Report No: FIN-2016-18(E)

4 May 2016

FENAKA CORPORATION LIMITED

FINANCIAL YEAR 2013

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AUDITOR GENERAL'S OFFICE

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AUDITOR GENERAL'S OFFICE

AUDITOR GENERAL'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF FENAKA CORPORATION LIMITED

Introduction

1. We were engaged to audit the accompanying financial statements of Fenaka Corporation Limited ("the Company"), which comprise the Statement of Financial Position as at 31st December 2013, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information exhibited on pages 4 to 23.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

   An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statement 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

4. As per Note 7, to the financial statements, resulting from the acquisition of Utility Companies, the Company has recorded an amount of MVR 55,586,396/- as impairment expenses for the year ended 31 December 2013. We were not provided with adequate information on the basis of

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recoverable values amounting to MVR 60,055,805/-. Accordingly, we were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements for impairment expenses and loss for the year.

5. As per Note 9, to the financial statements, resulting from the acquisition of Utility Companies, the Company recorded an amount of MVR 552,574,596/- (2012: MVR 3,245,985/-) as the net carrying value of property, plant and equipment as at 31 December 2013. We were unable to verify the completeness, existence and accuracy of the said balances in the absence of sufficient and appropriate audit evidence. Further, an independent appraisal on the fair values of these assets acquired was not performed, as at the date of acquisition. Further, the Company has not maintained a fixed asset register and accordingly, we were unable to verify the accuracy and completeness of depreciation for the year amounting to MVR 50,196,912/- as at 31 December 2013 (2012: MVR 69,822/-).

6. As per Note 11, to the financial statements, resulting from the acquisition of Utility Companies, the Company has recorded an amount of MVR 42,310,932/- (2012: MVR 1,477,050/-) as inventories as at 31 December 2013. We were not appointed as auditors of the Company until after 31 December 2013, and thus did not observe the counting of physical inventories at the end of the year. Further, there were no adequate records available in relation to the movement of inventories during the year then ended. Owing to the nature of the Company's records, we were unable to satisfy ourselves as to inventory quantities and valuation by other audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements for inventories, cost of sales and loss for the year.

7. As per Note 12, to the financial statements, resulting from the acquisition of Utility Companies, the Company has recorded an amount of MVR 331,505,037/- (2012: MVR 5,075,466/-) as trade and other receivables as at 31 December 2013. The Company has not maintained sufficient records relating to trade and other receivables. As per the aging provided, Company has received payments amounting to MVR 205,880,366/- in 2013, which the management is unable to reconcile to which receivable accounts the payments relate to.

   Owing to the nature of the Company's records, we were unable to satisfy ourselves as to the completeness, existence and accuracy of trade and other receivables as at 31 December 2013. Accordingly, we were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements.

8. As per Note 16, to the financial statements, resulting from the acquisition of Utility Companies, the Company has recorded an amount of MVR 372,649,692/- as Grant received from the Government as at 31 December 2013. We were unable to obtain sufficient and appropriate audit evidence to verify the completeness, existence and accuracy of said balance. Accordingly, we were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements as Government Grants, other income, loss for the year and retained earnings.

9. As per Note 17.2, to the financial statements, resulting from the acquisition of Utility Companies, the Company has recognized an amount of MVR 81,006,818/- (2012: MVR 3,688,481/-) as amounts due to Island Society as at 31 December 2013 as current liabilities. Further, there are no formal agreements between the Company and the creditors for the amounts and repayments of dues from the Company, and creditors have neither confirmed the balances due to them nor have they confirmed that amounts due will not be called for repayments within one year from the reporting date. We are unable to satisfy ourselves as to the completeness, existence and accuracy of the amounts due to these parties in the absences of stated information.

