit accounts	1,336,960	2,109,439
	-----	-----
	11,111,296	12,643,404
	=====	=====

VACOAS POPULAR MULTIPURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

7. OTHER INCOME

	2020 Rs	2019 Rs
Rental income	88,000	272,010
Entrance fees	1,000	2,000
Other income	48,343	323,784
Retirement benefit obligation written off	2,421,197	-
Passage benefit and income tax written off	825,959	-
	-----	-----
	3,384,499	597,794
	=====	=====

8. OPERATING EXPENSES

	2020 Rs	2019 Rs
Salaries and related costs	2,262,613	2,339,973
AGM expenses	36,015	55,070
Management fees (note 8.1)	772,300	960,000
Building security alarm services	27,600	27,600
Car expenses	75,991	74,883
Committee allowances	361,331	673,069
Computer maintenance and consumables	-	50,280
Insurance	32,661	58,517
External audit fees	150,000	150,000
Internal controller fees	25,000	75,000
Legal and professional fees	499,504	131,223
Licences and annual fees	132,641	-
Software annual maintenance	180,000	180,000
Municipality rates	32,354	32,355
Postage	3,546	5,646
Stationery	14,322	39,632
Bank charges	26,974	32,363
Land surveying and related fees	-	52,100
Utility expenses	244,314	315,502
Advertising	8,522	7,176
Building maintenance (note 8.2)	40,375	82,715
General expenses	210,362	189,470
Depreciation of property, plant and equipment	1,847,587	1,894,718
	-----	-----
	6,984,012	7,427,292
	=====	=====
 Number of persons employed at year end (Full time)	 5	 5
	=====	=====

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2020

8. OPERATING EXPENSES (CONTINUED)

8.1 Management fees

	2020 Rs	2019 Rs
Management fees – NJC Associates	560,000	960,000
Management fees – Clark Robins & Associates	212,300	-
	-----	-----
	772,300	960,000
	=====	=====

8.2 Building maintenance

	2020 Rs	2019 Rs
Pest control and fire extinguishers services	10,500	5,880
Renovation works	18,000	35,250
Plumbing and electrical repairs	2,215	20,445
Maintenance of air-conditioning system	-	2,900
Cleaning expenses	9,660	18,240
	-----	-----
	40,375	82,715
	=====	=====

9. TAXATION

Income tax

The Society is liable to income tax at 15% (2019: 15%) on its chargeable income. The Society has an accumulated tax loss of Rs 67,007,206 (2019: Rs 63,447,686) 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.

Reconciliation between applicable income tax and effective income tax:

	2020 Rs	2019 Rs
(Loss)/Profit before tax	(3,559,522)	1,568,522
	=====	=====
Tax @ 15%	(485,800)	235,278
Non-deductible expenses	277,138	2,400
Non-taxable income	-	-
Deferred tax movement not recognised	-	-
Tax losses utilised during the year	(208,662)	(237,678)
	-----	-----
	-	-
	=====	=====

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2020

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land Rs	Building Rs	Fixtures and fittings Rs	Office equipment Rs	Computer equipment Rs	Motor vehicle Rs	Total Rs
<i>Cost:</i>							
At 30 June 2018	9,500,000	26,440,000	1,992,812	1,354,515	1,235,286	731,293	41,253,906
Additions	-	-	-	-	-	-	-
At 30 June 2019	9,500,000	26,440,000	1,992,812	1,354,515	1,235,286	731,293	41,253,906
Additions	-	-	-	-	-	-	-
At 30 June 2020	9,500,000	26,440,000	1,992,812	1,354,515	1,235,286	721,293	41,253,906
<i>Accumulated depreciation:</i>							
At 30 June 2018	-	12,249,610	1,938,563	1,196,056	1,235,286	731,293	17,350,808
Charge for the year	-	1,771,480	20,443	102,795	-	-	1,894,718
At 30 June 2019	-	14,021,090	1,956,006	1,298,851	1,235,286	731,293	19,245,526
Charge for the year	-	1,771,480	20,443	55,664	-	-	1,847,587
At 30 June 2020	-	15,792,570	1,979,449	1,354,515	1,235,286	731,293	21,093,113
<i>Net book values:</i>							
30 June 2020	9,500,000	10,647,430	13,363	-	-	-	20,160,793
30 June 2019	9,500,000	12,418,910	33,806	55,664	-	-	22,008,380
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 (2019: Rs 23,690,390) 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 2020

11. INVESTMENT PROPERTIES

	2020 Rs	2019 Rs
Bare lands		
Cost:		
At 1 July	421,489,242	419,589,242
Additions during the year:		
- Cash	-	-
- Non-cash		1,900,000
Movement in value of investment properties	6,900	-
At 30 June	<u>421,496,142</u>	<u>421,489,242</u>

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. Management does not have any immediate plan for the use of these lands; hence, the addition has been classified under investment properties.

In 2017, the Society acquired land and building at Pont Bon Dieu amounting to Rs 6,700,400. 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 2019, the Society had acquired freehold properties amounting to Rs 1,900,000 (2018: 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.