10. As per Note 17, to the financial statements, resulting from the acquisition of Utility Companies, the Company has recorded an amount of MVR 498,532,136/- (2012: MVR 11,156,414/-) as trade

and other payables as at 31 December 2013. Owing to the nature of the Companies records, we were unable to obtain sufficient and appropriate audit evidence to satisfy ourselves whether the Company has an obligation to record these liabilities in the books of the Company. Accordingly, we were unable to verify the completeness, existence and accuracy of the amounts shown in the financial statements for trade and other payables and were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements as trade and other payables.

11. As per Note 8, to the financial statements, the Company has not recognized a tax liability, for the year ended 31 December 2013. However, we were unable to determine whether any changes were required to the business profit tax computation, due to the unavailability of sufficient and appropriate information, to verify the accuracy of the adjustments in the business profit tax computation.

12. As per Note 14, to the financial statements, the Company has recorded an amount of MVR 210,893,134/- as paid-up share capital as at 31 December 2013. The Ministry of Finance and Treasury (MoFT) on behalf of the Government of Maldives (GOM) has given written consideration to recognize asset transfers to the Company, both monetary and non-monetary as part of paid-up share capital.

    Including in the paid-up share capital balance is the net asset balances acquired from the Utility Companies as at 1 January 2013 amounting to MVR 115,642,201/-. The net asset amount has been arrived by deducting liabilities from its assets from each Utility Company acquired as at 1 January 2013.

    As per the audited reports of the Utility Companies as at 31 December 2012, both asset and liability balances have been qualified for all the Utility Companies acquired by the Company. Resulting from the qualification of the net asset balances acquired, accordingly, we were unable to determine whether any adjustments might be necessary to the amounts shown in the financial statements as paid-up share capital.

Disclaimer of Opinion

13. Due to the significance of matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on other legal and regulatory requirements

14. According to the order of Presidential Decree and as per the Memorandum of Agreement (MOA) issued by the Government of Maldives (GOM), through the Ministry of Finance and Treasury (MOFT), it has been agreed to transfer the title, interest and ownership of all the assets fully owned by GOM, registered in the name of Upper North Utilities Limited (UNUL), and transfer of the interest and ownership of all the liabilities fully liable by UNUL, to the name Fenaka Corporation Limited on 26 January 2014.

    However, the Company has acquired and transferred the said asset and liability balances of UNUL as at 01 January 2013.

04th May 2016

Hassan Ziyath
Auditor General

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FENAKA CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013 MVR	Five months ended 2012 MVR
Revenue	4	1,057,288,103	6,309,810
Cost of sales		(867,250,090)	(5,623,700)
Gross profit		190,038,013	686,110
Other income	5	8,115,895	44,430
Administrative expenses		(247,488,181)	(1,781,753)
Selling & Distribution expenses		(63,975)	-
Finance cost		(436,037)	-
Impairment Expenses	7	(55,586,396)	-
Loss before taxation		(105,420,681)	(1,051,213)
Taxation	8	-	-
Loss for the period		(105,420,681)	(1,051,213)

The accounting notes on pages 08 through 23 form an integral part of the financial statement.

FENAKA CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 MVR	2012 MVR
ASSETS			
Non-current assets			
Property, plant and equipment	9	552,574,596	3,245,985
Intangible Assets	10	374,075	-
Total non-current assets		552,948,671	3,245,985
Current assets			
Inventories	11	42,310,932	1,477,050
Trade and other receivables	12	331,505,037	5,075,466
Cash and cash equivalents	13	49,373,613	306,700
Total current assets		423,189,582	6,859,216
Total assets		976,138,253	10,105,201
EQUITY AND LIABILITIES			
Equity			
Share capital	14	210,893,134	-
Retained earnings		(106,471,894)	(1,051,213)
Total equity		104,421,240	(1,051,213)
Non-current liabilities			
Long term borrowings	15	535,185	-
Deferred income	16	372,649,692	-
Total non-current liabilities		373,184,877	-
Current liabilities			
Trade and other payables	17	498,532,136	11,156,414
Total current liabilities		498,532,136	11,156,414
Total equity and liabilities		976,138,253	10,105,201

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board by,

Name of the Director	Signature
MOHAMED NADHEEM	.....
MOHAMED NIMAL	.....

The accounting notes on pages 08 through 23 form an integral part of the financial statement.

31 March 2016
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FENAKA CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Share capital MVR	Retained earnings MVR	Total equity MVR
Balance as at 01 August 2012	-	-	-
Issued share capital	-	-	-
Loss for the period	-	(1,051,213)	(1,051,213)
Balance as at 31 December 2012	-	(1,051,213)	(1,051,213)
Issued and paid-up share capital - Utilities	115,642,201	-	115,642,201
Issued and paid-up share capital - Government	95,250,933	-	95,250,933
Loss for the year	-	(105,420,681)	(105,420,681)
Balance as at 31 December 2013	210,893,134	(106,471,894)	104,421,240

The accounting notes on pages 08 through 23 form an integral part of the financial statement.

FENAKA CORPORATION LIMITED
STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	2013 MVR	Five months ended 2012 MVR
Operating activities		
Loss before taxation	(105,420,681)	(1,051,213)
Adjustments to reconcile loss to net cash flows		
Non-cash adjustments		
Depreciation	50,196,912	69,822
Amortization of intangible assets	148,175	-
Operating loss before working capital changes	(55,075,595)	(981,391)
Working capital changes		
(Increase)/decrease in inventories	(40,833,882)	(1,477,050)
(Increase)/decrease in trade and other receivables	(326,429,571)	(5,075,466)
Increase/(decrease) in trade and other payables	487,375,722	11,156,414
Net cash flows from operating activities	65,036,674	3,622,507
Investing activities		
Acquisition of property and equipment	(599,525,523)	(3,315,807)
Acquisition of Intangible assets	(522,249)	-
Net cash flows from investing activities	(600,047,772)	(3,315,807)
Financing activities		
Proceeds from issuance of shares	210,893,134	-
Proceeds from borrowings	535,185	-
Deferred income	372,649,692	-
Net cash flows from financing activities	584,078,011	-
Net increase in cash and cash equivalents	49,066,913	306,700
Cash and cash equivalents at the beginning of the period	306,700	-
Cash and cash equivalents at the end of the period (Note 13)	49,373,613	306,700

The accounting notes on pages 08 through 23 form an integral part of the financial statement.

1. Corporate information

Fenaka Corporation Limited is a Company incorporated (C-0462/2012) and domiciled in the Republic of Maldives as a limited liability company since 01 August 2012 under the Companies Act No.10 of 1996 with its registered office at Ministry of Finance and Treasury, Ameenee Magu, Male', Republic of Maldives. The Company is 100% owned by the Government of Maldives.

Principal activities and nature of operations
The principal activity of the Company during the year includes, provision of supply of electricity, water and sewerage system, and cooking gas in the Maldives except in Greater Male' Atoll.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements are prepared on a historical cost basis. No adjustment is made for inflationary factors affecting these financial statements. The Financial Statements are presented in Maldivian Rufiyaa (MVR) and all values are rounded to nearest integral, except when otherwise indicated.

Acquisition of Utility Companies
By order of Presidential Decree and by issuing a Memorandum of Agreement (MOA), the Government of Maldives (GOM), through the Ministry of Finance and Treasury (MoFT) has transferred the title, interest and ownership of all assets fully owned by GOM, and has transferred the interest and ownership of all liabilities, registered in the following names to the name of Fenaka as at 7 January 2013.

a. Northern Utilities Limited (NUL)
b. Central Utilities Limited (CUL)
c. Upper South Utilities Limited (USUL)
d. South Central Utilities Limited (SCUL)
e. Southern Utilities Limited (SUL)

The balances acquired from aforementioned Utility Companies were incorporated to books of Fenaka as at 1 January 2013, owing to the nature and transactions subsequently recognized till 7 January 2013 deemed to be insignificant as per management judgement.