12. INVENTORY PROPERTIES

	2020 Rs	2019 Rs
Bare lands (at cost)	4,207,204	4,207,204
<i>Bare lands:</i>		
At 1 July	4,207,204	4,207,204
Add expenditures capitalised during the year	-	-
Disposals	-	-
At 30 June	<u>4,207,204</u>	<u>4,207,204</u>

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

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2020

13. LOANS TO MEMBERS

	2020 Rs	2019 Rs
At 1 July	437,698,154	472,270,498
Repayments	(17,959,801)	(34,572,344)
	<u>419,738,353</u>	<u>437,698,154</u>
Less: Provision for impairment loss (see note below)	(337,000,000)	(377,000,000)
	<u>82,738,353</u>	<u>100,698,154</u>
At 30 June	<u>82,738,353</u>	<u>100,698,154</u>
<i>Provision for impairment loss:</i>		
At 1 July and at 30 June	<u>337,000,000</u>	<u>337,000,000</u>

As stated in note 3, the Society has not recognised interest on loans which were past due but not yet paid as at 30 June 2020, 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 Society's assets.

The Society has engaged the services of attorneys in its recovery process of long outstanding loans, which include among others having recourse to seizure and sales of properties given as fixed charges and crystallising third parties guarantees. Due to time constraint, we could not circularise the attorneys to obtain information as to the status of legal cases engaged for the recovery process and their outcome. Consequently, we were unable to assess whether further impairment provision was required to be applied to the loan portfolio as at 30 June 2020.

14. ACCOUNTS RECEIVABLE

	2020 Rs	2019 Rs
Deposits	-	15,000
Tax deducted at source on rental income	-	68,700
Prepayments (mainly recoverable legal fees)	790,242	727,937
Refund of interest on fixed deposits	-	559,975
Rental income receivable	-	22,000
	<u>790,242</u>	<u>1,393,612</u>
	<u>790,242</u>	<u>1,393,612</u>

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

15. STATED CAPITAL

	2020 Rs	2019 Rs
At 1 July	5,355,287	5,350,317
Shares issued	2,001	4,970
At 30 June	<u>5,357,288</u>	<u>5,355,287</u>

16. DEFERRED REDEEMABLE CAPITAL

	2020 Rs	2019 Rs
At 30 June	<u>217,618,725</u>	<u>217,618,725</u>

On 1 July 2015, 20% of the members' 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 Rs 300 million and the partial redemption will be allowed as long as the above criteria is respected.

17. MEMBERS' DEPOSITS

	2020 Rs	2019 Rs
At 1 July	604,018,059	688,090,967
Interest credited to deposits	11,111,296	12,643,404
Interest paid	(572,406)	(1,888,730)
Repayment of members' deposit	(48,978,193)	(87,598,986)
Less transfer to accounts payables	(10,766,999)	(771,772)
Set-off of deposits against loans	-	(6,456,314)
At 30 June	<u>554,811,757</u>	<u>604,018,569</u>

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

	2020 Rs	2019 Rs
Payable within 1 year	49,766,615	54,231,857
Payable after 1 year	505,045,142	549,786,712
	<u>554,811,757</u>	<u>604,018,569</u>

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

17. MEMBERS' DEPOSITS (CONTINUED)

The members' deposits are classified as follows:

	2020 Rs	2019 Rs
Savings accounts	499,207,829	542,318,569
Fixed deposits *	55,603,928	61,700,000
	<u>554,811,757</u>	<u>604,018,569</u>
	=====	=====

* 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 61,700,000 in December 2016 and January 2017.

18. RETIREMENT SCHEME

	2020 Rs	2019 Rs
At 1 July	2,741,915	2,758,915
Staff contribution	-	13,800
Payment during the year	-	(30,800)
Write off during the year	(2,421,197)	-
At 30 June	<u>320,718</u>	<u>2,741,915</u>
	=====	=====

19. SOLIDARITY PLAN

	2020 Rs	2019 Rs
At 1 July	1,844,011	2,018,251
<i>Add:</i>		
Receipts from new members	5,500	10,390
Top up by members	229,789	903,084
	<u>2,079,300</u>	<u>2,931,725</u>
<i>Less:</i>		
Account maintenance fees	-	(6,651)
Solidarity plan withdrawn	-	(6,034)
Payments to heirs of deceased members	(523,375)	(1,075,029)
At 30 June	<u>1,555,925</u>	<u>1,844,011</u>
	=====	=====

20. DEFERRED TAX ASSET

Deferred income tax is calculated on all temporary differences under the liability method using a tax rate of 15% (2019: 15%).

	2020 Rs	2019 Rs
At 1 July and 30 June	<u>3,986,358</u>	<u>3,986,358</u>
	=====	=====

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2020

20. DEFERRED TAX ASSET (CONTINUED)

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

	At 30 June 2020 Rs	At 30 June 2019 Rs
<i>Deferred tax asset</i>		
Revaluation reserve	-	3,858,937
Retirement benefits	-	150,000
	-----	-----
	-	4,008,937
	-----	-----
<i>Deferred tax liability</i>		
Accelerated capital allowances	-	(22,579)
	-----	-----
Net deferred income tax asset	-	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.