Similarly, by order of President Decree and by issuing a Memorandum of Agreement (MOA), the Government of Maldives (GOM), through the Ministry of Finance and Treasury (MoFT) has transferred the title, interest and ownership of all the assets fully owned by GOM, and has transferred the interest and ownership of all the liabilities fully liable, registered under the name of Upper North Utilities Limited (UNUL) to the name of Fenaka as at 26 January 2014.

When considering the transactions and events which have taken place during 2013, based on 'substance over form' the balances of UNUL were incorporated to books of Fenaka as at 1 January 2013.

2.2 Comparative information

Financial statements cover full year amounts for the period. The financial statement does not include comparable comparative information relating to the year 2012 to the income statement.

The financial statements comparable information has been reclassified for better presentation. Therefore the financial statements may, not be suitable for another purpose.

2.3 Significant accounting judgments and estimates

a. Judgments

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

b. Estimates

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

Conversion of foreign currencies
The Company's financial statements are presented in Maldivian Rufiyaa, which is the Company's functional and presentation currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3. Summary of significant accounting policies

a. Revenue recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

Rendering of services
Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

Revenue from electricity fees, water distribution fees, installation, repairs and connection fees are recognised at the time of provision of services.

Revenue from the sale of electrical equipment, water distribution equipment is recognised in the income statement when significant risks and rewards of the ownership have been transferred to the buyer.

Revenue from sale of LP gas cylinders is recognized in the income statement when significant risks and rewards of the ownership have been transferred to the buyer.

Revenue from equipment rental is recognised on accrual basis.

Other income
Other income is recognised on an accrual basis.

b. Expenditure recognition
Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the loss for the year.

c. Taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

d. Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met.

The cost of the self-constructed assets includes the cost of materials, direct labour cost and appropriate proportion of production overheads. The cost of property, plant and equipment acquired by the company includes cost of acquisition together with any incidental expenses incurred in bringing the assets to its working condition for the intended use.

When a major inspection of plant and machinery is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are met. Depreciation on property, plant and equipment of the Company is charged on a straight-line basis to write off the cost over the estimated useful life of the assets as follows:

Buildings	5%
Distribution equipment	8%
Water distribution equipment	15%
Generators and other plants	10%
Fuel storages	7%
Machinery	10%
Tools and other equipment	15%
Vehicles and vessels	15%
Furniture and fittings	15%
Computer and office equipment	20%

Depreciation is charged from the date asset put into use for operational activities. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

e. Intangible assets

Intangible assets that are acquired by the company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

f. Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of the business less the estimated cost of completion and the estimated cost necessary to make the sale.

The value of each category of Inventory is determined on weighted average cost (WAC) basis.

g. Financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets include cash and cash equivalents and trade and other receivables including receivables from related parties. The accounting policies for each financial asset are stated separately.

h. Receivables

Trade and other receivables and dues from related parties are recognized and carried at cost less impairment losses on any uncollectible amounts.

i. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash in hand.

Statement of cash flows is prepared in "indirect method". For the purpose of statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

j. Impairment of assets

The carrying amounts of the Company's assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflects current market assessments of the time value of money and the risks specific to the assets.

If there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years.

k. Financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the non-derivative financial liabilities such as trade and other payables, amounts due to related parties, amount due to island societies and loans and borrowings. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. The accounting policies for each financial liability are stated separately.

l. Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, are carried at cost.

Payables to related parties are also carried at cost.

m. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as non-current and current liabilities.

n. Government grants

Government grants are initially recognized as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant, and are then recognized in profit or loss as other income on a systematic basic over the useful life of the asset.

o. Liabilities and provisions

All known liabilities have been accounted for in preparing the financial statements. The materiality of the events occurring after the reporting date have been considered and appropriate adjustments and provisions have been made in the financial statements where necessary.

p. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

q. Employee benefits

Short-term employee benefit obligations of the company are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by employee and the obligation can be estimated reliably.

r. Liabilities

Liabilities classified as current liabilities in the statement of financial position are those, which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances, which fall due for payment after one year from the reporting date.

s. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

t. Capital commitments and contingencies

Capital commitments and contingent liabilities of the company are disclosed wherever appropriate.

	2013 MVR	Five months ended 2012 MVR
4 Revenue		
Business electricity	131,130,887	993,718
Business special electricity	94,350,434	517,175
Domestic electricity	644,896,784	3,785,216
Government electricity	183,707,760	1,013,701
Water distribution	1,621,639	-
LP gas cylinders	1,580,599	-
	1,057,288,103	6,309,810
5 Other income		
Subcontracted income	5,397,000	-
Interest income	695,184	-
Miscellaneous income	2,023,711	44,430
	8,115,895	44,430
6 Loss from operating activities		
Stated after charging,		
Personnel costs (6.1)	160,755,250	768,514
Directors' Emoluments	1,226,767	332,525
Depreciation and amortization	50,345,086	69,822
Travel and transport	5,410,082	-
Repair and maintenance	4,435,102	-
6.1 Personnel costs		
Salaries and wages	101,128,129	564,487
Staff allowances	56,000,849	204,027
Staff pension	3,626,272	-
	160,755,250	768,514

7 Impairment expenses

When the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. Such reduction is recognized as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The net assets of the 6 Utility Companies were obtained for a consideration of MVR. 115,642,201/-, as at 1 January 2013. Subsequent to the acquisition the Management has recognized the net assets recoverable amount is less than its carrying amount and have reduced the net assets amount to its recoverable amount and have recognized impairment losses to the current year statement of comprehensive income.

	Net Assets Acquired 01.01.2013 MVR	Recoverable Amount MVR	Impairment Expense Recognized 2013 MVR
Northern Utilities Limited (NUL)	(21,213,147)	36,723,483	(57,936,630)
Upper South Utilities Limited (USUL)	2,972,467	1,839,143	1,133,324
South Central Utilities Limited (SCUL)	(26,423,023)	(13,312,575)	(13,110,448)
Southern Utilities Limited (SUL)	116,341,226	(61,709,563)	178,050,789
Central Utilities Limited (CUL)	(3,699,709)	(2,171,569)	(1,528,140)
Upper North Utilities Limited (UNUL)	47,664,387	12,340,144	35,324,243
Amounts untraceable to specific Utilities (7.1)	-	86,346,742	(86,346,742)
	115,642,201	60,055,805	55,586,396

7.1 Amounts untraceable to specific utilities

The adjustment amount comprises of receivables from National Social Protection Agency (NSPA), receivables from households, businesses and government institutions and payables to Fuel Supplies Maldives (FSM).

8 Income tax expense	2013 MVR	Five months ended 2012 MVR
Tax on business profit (8.1)	-	-
Deferred tax on temporary differences (8.3)	-	-
Income tax expense reported in the income statement	-	-

(Continued)

8 Income tax expense (Continued)

8.1 Tax on business profit

Business Profit Tax Act No. 05/2011. A reconciliation between tax expense and the product of accounting profit multiplied by Maldives's domestic tax rate for the year ended 31 December 2013 is as follows:

	2013 MVR	2012 MVR
Loss before tax	(105,420,681)	(1,051,213)
Add: Depreciation charge for the period	50,345,086	69,822
Other disallowable expenses	60,875,472	381,658
Less: Capital allowances	(58,427,261)	(135,994)
Other allowable expenses	(3,983,471)	(49,133)
Taxable loss before adjustments	(56,610,854)	(784,860)
Apportioned loss	-	-
Less: Tax free allowance	(500,000)	(209,589)
Taxable loss	-	-
Income tax on taxable profit @ 15%	-	-

8.2 Tax loss carried forward

Loss carried forward from previous tax year	784,860	-
Tax loss for the year of assessment	56,610,854	784,860
At the end of the year	57,395,714	784,860

8.3 Deferred tax on temporary differences

The deferred tax is arrived at by applying the income tax rate of 15% to the timing differences as at 31 December 2013.