21. DEPOSITS RECEIVED

	2020 Rs	2019 Rs
At 1 July	1,780,000	1,780,000
Received during the year	1,608,830	-
	-----	-----
At 30 June	3,388,830	1,780,000
	=====	=====

22. ACCOUNTS PAYABLE

	2020 Rs	2019 Rs
Interest payable on members' deposits	10,766,999	220,709
Management fees –NJC Associates	-	400,000
Software maintenance	-	180,000
Utilities	30,401	40,395
Audit fees	150,000	265,000
Refund to members	128,212	121,858
Short terms employee benefits	-	786,760
Legal fees	1,106,551	1,111,217
Deposits of bankrupt/expulsed members (note 18)	608,582	771,772
Advances to contractors	-	-
Accrued expenses for boundary wall for Flic en Flac land	-	342,787
Other payables and accruals	1,125,405	721,568
Deposit on land	9,919,621	-
	-----	-----
	23,835,771	4,962,066
	=====	=====

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

23. FINANCIAL INSTRUMENTS

23.1 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, 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.

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 2020, Rs 48,978,193 (2019: Rs 87,598,986) was repaid to depositors.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2020

23. FINANCIAL INSTRUMENTS

23.1 Financial risk factors

Liquidity risk (continued)

There were two new members during the year ended 30 June 2020 (2019: four 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
2020				
Accounts payable	23,835,771	-	-	23,835,771
Deposits from members	49,766,615	-	505,045,142	554,811,757
	-----	-----	-----	-----
	73,602,386	-	505,045,142	578,647,528
	=====	=====	=====	=====
2019				
Accounts payable	4,962,066	-	-	4,962,066
Deposits from members	54,231,857	-	549,786,712	604,018,569
	-----	-----	-----	-----
	59,193,923	-	549,786,712	608,980,635
	=====	=====	=====	=====

23.2 (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.

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.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED 30 JUNE 2020

23. FINANCIAL INSTRUMENTS (CONTINUED)

23.2 (a) Capital risk management (continued)

The gearing ratios as at 30 June 2020 and 2019 were as follows:

	2020 Rs	2019 Rs
Total debt	583,913,001	604,018,569
Less: cash and cash equivalents	(16,237,539)	(30,907,663)
Net debt	567,675,462	573,110,906
Net deficit	(16,237,539)	(30,655,948)
Total capital	551,437,923	542,454,958
Gearing ratio	103%	105.65%

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

2020

Financial assets

Financial asset at amortised cost
 (including cash and cash equivalents and advances)

Rs

99,766,134

Financial liabilities

Financial liabilities at amortised cost

578,647,528

2019

Financial assets

Financial asset at amortised cost
 (including cash and cash equivalents)

132,187,792

Financial liabilities

Financial liabilities at amortised cost

608,980,635

23. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's corporate treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Fair value of financial instruments

Except where stated elsewhere, the carrying amounts of the Society financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved. The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models, based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments

24. RELATED PARTY TRANSACTIONS

During the year ended 30 June 2020, the Society had transactions with related parties. The balances at year end and transactions during the year with related parties were as follows:

	2020 Rs	2019 Rs
<i>Under capital and reserves:</i>		
Deferred redeemable capital	2,222,931 =====	2,222,931 =====
<i>Under payables:</i>		
Deposits from related parties	5,142,717 =====	5,684,216 =====
<i>Compensation of key management personnel:</i>		
Management fees – NJC Associates	560,000 ----- 560,000 =====	960,000 ----- 960,000 =====

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 2% per annum and 3.25% per annum.

VACOAS POPULAR MULTI-PURPOSE CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

25. EVENT AFTER THE REPORTING PERIOD

The recent global outbreak of the corona virus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. The effect of the impact of COVID-19 has not been reflected in these financial statements.

26. BANK DEPOSIT WITH BANYANTREE BANK LTD

The Society made a deposit of Rs 5,000,000 with Banyantree Bank Ltd in September 2019.

Pursuant to section 65 of the Banking Act 2004, the Bank of Mauritius appointed Mr. Mushtaq Oosman as Conservator of BanyanTree Bank Ltd, on 01 April 2020.

The repayment of the deposit is yet to be decided by the Conservator.

Under the Banking Act 2004, Mr Oosman is required to take charge of the bank and all of its property, books, records, and effects and to exercise all powers necessary to preserve, protect and recover any of the assets of the bank, collect all monies and debts due to it, assert causes of action belonging to the bank and file, prosecute and defend suits on its behalf. He also has all such powers and duties as are provided under Part IX of the Banking Act 2004.

Mr Oosman will report to the Bank of Mauritius once his assessment of the situation of the Bank is completed. With the concurrence of the Bank of Mauritius, he will consider a possible rehabilitation plan for the Bank.

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