On accumulated tax losses	8,609,357	117,729
On property, plant and equipment	23,619,234	(9,926)
Deferred tax asset as at 31 December	32,228,591	107,803

The deferred tax asset resulting from carried forwarded tax losses has not been recognized in these financial statements since it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

FENAKA CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

9 Property, plant and equipment

9.1 Gross carrying amounts

Cost	Buildings MVR	Distribution Equipment MVR	Generation Equipment MVR	Fuel Storage Facilities MVR	Machinery and Equipment MVR	Tools and Equipment MVR	Motor Vehicles MVR	Communication
As at 1 January / 1 August	133,019	652,450	2,277,264	187,690	-	6,902	-	
Acquisitions on 01.01.2013	70,230,875	154,316,597	209,764,742	10,282,652	14,541,906	4,493,803	40,629,060	
Additions during the year	3,679,651	72,902	49,049,075	141,094	147,090	72,423	-	
Disposals during the year	-	-	-	-	-	-	-	
As at 31 December	74,043,545	155,041,949	261,091,081	10,611,436	14,688,996	4,573,128	40,629,060	

9.2 Depreciation

As at 1 January / 1 August	1,108	8,699	56,121	2,190	-	173	-	
Acquisitions on 01.01.2013	8,911,413	27,811,879	54,097,001	2,208,317	2,240,015	1,944,084	3,621,307	
Charged during the year	3,586,260	12,468,139	22,335,249	739,133	1,459,167	679,787	6,094,359	
Disposals during the year	-	-	-	-	-	-	-	
As at 31 December	12,498,782	40,288,717	76,488,370	2,949,640	3,699,181	2,624,043	9,715,666	

9.3 Net carrying value

As at 31 December 2013	61,544,763	114,753,232	184,602,711	7,661,795	10,989,814	1,949,085	30,913,394	
As at 31 December 2012	131,910	643,751	2,221,143	185,500	-	6,730	-	

9.4 Capital work-in-progress (Note 9.6)
Total carrying amount of property, plant and equipment

9.5 Property, plant and equipment has been acquired (net book value) to the company with effect from 01.01.2013 through Utilities in following manner.

Northern Utilities Limited	18,198,771	33,456,034	37,337,535	2,696,876	-	678,172	88,369	
Upper South Utilities Limited	8,012,248	22,692,197	17,832,464	864,585	-	597,206	12,310	
South Central Utilities Limited	882,976	186,981	3,216,297	58,568	10,883	6,820	-	
Southern Utilities Limited	8,935,747	38,261,607	47,250,300	910,065	-	433,730	36,884,406	
Central Utilities Limited	5,995,049	6,479,477	9,596,156	651,726	317,932	140,191	22,668	
Upper North Utilities Limited	19,294,671	25,428,422	40,434,989	2,892,516	11,973,076	693,600	-	
	61,319,462	126,504,718	155,667,741	8,074,336	12,301,891	2,549,719	37,007,753	

9.6 Capital work-in-progress (CWIP)	2013 MVR	2012 MVR
As at 1 January / 1 August	-	-
Acquisitions on 01.01.2013	131,168,703	
Expenditure incurred during the year	758,646	-
Transferred to property, plant and equipment	-	-
As at 31 December	131,927,349	-

10 Intangible assets

Cost		
As at 1 January / 1 August	-	-
Acquisitions on 01.01.2013	598,845	-
Additions during the year	292,538	-
Disposals during the year	-	-
As at 31 December	891,383	-
Accumulated amortization		
As at 1 January / 1 August	-	-
Acquisitions on 01.01.2013	369,133	-
Charge for the year	148,175	-
Disposals during the year	-	-
As at 31 December	517,308	-
Net carrying value	374,075	-

11 Inventories

Fuel stock	27,468,026	1,231,831
Lube Oil	2,374,912	-
Gas	1,572,935	-
Engineering, electrical and distribution spares	6,008,109	245,219
Tools and general items	4,886,950	-
	42,310,932	1,477,050

12 Trade and other receivables

Trade receivables	242,192,563	2,206,898
Subsidy receivables	62,859,277	2,787,478
Other receivables	24,203,731	-
Prepayment and advances	2,249,466	81,090
	331,505,037	5,075,466

13 Cash and cash equivalents	2013 MVR	2012 MVR
Cash in hand	6,584,630	306,700
Cash at bank	42,788,983	-
	49,373,613	306,700

14 Share capital

Authorised share capital		
1,000,000 ordinary shares of MVR 100/= each	100,000,000	100,000,000
Issued and fully paid		
2,108,931 ordinary shares of MVR 100/= each	210,893,134	-

15 Loans and borrowings

	HSBC MVR	STELCO MVR	Total MVR
Balance as at 01.01.2013	-	-	-
Transfers on acquisitions 01.01.2013	95,247,811	495,339	95,743,150
Interest charged during the year	-	39,846	39,846
Repayments during the year	(95,247,811)	-	(95,247,811)
Balance as at 31.12.2013	-	535,185	535,185

15.1 Hong Kong and Shanghai Banking Corporation Limited (HSBC)

SUL had obtained a loan of US$ 1,215,466/- From the Hong Kong & Shanghai Banking Corporation Limited at an interest rate of 3 LIBOR plus 12.5% p.a. As per the agreement with SUL it is repayable in 24 monthly installments commencing from 24th December 2011. Upon acquisition by Fenaka, the Company fully settled the loan on 31 August 2013.

15.2 State Electricity Company Limited (STELCO)

NUL had obtained a loan of MVR. 1,406,327/-, on 1 August 2010 from State Electricity Company Limited for the purpose of financing the project of upgrading Naifaru Power House. The loan carries interest at 8.5% and as per the agreement with NUL, it is repayable in twenty four monthly installments commencing from 31 January 2011. However, the balance amounting to MVR 535,185/-, was not settled by Fenaka as at 31 December 2013.

16 Deferred income	2013 MVR	2012 MVR
Non-current		
Government grants	372,649,692	-

(Continued)

16 Deferred income (Continued)

SUL was awarded a government grant (BiWater) in order to construct a sea water desalination plant in Hithadhoo and sea water desalination plant in Hulhumeedhoo. The grant is recognized as deferred income and will be amortized over the useful life of those plants.

17 Trade and other payables	2013 MVR	2012 MVR
Trade payables	387,629,198	-
Amounts due to related parties (17.1)	-	7,245,171
Amounts due to Island Society (17.2)	81,006,818	3,688,481
Accrued expenses	28,963,348	218,535
Other payables	932,772	4,227
	498,532,136	11,156,414

17.1 Amounts due to related parties

Southern Utilities Limited	-	6,280,782
South Central Utility Limited	-	964,389
	-	7,245,171

17.2 Amounts due to Island Society

As at 1 January / 1 August	3,688,481	-
Add: Assets transferred during the period	77,318,337	3,688,481
Less: Settlements during the period	-	-
As at 31 December	81,006,818	3,688,481

18 Capital commitments and contingent liabilities

The Company had no significant capital commitments approved or contracted as at for five months ended 31 December 2013.

19 Fair value of financial assets and financial liabilities

The fair value of short-term financial assets and liabilities approximate their carrying value because of their immediate or short-term maturity.

Directors believe that the fair value of long-term financial assets and liabilities would not differ significantly from their carrying amount recorded in the statement of financial position.

20 Events after the reporting date

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

21 Risk management objectives and policies

The Company's principle financial liabilities comprise trade and other payables including payables to related parties. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has financial assets such as trade receivables and cash in hand, which arise directly from its operations. The main risks arising from the Company's financial instruments are foreign currency risk, liquidity risk and credit risk. The policies for managing each of these risks are summarised below.

21.1 Foreign currency risk

The Company has transactional currency exposures. Such exposure arises from sales, purchases in currencies other than the Company's functional currency. The Company enters into transactions in Maldivian Rufiyaa whenever possible. When a transaction is entered in a currency other than Maldivian Rufiyaa, the Company uses fixed conversion rates, to avoid the adverse affects of currency fluctuations.

21.2 Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest bearing loans, bank overdrafts and related party borrowings. As a part of its overall prudent liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet its working capital requirement.

21.3 Credit risk

Credit risk is the possibility that counter-party will not fulfil its contractual obligation, resulting in a financial loss. The Company provides services to domestic households, businesses and government based organizations, to which the receivable balances are monitored on an on going basis with the result that the Company's exposure to bad debts is not significant.

21.4 Capital management

The Board's policy is to maintain strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

22 Key management compensation

Key management includes directors (executive and non-executive) and senior management employees. The compensation paid or payable to key management for employee services is shown below:

	2013 MVR	2012 MVR
Salary and allowances	1,312,640	

23 Related party transactions

In the normal course of its operations, the Company enters into transactions with related parties. Related parties include the Republic of Maldives (Represented by Ministry of Finance and Treasury as the ultimate owner of the Company) various government departments, and State Owned Entities.

Name of the related party	Relationship	Payable / (receivable) balance as at 01.01.2013 MVR	Transfer in MVR	Transfer out MVR	Payable / (receivable) balance as at 31.12.2013 MVR
South Central Utilities Limited (SCUL)	Government affiliate	(964,389)	263,728	700,662	-
Southern Utilities Limited (SUL)	Government affiliate	(6,280,782)	900,000	5,380,782	-
Ministry of Finance and Treasury (MoFT)	Government affiliate	(69,856,102)	(95,250,924)	165,107,026	-
National Social Protection Agency (NSPA)	Government affiliate	90,178,453	(443,064,763)	415,745,588	62,859,278
State Electric Company Limited (STELCO)	Government affiliate	(44,966,890)	-	44,431,704	(535,186)
Fuel Supplies Maldives (FSM)	Government affiliate	(129,589,079)	(383,616,296)	230,930,569	(282,274,807)
		(161,478,789)	(920,768,256)	862,296,331	(219,950,715)

24 Reclassification

Salary cost for power plants was previously recorded under cost of sales and is now reclassified as administration

	As reported previously MVR	Reclassification MVR	Current presentation MVR
Cost of sales	5,972,822	(349,122)	5,623,700
Administration expenses	1,432,631	349,122	1,781,753
	7,405,453	-	7,405,453

FENAKA CORPORATION LIMITED
DETAILED STATEMENT OF EXPENSES
For the year ended 31 December 2013

		2013 MVR	Five months ended 2012 MVR
I	Cost of sales		
	Cost of diesel	806,173,348	5,319,386
	Cost of lube oil	12,914,062	102,177
	Cost of spares	46,688,242	202,137
	Cost of gas cylinders	1,474,438	-
		867,250,090	5,623,700
II	Administration expenses		
	Directors remuneration	1,226,767	257,400
	Directors allowance	-	75,125
	Salaries and wages	101,128,129	913,610
	Staff allowances	56,000,849	204,028
	Staff pension	3,626,272	49,133
	Professional fee	944,741	207,279
	Depreciation	50,196,912	69,822
	Amortization	148,175	-
	Subcontracted expenses	3,313,045	-
	Repair and maintenance	4,435,102	-
	Insurance expenses	34,516	-
	Rent expenses	3,142,723	-
	Travel and transportation	5,410,082	-
	Annual registration fee	14,000	1,333
	Printing and postage	1,987,474	-
	Office Supplies	722,517	-
	Utility charges	8,366,337	-
	Security charges	183,881	-
	Custom duty and clearance	1,347,437	
	Bank charges	193,946	-
	License and permits	37,162	-
	Work visa expenses	1,500	-
	Fine expenses	80,524	-
	Compensation expenses	482,194	-
	Miscellaneous expenses	4,463,896	4,023
		247,488,181	1,781,753
III	Selling and distribution expenses		
	Advertising and publishing	63,975	-
IV	Finance cost		
	Interest expenses	436,037	-

AUDITOR GENERAL'S OFFICE

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